ORANGE WATER AND SEWER AUTHORITY

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

AGENDA
WORK SESSION OF THE OWASA BOARD OF DIRECTORS
THURSDAY, MAY 14, 2015, 6:00 P.M.
OWASA COMMUNITY ROOM

The Board of Directors appreciates and invites the public to attend and observe its meetings. For the Board's Work Session, public comments are invited on only items appearing on this agenda. Speakers are invited to submit more detailed comments via written materials, ideally submitted at least three days in advance of the meeting to the Clerk to the Board via email or US Postal Service (aorbich@owasa.org/400 Jones Ferry Road, Carrboro, NC 27510).

Public speakers are encouraged to organize their remarks for delivery within the three-to-five minute time frame allowed each speaker. Additional time may be allowed at the discretion of the Board of Directors.

The Board may take action on any item on the agenda.

Announcements

a. Announcements by the Chair
   - Any Board Member who knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight is asked to disclose the same at this time.

b. Announcements by Board Members
   - Update on April 28, 2015 Natural Resources and Technical Systems Committee Meeting (Terri Buckner)
   - Update on the May 14, 2015 Community Engagement Committee Meeting (Steve Dear)

c. Announcements by Staff

Discussion

1. Employee Health and Dental Insurance Renewal for Fiscal Year 2016 (Stephanie Glasgow/Ellen Tucker, Hill Chesson & Woody)
2. Review Draft Consultant Scope of Work for the Advanced Meter Infrastructure Feasibility Study (Todd Taylor/Don Schlenger, Don Schlenger and Associates, LLC)
3. Review Information and Options for Employee Merit Pay for Fiscal Year 2016 (Stephanie Glasgow)
4. Appointment of the Nominating Committee (John Young)
5. Discuss Board Self-Assessment (John Young)
6. Request(s) by Board Committees, Board Members and Staff (John Young)
7. Review Board Work Schedule (John Young/Ed Kerwin)
   a. 12 Month Board Meeting Schedule
   b. May 28, 2015 Public Hearing and Board Meeting
   c. June 11, 2015 Work Session

Summary of Work Session Items

8. Executive Director will summarize the key staff action items from the Work Session

CLOSED SESSION

9. Following the Board Meeting, the Board of Directors will convene in a Closed Session for the Purpose of Discussing a Personnel Matter (Michael Hughes)

Agenda Item 1:

Employee Health and Dental Insurance Renewal for Fiscal Year 2016

Purpose:

Presentation from Hill, Chesson & Woody to generate Board discussion and guidance to staff regarding Employee Health and Dental Insurance beginning July 1, 2015.

Background:

The Orange Water and Sewer Authority (OWASA) began using the firm of Hill, Chesson & Woody in April 2014 to manage benefit plans and negotiate premiums for Employee Health, Dental, Life, Dependent Life, Accidental Death and Dismemberment (AD&D) and Long Term Disability (LTD) Insurance.

The current Employee Health and Dental Insurance contracts expire on June 30, 2015 while contracts for Life, Dependent Life, AD&D and LTD conclude on June 30, 2016.

The Board has received several presentations from Hill, Chesson & Woody with the most recent being April 9, 2015 where the renewal proposal from Blue Cross and Blue Shield of North Carolina represented an increase of 27.6% in Health premiums and a decrease in Dental premiums by 8.8%.

Information:

Ellen Tucker from Hill, Chesson & Woody will be presenting information and options for renewal that include:

- Plan design changes (Office visit co-pays, deductibles, co-insurance)
- Changes to OWASA Contribution for Dependent Health Coverage

Agenda Item 2:

Review Draft Consultant Scope of Work for the Advanced Meter Infrastructure (AMI) Feasibility Study

Purpose:

To solicit feedback from the Board of Directors on the proposed draft scope of work for our consultant, Don Schlenger and Associates (DS&A), to complete an AMI feasibility study. Subject to Board concurrence, staff will finalize the scope and contract, and issue a notice to proceed to the consultant.

Background:

In November 2014, OWASA issued a request for qualifications from consulting firms interested in conducting an AMI feasibility assessment. OWASA received statements of qualifications from 11 firms. In February 2015, the selection panel (which included the Town of Cary's Director of Finance) interviewed five firms and unanimously selected DS&A as the most qualified firm.

Dr. Schlenger is a nationally-recognized authority on AMI and will serve as DS&A's project manager for the project. In addition to others, DS&A's team includes Linda Vaughn (customer service consultant and former OWASA Customer Service Manager) as the Customer Service and Communications subject matter expert.

Over the past couple of months, OWASA staff has worked closely with DS&A staff to develop the attached draft scope of work for the AMI Feasibility Study.

Action Requested:

Provide feedback on the draft scope of work for incorporation into the final scope of work. If the Board concurs with the draft scope as presented, staff will proceed to engage DS&A for this work. If the Board requests additional information or revisions, staff will present the revised draft scope for consideration by the Board of Directors at the May 28, 2015 Business Meeting.

Staff and Counsel does not believe a formal resolution of approval is needed for this matter.

Information:

- Draft Scope of Work for OWASA's AMI Feasibility Study
- OWASA AMI Feasibility Process Flowchart

OWASA AMI PROJECT – SCOPE OF WORK

Phase 1. Feasibility Study

The purpose of this study is to evaluate the feasibility and relative advantages and disadvantages of installing a system-wide advanced metering infrastructure (AMI) system within OWASA's service area versus other options including: continuing with current meter reading methods, completing the installation of a system-wide mobile automatic meter reading (AMR) system, or installing a system-wide hybrid AMI/AMR system. The conclusions and recommendations of the study will be used to inform and support OWASA's decision on alternatives.

The key areas to be addressed in this study include:

- The capabilities of AMI to provide operational and customer service improvements, such as near real-time water consumption reporting.
- The economic benefits and costs of alternative meter reading technologies and strategies compared to OWASA's current methods, including the key assumptions used in the analysis.
- The impacts of these alternatives on OWASA's customer service, the environment, and other areas of indirect or non-economic benefits and costs compared to current meter reading methods.
- The potential impact of alternative technologies and strategies on OWASA's rates, fees, and charges.
- The availability of multiple AMI/AMR systems meeting OWASA's needs that would enable it to select a responsible vendor/contractor through a fair, open, and competitive process.
- The likely schedule to acquire and deploy a metering system, including key milestones and decision/approval points for the Board and staff.
- The factors critical to the success of an advanced metering system project, based on the experiences at other water/wastewater utilities that succeeded or had disappointments with projects of similar size and scope.
- An assessment of these critical success factors at OWASA, including cooperation from key stakeholders, and availability and capacity of OWASA resources to adequately support the project, and recommendations concerning any gaps.
- The probability of the project's social, economic, and environmental objectives being realized.
- The risks an advanced metering project poses to OWASA, and required mitigation strategies.
- System performance limitations unique to OWASA that might impact project cost or success.
- Recommendations as to whether OWASA should proceed with an AMI or AMR project, and under what circumstances.

Task 1. Kickoff Meeting, Project Information Gathering and Analysis

Immediately following the notice to proceed, Don Schlenger and Associates, LLC (DS&A) will hold a half-day organizational meeting with OWASA managers and the Advanced Metering Infrastructure (AMI) Feasibility Study core team to review project scope, deliverables, schedule, reporting relationships and data gathering. We will discuss sensitivities and issues that need to be addressed during the project. We will identify OWASA staff to be interviewed (Task 3) and establish an interview schedule.

Since AMI systems can impact many employees and processes, and given the fact that OWASA staff may be exposed to a significant amount of information (from vendors, for example), it is important that all persons who are potentially affected by the project be informed at the beginning of the project, have an opportunity for input, and receive periodic updates. To help manage project communications with OWASA, we will develop a Phase 1 Communications Plan to establish points of contact, suggested messages to stakeholders, input and feedback channels, data and document sharing protocols and repositories, procedures for documenting meetings, and communications methods, balancing formality with efficiency and timeliness. A draft of the Phase 1 Communications Plan will be reviewed with the OWASA core team and revised as needed.

Immediately following a notice to proceed, we will provide a request for background information which will be used as input for the process analyses and the economic and financial analysis. This request would cover OWASA's current meter reading and customer service technologies, processes and policies; customer and service area growth projections; other information systems; meter populations and meter management; workload and performance statistics; conservation and resource management; nonrevenue water programs; distribution system operations; and the capital improvement plan. We will review the data request with OWASA staff to understand what information is readily available and what needs to be compiled, identify who will compile it, and establish a timetable.

The information request will include meter accuracy testing data. To the extent that additional meter testing data needs to be collected, we will discuss meter sample size, testing protocols, and target date for completion of that work by OWASA.

At this meeting we will also discuss the requirements, options and constraints for siting AMI data collection units (DCUs), and the information required to evaluate the options.

Following this meeting, DS&A will create a revised project plan and schedule based on input from the meeting.

Deliverables: *Organizational meeting; project plan; Phase 1 Communications Plan; list of interviewees and interview schedule; information request*

Task 2. Information Analysis and Interviews

After compiling and reviewing the background information provided by OWASA, DS&A staff will conduct a one-hour introductory meeting with OWASA staff to review the feasibility study, establish some ground rules, and address general questions. Following the meeting we will conduct 8 to 10 individual hour-long interviews with managers or representatives of OWASA's functional areas that would likely be impacted by an AMI system, including meter reading, billing and customer service, Information Technology (IT), engineering, distribution operations and meter maintenance. Interviews may also include representatives from human resources, finance, and public affairs. The OWASA core team may suggest other areas (see Task 1). These interviews are designed to clarify the background information provided by OWASA and identify individual issues and needs, future visions of customer service, organizational requirements and sensitivities, and benefits and problems associated with current meter reading systems. The information and interviews will help us assess the feasibility, and potential benefits and costs, of alternative AMI strategies.

Deliverables: *Introductory meeting*

Task 3. Findings and Technology Review Workshop

Following the interviews, DS&A will prepare and conduct a one-day workshop with the core team, interviewees and other interested OWASA staff and Board. DS&A will document the workshop and consolidated interview findings.

Part 1. Interview findings. In the first half of the workshop, the discussion will focus on the consolidated observations from the interviews to make sure all issues and needs have been captured, understood and clearly stated. DS&A will review OWASA's corporate strategies, customer service goals, and existing constraints, such as workforce challenges and capital requirements.

Part 2. Technology and strategy review workshop. In the second half of the workshop, DS&A will review with attendees:

- Various AMR and AMI technologies, and their relative advantages and disadvantages in the context of OWASA's operating environment;
- Current marketplace, including trends and emerging technologies;
- Standards and meter interoperability;
- Communications and data backhaul systems;
- Advances in meter technologies, including electromagnetic and ultrasonic meters;
- Customer service and other applications enabled by AMI/AMR, their data requirements, and characteristics of AMI/AMR data (frequency, resolution, etc.);
- Meter data management systems, customer portals, and integration with billing and other IT systems;
- AMI-based acoustic leak detection and other emerging technologies;
- Implementation and deployment strategies; and
- Hosting and managed services.

Based on these workshops, we will prepare a brief technology assessment report discussing AMI and AMR technology and related considerations for OWASA. We will also develop a memorandum presenting observations and preliminary recommendations, and proposing key strategic alternatives to evaluate using the benefit/cost model developed for this study. After review by OWASA staff, we will revise these as necessary.

At this point, we will participate in an interim update to OWASA's Board on the interview findings, available technologies, and recommendations of alternative strategies to be examined in further detail.

Deliverables: Findings and technology workshop; consolidated interview findings; technology assessment report; memorandum on strategies for further evaluation

Task 4. Business Process Review

With OWASA staff, we will identify major metering and customer service processes (e.g., on-cycle meter reading, high bill investigations, move-ins and move-outs, collections, leak detection and notification) to be modeled in workshops as well as identify workshop participants and develop a schedule.

One or more DS&A team members will lead participants in four half-day workshops. The first part of each workshop will review the existing process, including work volumes and policies. Following the process review, we will discuss potential process redesign with AMI, identifying opportunities to streamline operations and enhance service while reducing workload. The process review and re-design discussions will focus on current and anticipated future data requirements and information flow, and provide a foundation for the business case analyses.

The project team's assessment of potential savings from AMI/AMR-based process improvements will enable DS&A to suggest organizational and staffing adjustments. The adjustments might include reassigning staff and re-engineering certain functions (e.g., field service). Staffing in other functions, such as leak detection and IT, might increase with AMI. DS&A will document each workshop with notes that include process flowcharts, an assessment of potential benefits and workload savings. These will be reviewed with the OWASA core team and revised as necessary.

Deliverables: 4 workshops; workshop summaries, including process modeling documentation and benefits/workload savings

Task 5. Meter Assessment

Meter accuracy declines over time, and installing AMI/AMR while replacing meters presents economies of scale. OWASA may choose to replace some meters early to synchronize the age of the meters and the AMI/AMR equipment for current and future replacement. New technologies have recently been introduced to the small water meter market that promise longer life and higher accuracy over a wider range of flows, potentially complicating the analysis. Meter resolution (that is, the smallest increment transmitted) is important to certain AMI/AMR applications.

DS&A will review OWASA's meter population, testing, and replacement schedules, as well as sample meter performance to include in the economic models of alternatives. We will prepare for and conduct a half-day workshop with OWASA's staff covering its meters and meter management and their implications for AMI/AMR. We will prepare a draft memorandum incorporating recommendations for meter procurement, retrofit, and replacement. This draft memorandum will be revised based on the benefit/cost analyses and will be incorporated into the feasibly study report.

Deliverable Draft memorandum on meter management

Task 6. Information Technology Evaluation

AMI must integrate with other OWASA systems, including its Customer Information System (CIS) and/or the asset management system to function properly and track and synchronize essential data. During installation, an AMI system needs to interface with these systems to uniquely associate AMI devices with meters at particular locations. The CIS must know when meters are changed from one reading system to another; if some meters are retrofitted with new registers, register identification (ID) numbers may be different from meter base ID numbers. For off-cycle reads, the CIS may request current or prior readings instead of generating work orders. The meter data management system (MDMS) and the customer portal are key to providing insightful information to customer service representatives (CSRs) and customers. OWASA might want to develop a more robust method for linking consumption information to production information to better monitor non-revenue water. Achieving the full benefit of an AMI system requires integrating the AMI and meter reading database with other OWASA information systems.

In a half-day workshop, DS&A with OWASA's IT staff will review the existing information system architecture and objectively assess the compatibility and capacity of OWASA's existing billing and other systems to interface with AMI/AMR technologies and accommodate AMI/AMR project requirements. We will identify areas that must be modified for an AMI system.

With OWASA staff, we will create a provisional application development roadmap and an AMI integration scheme. This effort is not meant to specify OWASA's information technology architecture, but rather to suggest directions, future needs and level of effort. A discussion of the system integration challenges and opportunities, as well as decisions that have to be made, will be included.

We will compile workshop notes and prepare a brief memorandum covering suggested integration requirements and a provisional application development roadmap. After review by OWASA staff and revision, this will be incorporated into the feasibility study.

Deliverables: AMI/IT workshop; workshop notes; draft memorandum on IT requirements and roadmap

Task 7. Business Case Economic and Financial Analysis

Based on the business process analyses and review of OWASA data, DS&A will develop an Excel-spreadsheet benefit/cost model of the major scenarios developed in Task 3. Possible scenarios include AMR and AMI, with options for speed of deployment and owned versus hosted systems. The models will incorporate several components:

- Capital costs include new meters or registers, salvage of old meters, radio transmitters at the meters, data collection units, control hardware and software, MDMS and customer portal, software integration and configuration, meter box lids and connectors, installation and project management, communications and public relations, core application development, personnel displacement costs, and other incidental costs.
- System operating and maintenance (O&M) costs include power, backhaul communications, software licensing, application management, system operators, field service and inspections.
- Direct savings from AMI/AMR generally include reductions in labor, vehicles, supplies and overheads; reductions in leak adjustments, arrears and bad debts; and enhanced revenue recovery through increased meter accuracy. Other savings and costs may be related to distribution system leak management, capital construction programs, and water conservation programs.
- OWASA may want to consider acoustic leak detection as part of the business case. Virtually all water AMI systems can support acoustic leak detectors (ALDs). Depending on OWASA's existing leak detection program and main repair costs, ALD deployment may have a good payback.
- Discounted net cash flow. The stream of costs and savings affects cash flow. The model will calculate cash flow in each year of the planning horizon, net present value discounted at a rate tied to the utility's cost of capital, payback period, and internal rate of return for each strategy alternative.
- Financing costs and rate impacts. The capital requirements in each year of the planning horizon will be estimated. DS&A will work with OWASA's finance staff to develop estimates of the impact of alternative metering system strategies on revenue requirements and customers' bills.

DS&A may incorporate additional contributors to economic benefits and costs identified with OWASA staff. Sensitivity analysis can be performed on the most significant parameters (unit costs, savings penetration, improved meter accuracy, the starting date, discount rate, inflation, etc.) to consider risks and test robustness.

DS&A will prepare a draft write-up of the model. The cost/benefit analyses will be reviewed in a one-day workshop. Based on comments from OWASA's team, DS&A will revise the analyses where appropriate. The model and analyses will form the core of the feasibility study report.

There are some areas where benefits to the utility are hard to quantify, such as using AMI data to help manage non-revenue water by monitoring the total water being consumed in portions of the distribution system ("district metered areas"). DS&A will work with OWASA's staff to identify the potential benefits in these areas to OWASA.

At this point DS&A will participate in an interim update to the OWASA Board of the benefit/cost analyses of key alternative scenarios.

Deliverables: *Multi-period benefit/cost models; draft write-up of benefit/cost models; model review workshop; workshop summary*

Task 8. Non-Economic Benefits and Costs

While economic/financial models focus on hard, direct costs and benefits, AMI/AMR creates indirect and "soft" benefits and costs, such as enhanced customer satisfaction and confidence, and reduced environmental impact (for example, less wasted water, and with fewer vehicle miles driven, a reduction in greenhouse gas emissions).

As part of the feasibility study, DS&A will include an explicit review of the external and non-economic factors, using a Triple Bottom Line approach, identifying indicators for each component (social, environmental, customer service, employee development, etc.). DS&A will describe and evaluate the significant direct and indirect impacts of AMI/AMR strategies in these areas, focusing on the relevant indicators. DS&A will use existing baselines, if available. For example, if OWASA has established the quantity and/or unit cost of greenhouse gas emissions from its field service vehicles, DS&A will focus on the change in that parameter (e.g., from reducing vehicle miles) from current practices, as well as the avoided cost of alternatives. Immediately following the economic analysis workshop, DS&A will facilitate a half-day workshop to develop consensus on priorities and assumptions.

DS&A will develop a draft memorandum on covering non-economic and indirect benefits and costs. After review and revision with OWASA staff, its contents will be incorporated into the Feasibility Study report.

Deliverables: *Workshop on non-economic benefits and costs; draft memorandum*

Task 9. Risk Assessment and Organizational Readiness

AMI/AMR projects require significant capital investment, deliver mission-critical information, and have long service lives. They also can affect revenue and rate requirements, billing accuracy and timeliness, and other customer service functions. Risk assessment and management is an essential part of a complete business case analysis. Risk planning must address both technological risks (e.g., excessive failure rates) and business risks (e.g., lack of stakeholder buy-in). As part of the business case, DS&A will develop a risk analysis of recommended technology and deployment strategies, identifying potential risks at each stage in the project, their likelihood, cost, and suggested risk management strategies (mitigation, prevention, or acceptance).

Based on our experience working with water utility organizations, DS&A has identified several key factors that impact project success; these include strong executive sponsorship, strong project leadership,

willingness on the part of the employee base to change, and the relative ease with which the organization can be restructured and jobs and responsibilities changed. Other key issues include whether there are other pressing needs for capital or human resources, impending retirements or turnover of key staff, other priority projects, or unusual political sensitivities. From its understanding of OWASA's circumstances based on interviews and data gathering, interactions with key employees, and the use of an organizational readiness assessment survey, DS&A will provide an assessment of OWASA's circumstances and readiness to take on an AMI project as part of the risk assessment.

In a half-day workshop, DS&A will review the risk assessment and risk management strategies, as well as critical success factors, with OWASA staff. Following the workshop, DS&A will develop a draft memorandum on risk assessment and organizational readiness, to be reviewed and revised with OWASA staff. This will be incorporated into the Feasibility Study report.

Deliverables: Workshop on risks and organizational readiness; draft memorandum

Task 10. Implementation Considerations

Implementing AMI/AMR requires coordination of thousands of work orders with customer service and billing operations, ensuring the integrity of the information created during AMI/AMR deployment and managing numerous dimensions of project deployment. The implementation plan must cover three overlapping phases: pre-installation, installation and systems operation and maintenance. Several OWASA departments or functional areas will be involved.

Successful AMI/AMR implementation planning includes several coordinated "sub-plans." The list includes:

- A project schedule and management plan to govern contract management, field inspection, troubleshooting, data audit and acceptance testing;
- A network deployment plan (AMI only);
- An installation control system to ensure data is captured correctly and vendors' invoices are correct;
- A human resources plan to manage the transition of employees in connection with the project;
- A project staffing plan;
- A meter reading transition plan to ensure all meters are read smoothly as routes are converted to AMI/AMR;
- A communications plan for customers, employees, other stakeholders and the general public;
- An IT integration plan;
- A training plan for all utility employees involved in installation, managing contractors, operating and maintaining the system, dealing with customers during installation and using the system data; and
- Policy and procedure review, to ensure OWASA has the policies and procedures in place to ensure effective AMI/AMR deployment such as compelling access or repairs, handling inactive or delinquent accounts, and reconciling consumption concerns as old meters are replaced.

DS&A will prepare a draft implementation considerations memorandum, including recommendations. The memorandum will be reviewed with OWASA staff in a half-day workshop, and revised as needed. It

should be understood that implementation plans will ultimately be determined by the strategies chosen by OWASA (such as which project components are to be hosted or managed by a vendor or third party) and negotiations with the chosen vendor(s).

Deliverables: Implementation planning workshop notes; draft memorandum on implementation

Task 11. Feasibility Study Report and Presentation

DS&A will compile the components developed in the above tasks into a draft AMI Feasibility Study report. The report will include recommendations as to the best course of action for OWASA based on the business case evaluations and an assessment of OWASA's readiness to address those critical success factors. While the draft Feasibility Study report is being reviewed by OWASA staff, DS&A will draft a PowerPoint presentation covering the report to be presented to the OWASA Board and other stakeholders.

We will review the draft report and presentation with OWASA staff in a half-day workshop. During the workshop, DS&A will discuss methods and messages to communicate the findings and recommendations in the report to OWASA's various stakeholders.

Based on the workshop discussion, DS&A will revise the report and presentation. OWASA's staff will draft (a) proposed core messages for stakeholder communications, and (b) frequently asked questions (FAQs) and responses, and DS&A will review and comment on those materials.

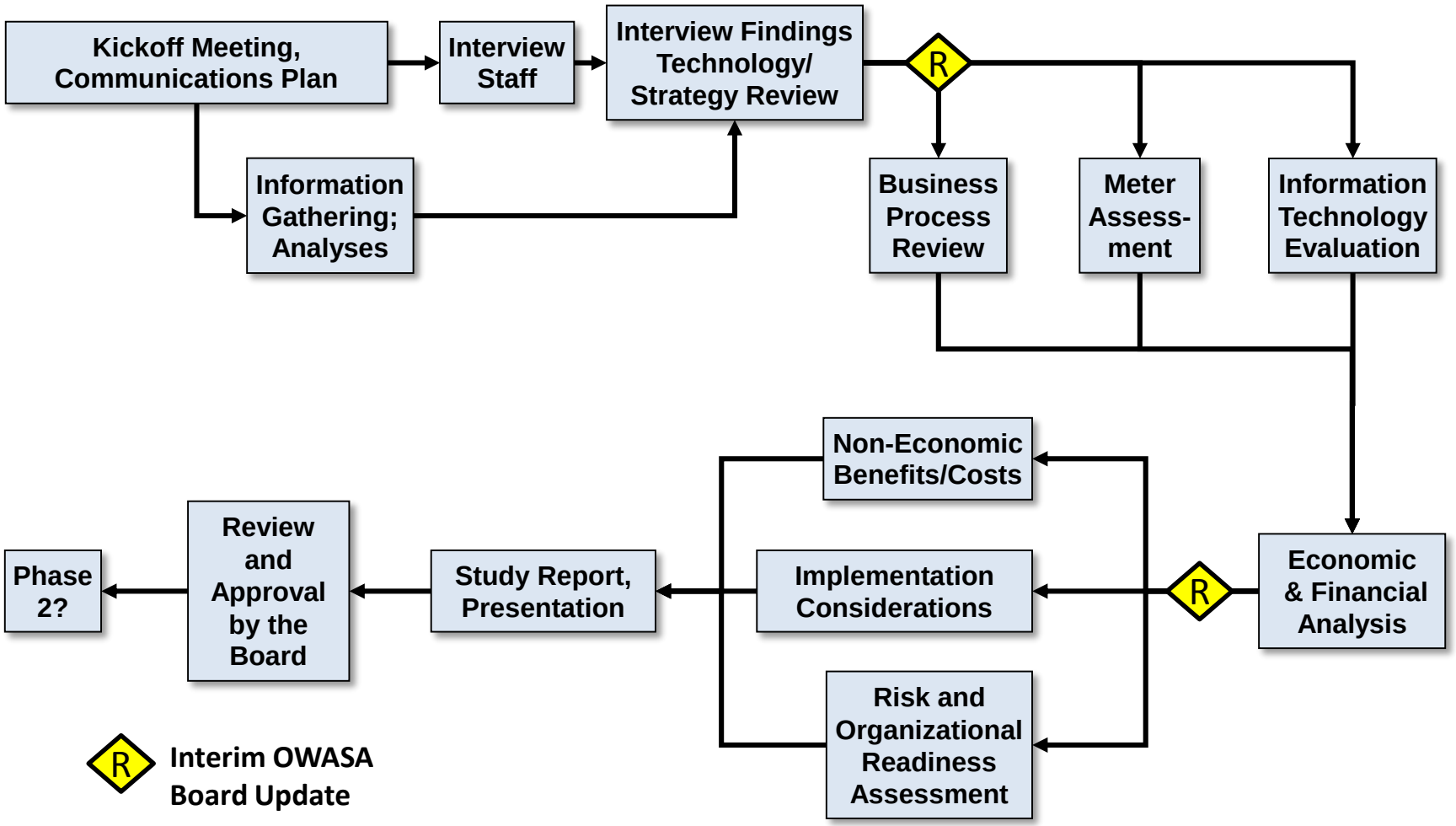
DS&A will help OWASA staff prepare for a presentation to the Board, and be on hand to participate in a presentation to the OWASA Board of Directors and accompanying discussion.

DS&A will make modifications to the draft final report as needed based on feedback from the Board.

Deliverables: Draft Feasibility Study report; draft PowerPoint presentation of Feasibility Study; report review workshop; draft memorandum on implementation; revised report and presentation.

DRAFT

OWASA AMI Feasibility Process Flowchart



DS&A

Agenda Item 3:

Review Information and Options for Employee Merit Pay for Fiscal Year 2016

Purpose:

To provide the Board of Directors information to make a decision on employee pay adjustments, if any, for Fiscal Year 2016.

Background:

Last year, the Board agreed to make the decision on employee compensation adjustments as part of the annual budget development process.

The attached information was e-mailed to the Human Resource Committee for review and comment on April 28, 2015.

A decision on Employee Merit Pay for Fiscal Year 2016 is requested at the June 11, 2015 Board meeting.

Information:

Information and Options for Employee Merit Pay for Fiscal Year 2016

Purpose

To provide the Board of Directors information to make a decision on employee pay adjustments, if any, for Fiscal Year (FY) 2016.

Background

Last year, the Board decided to make the decision on employee compensation adjustments as part of the annual budget development process. Staff has prepared the following information to assist the Board in its decision. As noted in the April 9, 2015 Board Work Session, this information was e-mailed as a draft to the Human Resource Committee on April 28, 2015.

If approved, pay range adjustments and merit pay increases normally go into effect in November.

Administration of Employee Compensation Increases

The 2012/13 classification and pay study (Study) included recommendations for maintaining a market-based pay structure and for implementing employee compensation increases.

Cost of Labor Adjustments to OWASA's Pay Structure

The Study recommended that our pay structure be adjusted annually in proportion to movements in the labor market.

> "The percentage allocated for future adjustments to the pay structure will be based on movement of salaries in the market. For example, if salaries have increased on average by two percent (e.g., Cost of Labor equals two percent), the salary structure would need to be adjusted upward by two percent, to maintain OWASA's position relative to the market. This would be accomplished by moving the entire structure by two percent. If the pay structure moves, all employees' salaries in the structure should move a minimum of the same amount to avoid compression."

Merit Pay Adjustments

Our performance management system provides four overall ratings for employee performance:

- Exceptional
- Successful
- Needs Improvement
- Unsuccessful

Only employees with Exceptional or Successful performance ratings are to receive an increase in compensation. Regarding increases for employees receiving an Exceptional or Successful rating, the study states that the amount recommended for merit increases:

> "Should be based on data collected through a market review. Data can be collected from benchmark organizations to determine the average budgets for merit pay increases or data

from WorldatWork[1] can be used to determine the acceptable increases that should be allocated." It further states, "It is recommended that employees receiving "Exceptional" ratings should receive a percent increase of at least twice the level of the increase for a "Successful" rating."

Market Analysis

Based on the most recent WorldatWork survey data available (which is the same data used in the fall of 2014), for the calendar year 2015, merit increases are projected to be from 1.6% to 3.1%. (See attachment for WorldatWork survey data.)

The following table shows planned compensation increases for local entities.

Entity	Merit	Cost of Labor
City of Durham	3-3.5%	N/A
Town of Cary	4%	N/A
Town of Hillsborough	3.25%	N/A
Cape Fear Public Utility	2.5%	1.5%
Town of Chapel Hill	TBD	TBD
Town of Carrboro	TBD	TBD
Orange County	TBD	TBD

Compensation Increases Scenarios

OWASA's current pay administration guidelines, recommended by the Study, state that employees rated as Exceptional and Successful are eligible for merit increases: Exceptional at a rate of twice that awarded to Successful. Last year, the Board opted to award employees rated Exceptional a merit increase of 50% higher than the increase awarded to employees rated Successful. The scenarios below are based on these two approaches.

The following table summarizes the approximate amount of the impact on wages expense of a range of merit increase scenarios.

[1] WorldatWork (www.worldatwork.org) is a nonprofit human resources association for professionals and organizations focused on compensation, benefits, work-life effectiveness and total rewards.

Merit Increase %	1.5%	2.0%	2.5%	3.0%
Employees rated Successful	$94,200 1.5%	$125,600 2.0%	$157,000 2.5%	$188,300 3.0%
Option 1 Employees rated Exceptional (50% higher than Successful)[2]	$16,100 2.25%	$21,500 3%	$26,900 3.75%	$32,200 4.5%
Option 2 Employees rated Exceptional (2 times higher than Successful)[2]	$21,500 3.0%	$28,700 4.0%	$35,800 5.0%	$43,000 6.0%
Option 1 **Total impact on wages expense**	**$110,300**	**$147,100**	**$183,900**	**$220,500**
Option 2 **Total impact on wages expense**	**$115,700**	**$154,300**	**$192,800**	**$231,300**

Preliminary Fiscal Year 2016 Budget

The preliminary Fiscal Year 2016 budget includes a placeholder for a merit increase of 3% of wages or about $200,000.

Pay-range Market Adjustment

Based on the Cost of Labor information from WorldatWork, our pay-ranges should be adjusted from between 1.5% to 2.5%. This adjustment does not result in a raise for employees unless an employee's compensation, after application of the range adjustment, is below the minimum salary for his or her pay classification.

The following table shows the approximate number of employees who would receive an increase in compensation to bring them to the minimum salary of their pay classification under different pay-range adjustment scenarios; the table also shows the approximate impact of the adjustments on wages expense. In order to minimize pay compression, our expectation is that merit increases would be applied to employees' wages prior to determining which employees remain below the minimum salary for their pay classification.

Pay-range Market Adjustment %	1.5%	2.0%	2.5%
Number of employees impacted	14	17	19
Estimated impact on compensation expense	$7,400	$10,400	$13,900

[2] Amount of budget impact for employees rated Exceptional assumes no more than 10% of employees (13) are rated Exceptional. Wages for this 10% of employees is assumed to be the current average annual salary of $55,055.

Staff Recommendation

Staff recommends that the Board discuss this data and determine whether additional information is needed. A Board decision on employee pay adjustments is requested at the June 11, 2015 Board meeting.

Agenda Item 4

Appointment of the Nominating Committee

Purpose

According to OWASA's Bylaws, the Nominating Committee shall consist of the present Chair of the Board and enough other Board members, to be appointed by the Chair, to total not less than three (3) members.

The nominations made by the Nominating Committee shall not preclude other nominations from the floor during the meeting when elections are conducted. The Nominating Committee shall advise members of its nominations by mail and by email not less than seven (7) days before the day on which the elections are to be held for the following officers:

A. Chair
B. Vice Chair
C. Secretary

Information and discussion

The Board will elect officers at its June 11th meeting.

This year, the Chair is delegating his duty to serve on the Nominating Committee.

The Chair appoints four Board members to the Nominating Committee:

1. Amy Witsil, Committee Chair
2. Terri Buckner
3. Stephen Dear
4. Quinton Harper

The Chair encourages the Nominating Committee to consider the possibility of nominating one or more of the Committee members. The Chair also encourages individual members of the Committee and any other Board members to nominate alternative candidates from the floor during the June 11th meeting.

Agenda Item 5

Discuss Board Self-Assessment

Purpose

The Board discussed its own performance and effectiveness at a working session on April 24th, 2014. During the discussion, one or more Board members said that the Board would benefit from periodically conducting self-assessments.

Discussion

1. Does the Board see value in conducting a self-assessment this year?
2. If so, what is the ideal timeframe, considering that Board membership will change in the coming months? Is the ideal timeframe before membership changes, shortly after changes, or several months after changes?
3. Does the Board see value in utilizing a survey tool similar to the one used last year?
4. If so, do Board members prefer to maintain some degree of anonymity for survey responses?

Information

For the self-assessment conducted in 2014, the Board utilized the attached survey tool. All nine Board members submitted responses.

To support frank assessments and comments, the Board Clerk compiled all assessment scores and comments into a single document that did not attribute responses to individual Board members. The Board Clerk also removed any comments about specific individuals and randomized the order in which Board member comments were presented for each question. Nonetheless, Board members should understand that the individual responses are subject to public records disclosure law and are not considered confidential personnel-related information.

The Board's self-assessment discussion resulted in better understanding of several areas of strength as well as opportunities for continuous improvement. In part because of insight gained from the self-assessment, the Board, Executive Committee, and staff adopted specific changes, such as:

1. Encouraging staff to continue with presentation of issue alternatives, pros, and cons
2. Changing new Board member orientation: providing additional information about OWASA finances, organization and staffing, Board member responsibilities (such as addressing micromanagement and public comments), and Board member liability
3. Changing meeting dynamics, maintaining policy-level engagement; addressing off-topic discussion, repetitive points, and imbalances in airtime; acting consistently with professional respect and courtesy (These changes were largely achieved simply as a result of greater self-awareness of earlier issues.)
4. Managing and tracking strategic actions
5. Adopting the work session format and regular discussions of a rolling agenda

OWASA Board Self-Assessment Survey
March, 2014

Purpose:
This self-assessment is intended to both gather collective feedback about the current effectiveness of the OWASA Board and to stimulate your thoughts (and our collective thoughts) about what might be done to strengthen our individual performance as a Board member, as well as the Board as a whole.

Completing the survey:
Type on this document – it should accept your responses with no need for additional formatting. Please respond with your completed questionnaire to Andy Orbich at: AOrbich@owasa.org

Comments:
Add any comments you wish in the space provided. ALL comments will be shared as written in a collective report, but comments will NOT be attributed to particular Board members. The space provided below for comments will expand automatically if you type more that the space will accommodate.

The Summary:
A summary of the report of this self-assessment will include three parts:

(1) The total number of responses received from the Board (we trust that all Board members will participate)!
(2) A numeric account of the ranking for each question (three board members strongly agreed, two were neutral, one disagreed, etc.), and;
(3) The collection of comments made for each question.

The names of respondents will not be reported. The comments will not be attributed to the respondents who made them.

1. When I began my term as a Board member, I received the orientation I needed so that I could be effective in my role.				
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Comments on Question #1:				
2. I fully understand my legal and functional roles and responsibilities as a Board member and understand its: mission, services, policies and programs.				
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Comments on Question #2:				

OWASA Board Self-Assessment Survey
March, 2014

3. As a Board, in our actions and discussions, we understand and respect the difference between the responsibilities of the Board and the Executive Director and staff in the day-to-day operations of the organization.				
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Comments on Question #3:				
4. As a Board, I believe we are successful in balancing the views of the Board and the OWASA Executive Director and staff on future directions.				
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Comments on Question #4:				
5. As a Board, we contribute our skills and perspectives in positive and appropriate ways for the success of OWASA.				
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Comments on Question #5:				
6. As a Board, we are prepared for meetings and have read materials in advance.				
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Comments on Question #6:				

OWASA Board Self-Assessment Survey
March, 2014

7. In our Board meetings, we are able to openly express our differences of opinion in respectful ways.				
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Comments on Question #7:				
8. I am satisfied with the content and length of our discussions at Board meetings.				
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Comments on Question #8:				
9. As a Board, we understand and follow the appropriate protocols for working with the Executive Director, staff and outside council, and we "speak in one voice" when providing direction and feedback to the Executive Director and Board counsel.				
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Comments on Question #9:				
10. I leave our meetings with a clear sense of what was decided and who is responsible for what will happen next.				
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Comments on Question #10:				

OWASA Board Self-Assessment Survey
March, 2014

11. I understand the basic picture about OWASA, including its current financial health and other matters and the factors that most directly affect them.				
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Comments on Question #11:				
12. The Board tracks decisions, actions and responsibilities from prior meetings to ensure effective execution of previously agreed priorities.				
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Comments on Question #12:				
13. I understand what the likely challenges facing OWASA will be in the next three years. These have been articulated in the Strategic Plan.				
Strongly Disagree	Disagree .	Neutral	Agree	Strongly Agree
Comments on Question #13:				
14. Board members follow through with their commitments and responsibilities by providing responses or feedback when required.				
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Comments on Question #14:				

OWASA Board Self-Assessment Survey
March, 2014

15. Board members participate and communicate professionally and effectively during Board meetings and in other forms of communication such as written and electronic communication.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Comments on Question #15:

16. As a Board, we are committed to teamwork in our relationships with each other and the entire OWASA staff?

Neutral	Agree	Neutral	Agree	Strongly Agree

Comments on Question #16:

17. The amount of time I invest in service as a Board member is about what I expected when I began my role.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Comments on Question #17:

18. What about the Board are you most satisfied with and what do we need to improve?

19. What single issue concerns you most about OWASA's future?

Please add any other comments below.

Agenda Item 7:

Review Board Work Schedule

Purpose:

a) Review and update the 12 Month Board Meeting Schedule
b) Review the draft agenda and discuss expectations for the May 28, 2015 public hearing and business meeting
c) Review the draft agenda and discuss expectations for the June 11, 2015 work session

Information:

- Draft 12 Month Board Meeting Schedule
- Draft agenda for the May 28, 2015 public hearing and business meeting
- Draft agenda for the June 11, 2015 work session

OWASA Board of Directors – 12 Month Board Meeting Schedule

(May 14, 2015)

Month	Board Meetings		Committee Meetings (dates to be determined)
	Work Session	**Business Meeting**	
May 2015	Review Employee Health and Dental Insurance Renewal ↻ AMI – Consultant Draft Scope for Work Feasibility Study Review Employee Merit Pay for FY 2016 ↻ Appointment of Nominating Committee Board Self-Assessment CS – ED Interim Review ↻ *5/14/2015*	Public Hearings - FY 16 Budget and Rates ↻ Approve Employee Health and Dental Insurance ↻ Board Expectations for Employee Total Compensation Study AMI – Approve Scope for Work Feasibility Study (if needed) Discuss Public Engagement for Energy Management Plan *5/28/2015*	**Community Engagement** *Affordability Pilot Report (5-14-2015)*
June 2015	Approve Employee Merit Pay for FY 2016 ↻ Approve FY 16 Budget and Rates ↻ Review Draft Scope of Work for Design of Sewer System for Rogers Road Award Digester Rehab Contract for WWTP Discuss if Board wants Counsel/staff to evaluate requirements regarding charitable causes Election of Officers ↻ Discuss Results of Board Self-Assessment (if needed) *6/11/2015*	Review Draft Scope of Work for Total Compensation Study Review Energy Mgt. Plan's Baseline & Goals Update on Affordability Pilot Project Revisit Board Members' Suggestions regarding Lake Recreation Activities *6/25/2015*	
July 2015	Swear in new Board Members (if needed) Approve Scope of Work for Total Compensation Study (if needed) *7/9/2015*	*To Be Determined* *7/23/2015*	
August 2015	Review Reserves and Long Term Rate Structure CS - General Counsel Review ↻ *8/13/2015*	12 Month Preliminary Financial Report ↻ CIP Semiannual Report CS - General Counsel Review ↻ *8/27/2015*	**NRTS -** *Energy Plan – Strategy Evaluation (TBD)*
September 2015	Biosolids Management Plan Energy Plan – Strategy Evaluation CS – ED Review ↻ *9/10/2015*	Annual Report and Financial Audit ↻ General Counsel Engagement ↻ CS – ED Review ↻ *9/24/2015*	
October 2015	LRWSP – Goals and Metrics 2016 Recreation Season Fees & Activities *10/8/2015*	Approve Biosolids Management Report Q1 Financial Report ↻ Strategic Trends Report ↻ *10/22/2015*	
November 2015	*To Be Determined* *11/12/2015*	*Holiday - no meeting*	
December 2015	*To Be Determined* *12/10/2015*	*Holiday - no meeting*	
January 2016	Annual Lakes Recreation Report ↻ *1/14/2016*	Q2 Financial Report ↻ CIP Semiannual Report ↻ *1/28/2016*	
February 2016	CS - General Counsel Interim Review ↻ *2/11/2016*	CS - General Counsel Interim Review ↻ *2/25/2016*	
March 2016	Draft Budget and Rates ↻ CS – ED Interim Review ↻ *3/10/2016*	Draft Budget and Rates ↻ Approve dates for public hearing on FY 17 budget and rates ↻ CS – ED Interim Review ↻ *3/24/2016*	
April 2016	Review Employee Health and Dental Insurance Renewal ↻ FY 16 Draft Budget and Rates ↻ *4/14/2016*	Q3 Financial Report ↻ Audit Firm Selection ↻ *4/28/2016*	

OWASA Board of Directors – 12 Month Board Meeting Schedule

(May 14, 2015)

The 12 Month Board Meeting Schedule shows Strategic Plan initiatives and other priority efforts that the Board and staff plan to give greatest consideration to during the next twelve months. The schedule also shows major recurring agenda items that require Board action, or items that have been scheduled in response to the Board's prior standing request. This schedule does not show all the items the Board may consider in a work session or business meeting.

The 12 Month Board Meeting Schedule will be reviewed and updated at each monthly work session and may also be discussed and updated at the Board's business meetings.

In addition to the initiatives shown in this schedule, staff will be working on other Strategic Plan and organizational priorities that are not expected to require major additional discussion with the Board except as part of budget deliberations (e.g., continuing our comprehensive asset management work, evaluating our CIP investment practices).

The schedule implies that the following Strategic Plan initiatives would be addressed beyond the 12 month period. The Board may conclude that one or more of the following initiatives are higher priority. The schedule will be revised as needed to reflect the Board's priorities, and any additional initiatives that the Board may decide to address.

- Findings and policy recommendations from the sewer easements pilot project will be presented in a Board work session in FY 2016.
- Development of a plan and policy framework for OWASA lands is considered a longer-term priority.
- Improve effectiveness as a learning organization is considered a longer-term priority.
- Water Conservation Plan will be prepared concurrent with update of the Long-Range Water Supply Plan.

The OWASA Board determines which topics it wants to explore as a full Board (potentially in a work session format) and which topics it wants to assign to Board committees or committee chairs for further analysis and development of recommendations. Board also determines priorities and desired timeframes for addressing topics. Committee meetings will be updated on the schedule routinely.

Abbreviations Used in Draft Schedule:

↻	Recurring agenda item (generally these are "required" items)
AMI	Advanced Metering Infrastructure
CIP	Capital Improvements Program
COLA	Cost of Labor Adjustment
CS	Closed Session of the Board
CY	Calendar Year
ED	Executive Director
FY	Fiscal Year
JLP	Jordan Lake Partnership
LRWSP	Long-Range Water Supply Plan
Q	Quarter
WTP	Water Treatment Plant
WWTP	Wastewater Treatment Plant

AGENDA
PUBLIC HEARING AND MEETING OF THE OWASA BOARD OF DIRECTORS
THURSDAY, MAY 28, 2015, 7:00 P.M.
CHAPEL HILL TOWN HALL

In compliance with the "Americans with Disabilities Act," interpreter services are available with five days prior notice. If you need this assistance, please contact the Clerk to the Board at 919-537-4217 or aorbich@owasa.org.

The Board of Directors appreciates and invites the public to attend and observe its meetings. Public comment is invited either by petition upon topics not on the Board's agenda, or by comments upon items appearing on the Board's agenda. Speakers are invited to submit more detailed comments via written materials, ideally submitted at least three days in advance of the meeting to the Clerk to the Board via email or US Postal Service (aorbich@owasa.org/400 Jones Ferry Road, Carrboro, NC 27510).

Public speakers are encouraged to organize their remarks for delivery within the three-to-five minute time frame allowed each speaker. Additional time may be allowed at the discretion of the Board of Directors.

Announcements

1. Announcements by the Chair
   A. Any Board Member who knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight is asked to disclose the same at this time.
2. Announcements by Board Members
3. Announcements by Staff

Petitions and Requests

1. Public
2. Board
3. Staff

PUBLIC HEARINGS

1. Concurrent Public Hearings on the Draft Annual Budget, Draft Capital Improvements Budget and Proposed Rates, Fees and Charges (Ed Kerwin/Stephen Winters)
   A. Staff Presentation
   B. Public Comments
   C. Motion to Close Public Hearings
   D. Board Discussion

CONSENT AGENDA

Action

2. Approval of the Minutes of the April 23, 2015 Meeting of the Board of Directors (Andrea Orbich)
3. Approval of the Minutes of the April 23, 2015 Closed Session of the Board of Directors for the Purpose of Discussing a Two Personnel Matters (Michael Hughes)

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4. Approval of the Minutes of the May 14, 2015 Work Session of the Board of Directors (Andrea Orbich)
5. Approval of the Minutes of the May 14, 2015 Closed Session of the Board of Directors for the Purpose of Discussing a Personnel Matter (Michael Hughes)

REGULAR AGENDA

Discussion and Action

6. Resolution Authorizing the Executive Director to Execute Contracts with Blue Cross and Blue Shield of North Carolina for Health and Dental Insurance (Stephanie Glasgow)

Discussion

7. (If Needed) Discussion and Final Review of the Draft Scope of Work for the Advance Metering Infrastructure Feasibility Study (Todd Taylor)
8. Public Engagement Plan for Energy Management Plan (Terri Buckner/Patrick Davis)
9. Board Expectations for OWASA Employee Total Compensation Study (Ed Kerwin/John Anzivino, Springsted Incorporated)

Summary of Board Meeting Action Items

10. Executive Director will summarize the key action items from the Board meeting and note significant items for discussion and/or action expected at the next meeting

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AGENDA
WORK SESSION OF THE OWASA BOARD OF DIRECTORS
THURSDAY, JUNE 11, 2015, 6:00 P.M.
OWASA COMMUNITY ROOM

The Board of Directors appreciates and invites the public to attend and observe its meetings. For the Board's Work Session, public comments are invited on only items appearing on this agenda. Speakers are invited to submit more detailed comments via written materials, ideally submitted at least three days in advance of the meeting to the Clerk to the Board via email or US Postal Service (aorbich@owasa.org/400 Jones Ferry Road, Carrboro, NC 27510).

Public speakers are encouraged to organize their remarks for delivery within the three-to-five minute time frame allowed each speaker. Additional time may be allowed at the discretion of the Board of Directors.

The Board may take action on any item on the agenda.

Announcements

a. Announcements by the Chair
   - Any Board Member who knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight is asked to disclose the same at this time.

b. Announcements by Board Members

c. Announcements by Staff

Discussion and Action

1. Approval of Employee Merit Pay for Fiscal Year 2016 (Stephanie Glasgow)
2. Approval of Schedule of Rates, Fees and Charges; Annual Budget; and Five-Year Capital Improvements Program (CIP) (Stephen Winters)
   A. Resolution Adopting Schedule of Rates, Fees and Charges Applicable to All Customers On and After October 1, 2015
   B. Resolution Adopting the Annual Budget for Orange Water and Sewer Authority for Fiscal Year (FY) July 1, 2015 Through June 30, 2016
   C. Resolution Approving the CIP and Budget for Fiscal Years 2016-2020
3. Resolution Awarding a Construction Contract for the Rehabilitation of the Mason Farm Wastewater Treatment Plant Digesters (Jeremy Fireline)

Discussion

4. Review Draft Scope of Work for Design of the Sewer System for Rogers Road (Mary Darr)
5. Discussion of Whether the Board of Directors would direct Counsel and Staff to Evaluate Requirements regarding Charitable Causes (Robert Epting)
6. (If Needed) Discuss Results of Board Self-Assessment (John Young)
7. Request(s) by Board Committees, Board Members and Staff (John Young)
8. Review Board Work Schedule (John Young/Ed Kerwin)
   a. 12 Month Board Meeting Schedule
   b. June 25, 2015 Board Meeting
   c. July 9, 2015 Work Session

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Election of Officers (Effective July 1, 2015)

9. Report of the Nominating Committee and Election of Officers (Chair of the Nominating Committee)
   A. Chair of the Board
   B. Vice Chair of the Board
   C. Secretary of the Board

Summary of Work Session Items

10. Executive Director will summarize the key staff action items from the Work Session

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