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, JULY 9, 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 a four 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.
   - Jeff Danner, Town of Chapel Hill Appointee, and Robert Morgan, Town of Carrboro Appointee, took their Oath of Office on July 1, 2015

b. Announcements by Board Members

c. Announcements by Staff
   - OWASA Series 2015 Water and Sewer System Revenue Refunding Bonds - transaction closed July 1, 2015 (Stephen Winters)

Discussion

1. Review Draft Scope of Work for Employee Total Compensation Study (Ed Kerwin/John Anzivino, Senior Vice President at Springsted Incorporated)
2. Revisit Board Members' Suggestions Regarding Lake Recreation Activities (Todd Taylor)
3. Request(s) by Board Committees, Board Members and Staff (John Young)
4. Review 12 Month Board Meeting Schedule and Review Priorities and Work Schedules for Key Initiatives (John Young/Ed Kerwin)

Summary of Work Session Items

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

Closed Session

6. The Board of Directors will Convene in a Closed Session for the Purpose of Discussing Pending Litigation. (Robert Epting)

Work Session

7. Following the Closed Session the Board will Convene in a Work Session for the Purpose of Discussing the Results of 2015 Board Self-Assessment (John Young)

Agenda Item 1:

Review Draft Scope of Work for Employee Total Compensation Study

Purpose:

To seek the Board of Directors' feedback and guidance regarding the draft scope of work for establishing OWASA's employee compensation philosophy.

Background:

In an effort to fully evaluate compensation for employees, the Board of Directors directed that a comprehensive Employee Total Compensation Study (Study) be conducted. The Study will evaluate and recommend improvements to the compensation package including merit-based salary, benefits and rewards. The Study is intended to improve OWASA's strategies to attract and retain high-performing employees.

OWASA staff issued a Request for Qualifications (RFQ) on January 16, 2015 to seek proposals from qualified consultants to conduct the Study. Five proposals were received and were reviewed by the Executive Director's consultant selection panel (Panel). The Panel invited two consultants to be interviewed on April 30, 2015. Following the interviews and after carefully considering each consultant's qualifications and reference checks, the Panel unanimously selected Springsted Incorporated as the best qualified to conduct the Study.

We have very carefully considered the Board's recent discussions and communications on employee pay and compensation for Fiscal Year 2016 and beyond. It has reinforced the importance of the Board reaching agreement on the organization's compensation philosophy before seeking to define the scope of work for the entire Study. Once this step has been completed, we will have a much better idea about the strategies and specific work tasks that should be included in the scope of work to meet the Board's expectations for the Study.

John Anzivino, Springsted's Project Manager and Senior Vice President, will attend the Board meeting to discuss Springsted's proposed scope of work to assist the Board in establishing OWASA's employee compensation philosophy.

Information:

- Springsted's Proposed Scope of Work – Total Compensation Study – Phase One – Determination of Compensation Philosophy

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MEMORANDUM

TO: Mr. Ed Kerwin, Executive Director
Orange Water and Sewer Authority (OWASA)

FROM: John A. Anzivino, Senior Vice President

DATE: June 29, 2015

SUBJECT: Proposed Scope of Work – Total Compensation Study – Phase One – Determination of Compensation Philosophy

Background

OWASA has 135.5 authorized employee positions (includes one part-time position). OWASA's employees cover a wide range of job classes ranging from less skilled to highly skilled positions.

OWASA's Mission, Vision and Values statement include:

> *"We value our employees as our most important resource and we provide them competitive compensation and a safe and rewarding work environment which promotes diversity and equal opportunity for all."*

OWASA's most recent Employee Classification and Compensation Study was completed in January 2013. The scope of the 2013 Study examining and updating the Authority's job descriptions, pay plan and performance appraisal system. The Study did not include a detailed assessment and valuation of employee benefits or reward programs; nor did it include a discussion of the pay philosophy of the Board.

It is the intent of OWASA staff to work with OWASA's Board of Directors and the consultant (Springsted) to establish the objectives and the detailed scope of work for the Total Compensation Study (Study).

Prior to initiating the full Total Compensation Study, Springsted believes that the Authority is best served by establishing a total compensation philosophy to aspire to. Establishing such a philosophy will assist the consultant in offering clearer and better-structured sets of recommendations concerning the various components of the Authority's compensation and benefits program as future components of the Study unfold.

To best achieve this objective, Springsted proposes that the first phase of the OWASA's Total compensation study focus on developing a total compensation philosophy with Board and staff input. Initially efforts will be focused on conducting research and obtaining the information as well as facilitating a discussion process with OWASA's Board of Directors and OWASA staff to assist the Board in determining OWASA's Total Compensation Philosophy, which will lead to clearer and more specific expectations for the remainder of the Study.

To assist the Board in arriving at a total compensation philosophy for OWASA we would propose that the following questions be addressed and information obtained as the Board works collaboratively with Springsted staff to develop a total compensation philosophy:

1. What specific outcomes does the Board seek and how does it fit into OWASA's overall mission and strategic initiatives?
2. What do OWASA's employees value and expect as an Authority employee (pay; benefits; professional/job growth and development; work culture, etc.)?
3. What are current industry "best practices" as they pertain to a total compensation philosophy?
4. What personnel costs and benefits should be considered as part of a total compensation survey?

Proposed Scope of Services

To develop OWASA's Total Compensation Philosophy Springsted proposes the following scope of services in developing a total compensation philosophy for the Authority. The proposed Scope of Services includes elements which provide for discussions with the Board, information gathering from current employees and gathering of data from variety of sources to assist the Board in understanding the various concepts that encompass a total compensation philosophy:

1. Project Initiation Data Collection

   The Springsted Project Director will meet with OWASA's staff to establish and clarify working relationships and obtain all OWASA classification, compensation, benefits and related data to determine the status of existing human resource management programs; and to gain an understanding of existing compensation and benefits offered by OWASA; and begin to quantify existing total compensation costs for the Authority.

   The purposes of the meeting will be to:

   - Introduce the Project Director
   - Review the Authority's current classification and compensation policies, changes in pay practices, benefits programs
   - Discuss, in detail, the methodology to be used in conducting the Study,
   - Review the project schedule and determine significant milestones
   - Determine the frequency and content of status reports

2. Information Gathering from Employees

   Upon completion of Task 1 above, all OWASA employees will be provided an opportunity to provide feedback (both online or on paper) concerning compensation and benefits issues and their current status at OWASA through access to an on-line employee compensation/benefits survey.

   In advance of receiving the compensation/benefits survey employees will be provided an up to date listing of current benefits they receive and other related benefits available through the Authority. It is believed that this will be an important component of determining how employees view their current compensation, benefits and rewards systems. Working collaboratively with OWASA's staff Springsted will develop an understandable, but thorough educational/communication package for the Authority's employees to help them understand the value of OWASA's current compensation and benefits offerings and to refresh their understanding of the Authority's compensation and rewards program. The information will be distributed to employees for their review, to reacquaint them with the Authority's compensation and rewards programs and to refresh their understanding of the contributions that the Authority and they make to the various benefit programs. The information will be developed and presented in basic terms.

   Springsted will develop an electronic and companion paper employee opinion survey for administration to all OWASA employees. The electronic survey (developed using Survey Monkey) will gauge employees

attitudes concerning their values and expectations as an OWASA employee in conjunction with pay; benefits; professional/personal growth and development; current work culture and related work factors that contribute to an organization's success.

Springsted will analyze feedback received from employees through administration of the survey, interpret the results, and present the findings concerning employees attitudes concerning, compensation, benefits and working conditions. Springsted will schedule a series of five (5) meetings with employees to review the survey results and to answer questions. Employee feedback from the compensation/benefits survey will be presented to the Board to assist in shaping OWASA's Total Compensation Philosophy.

3. Information Gathering and Board Review Sessions

It is proposed that a minimum of three (3) meetings be held with the Board to discuss and develop a Total Compensation Philosophy. The meetings would include three (3) levels of discussion with the Board. These include:

- An initial discussion with the Board to discuss total compensation philosophy and to review information concerning examples of industry best practices. Discussion at the initial meeting of the Board would include review of information from the employees' survey concerning the employees' thoughts and opinions concerning compensation, benefits and performance evaluation and a presentation and discussion of current best practices in compensation, benefits and factors which lead to an organization's success. Information gained from discussion with the Board will serve as the basis for development of a Draft Total Compensation Philosophy for the Board's consideration.
- Presentation of a Draft Total Compensation Philosophy to the Board. Springsted will prepare a Draft Total Compensation Philosophy that will contain our findings and conclusions for the Board's review and comment. This review document will form the core of our final report and recommendations concerning a final Total Compensation Philosophy. All discussions regarding the draft Total Compensation Philosophy will be communicated via on site meeting. Based on our discussion and review of the draft Total Compensation Philosophy, Springsted will make modifications or changes, incorporating comments into the final document, as appropriate.
- Presentation of the Board's final Total Compensation Philosophy. Springsted will present the final Total Compensation Philosophy to the Board via an on-site meeting at a time convenient to the OWASA Board.
- Information Gathering. In advance of, and in between meetings with the OWASA Board Springsted will initiate a thorough review of current 'best practices' for compensation, benefits and working conditions within the public and private sector. Information gathering will include a review of existing literature and case studies. In addition, Springsted will convene a meeting of area Managers to discuss how best practices and employee compensation, benefits and working conditions are managed by member localities.

Information Required from OWASA

- Current OWASA Compensation Policies
- Current OWASA Rewards and Recognition Programs
- Current census of all OWASA employees, with wages earned and benefits provided
- OWASA benefits with current contribution levels
- Five (5) years of OWASA compensation increase history
- Information related to major shifts in benefit contributions over the prior five (5) years

Study Deliverables

Springsted will provide the following study deliverables to the Board:

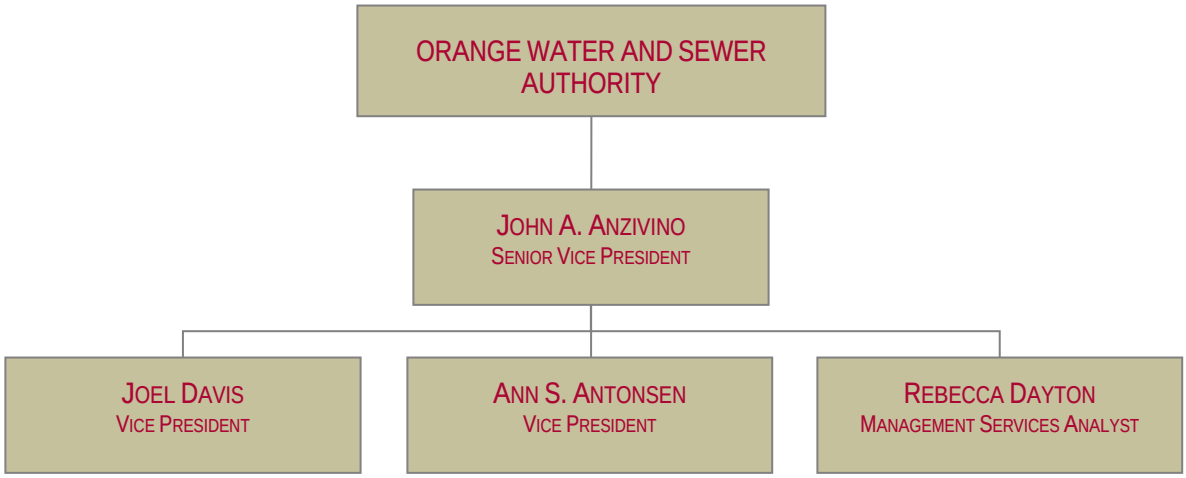
1. Summary of employee feedback

2. Summary of industry best practices on compensation philosophies
3. Recommended compensation philosophy for OWASA

Springsted will provide 15 copies of all documents developed in support of OWASA's Total Compensation Philosophy as well as electronic versions in both Word and PDF formats.

Consulting Team

While each Springsted client draws on the talents of many members of our staff, we assign a specific client service team to ensure primary responsibility for each project. The teams are comprised of qualified individuals who are experienced in the specific challenges confronting you. The teams are free to draw upon the expertise of our entire staff. The team assigned to this project has extensive experience in organizational and productivity improvement, classification and pay, human resources management and financial management. The team is shown below:



Fees and Project Schedule

Since it will be difficult to know just how much effort will be required to complete this task, we propose compensating completing the tasks outlined above on a time and expenses basis. Staff work would be billed at a 'blended' rate of $185 an hour.

Springsted Incorporated out-of-pocket expenses include travel and sustenance, overnight or messenger deliveries, conference calling beyond our internal capabilities, photocopying and mailing.

Should OWASA request and authorize additional work outside the scope of services as agreed, or additional revisions beyond those agreed upon at the discussion of the draft report, we would invoice OWASA at our standard hourly rates shown in the following table:

Additional work outside the scope defined above would be negotiated on an hourly or lump sum basis based upon the following schedule:

2015 Standard Hourly Fee Schedule	
Title	Rate
Principal & Senior Officer	$260
Officer & Project Manager	215

Senior Associate	160
Support Staff	75

Additional Work

Springsted takes pride in meeting its time commitments. Springsted is prepared to initiate the study within 10 days after receiving the official notice to proceed, and will complete work necessary to adopt a Total Compensation Philosophy.

Task	Month 1	Month 2	Month 3	Month 4	Month 5
Project Initiation					
Initial Board Meeting					
Development and Administration of Employee Total Compensation Survey					
Prepare / Evaluate Survey Data/ Meet with Employees to Review Survey Results					
Present Draft Total Compensation Philosophy to the OWASA Board					
Adjust Draft Total Compensation Philosophy in Accordance with Board Comments					
Present Final Total Compensation Philosophy to the Board					
Submit Final Report					

There are factors that impact upon meeting the schedule that are beyond the consulting team's control. The proposed time frame is contingent upon a timely decision, the receipt of the data from the participants, when requested, and the timely receipt of feedback and comments on the submitted preliminary data.

Agenda Item 2:

Revisit Board Members' Suggestions Regarding Lake Recreation Activities

Purpose:

The Board of Directors will discuss staff's recommendations and take action, if needed, regarding the Board Members' suggested changes to several recreation activities.

Background:

On March 12, 2015, the OWASA Board of Directors directed staff to evaluate the addition of several new recreational opportunities at our reservoirs.

Staff Recommendations:

Suggestion #1: Provide bird watching opportunities during the offseason at the Cane Creek Reservoir.

Staff Recommendation: Staff proposes to allow bird watching each Wednesday from November 18 – March 16 (excluding holidays) at Cane Creek Reservoir at no cost to the public. We propose opening the gate from 7:00 AM until 11:00 AM. However, all participants will be required to sign in at the Recreation Office to ensure we can account for who is on the property and for what purpose, and to accurately track data on the popularity of the new opportunity. Additionally, a sign will be placed at the entrance notifying users that we are open for the sole purpose of bird watching. All public areas will be accessible for this activity. If severe weather or other conditions warrant, OWASA staff may alternate the schedule.

Suggestion #2: Provide night boating opportunities at the Cane Creek Reservoir.

Staff Recommendation: Staff proposes that a one-time special event be held during the 2015 lake recreation season that would allow users the opportunity to boat on Cane Creek Reservoir after dark for a small fee (to be determined, Board's approval necessary). Following the event, staff will evaluate its success and make recommendations in the 2015 annual report on whether to continue offering such an event.

We also recommend partnering with the Chapel Hill Astronomy and Observation Society (CHAOS) to facilitate astronomy education at the event. We have approached CHAOS about this opportunity and the group is willing to help if we proceed. According to CHAOS, early October would be an ideal time for this event due to atmospheric conditions and overall weather patterns. Therefore, we recommend the event be held on Saturday, October 3, 2015 with a contingency date of Saturday, October 10, 2015. The event would start at 8:30 PM and would end at approximately 11:00 PM.

Staff recommends that this be a by-reservation-only event and that we limit the number of users to 20. The anticipated cost to host this one-time event is about $320. Recommended fees are $5 for OWASA customers and Orange County residents and $10 for other patrons.

Suggestion #3: Allow patrons to use trailers to transport boats to and from Cane Creek Reservoir (but not enter the water).

Staff Recommendation: The new loading area is large enough to handle trailer turnaround. However, additional parking will be needed for trailers. The proposed location for additional trailer parking is indicated in Appendix A. The estimated cost to construct the additional parking is $17,500.

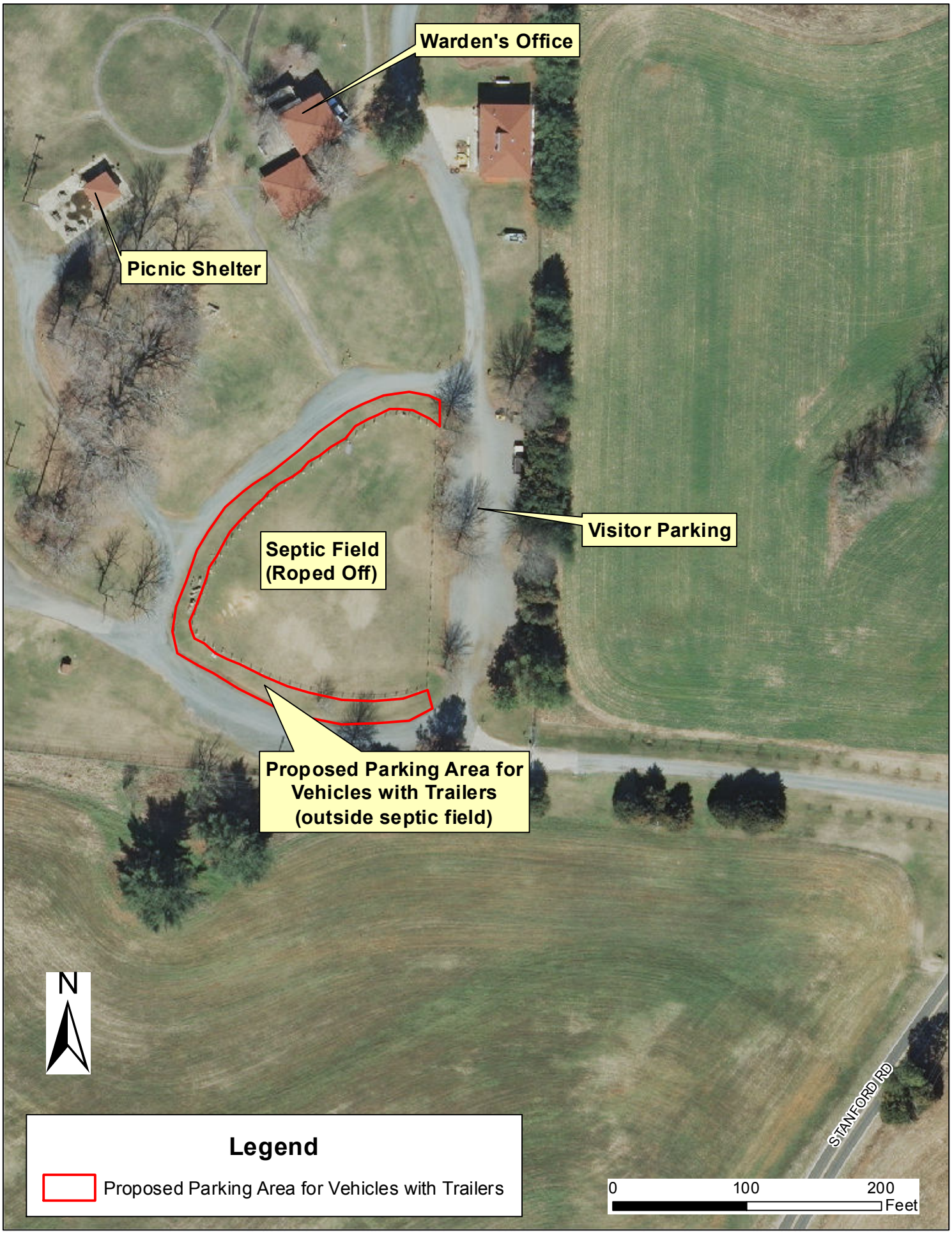
Action Needed:

If the Board agrees to consider one or more of these suggestions, staff recommends we provide the public, especially our Cane Creek Reservoir neighbors, an opportunity to review and comment on the applicable suggestions before the Board takes final action.

If the Board concurs, staff will inform the public of the date and time at which comments will be received by the Board. The information we provide would reflect guidance from the Board regarding:

- Proposed dates and times for the 2015 Bird Watching Season
- Proposed dates, times, and fees for the 2015 Night Boating Event
- Possible plans for developing additional parking at Cane Creek Reservoir for trailers.

Potential Ramp Parking Area at Cane Creek Reservoir



Agenda Item 4:

Review 12 Month Board Meeting Schedule and Review Priorities and Work Schedules for Key Initiatives

Purpose:

To seek the Board's feedback and guidance regarding priorities and work schedules for key initiatives over the next six months and beyond.

Background:

The Board of Directors adopted OWASA's Strategic Plan for Fiscal Years 2014-2017 on March 13, 2014. The Strategic Plan identifies the strategic initiatives and corresponding actions we will take to address the key themes and opportunities that we believe are important for the Carrboro-Chapel Hill community we serve.

As noted at the June 11 and June 25, 2015 Board meetings, staff seeks the Board's feedback and guidance regarding priorities and work schedules for key initiatives over the next six months and beyond. The schedule and work plan for some initiatives such as the Feasibility Study for Automatic Metering Infrastructure (AMI) and biosolids management have been fairly well established, while others, such as possible rate structure changes, have not.

Action Requested:

Discuss and provide feedback to staff about priorities and work schedules for our key initiatives.

Note: the Potential 12 Month Board Meeting Schedule is for discussion purposes only and will need to be revised to ensure Board meeting workloads are manageable.

Information:

- Priorities and Work Schedules for Key Initiatives
- Potential 12 Month Board Meeting Schedule

Priorities and Work Schedules for Key Initiatives

Long-Range Water Supply Plan

Updating the Long-Range Water Supply Plan (LRWSP) is part of Strategic Initiative #1 to ensure a reliable and quality supply of water for the next 50 years. Staff will develop the LRWSP in accordance with the Project Charter and Community Engagement Plan approved by the Board in March 2014 and February 2015, respectively.

One of the first tasks to complete is updating the demand projections through 2065. The Towns of Carrboro and Chapel Hill are currently updating their growth projections as part of regional transportation planning work. OWASA will use the data provided by the Towns to update its demand projections.

A key factor that could shape our future plans will be the State's decision regarding our request to maintain our Jordan Lake water supply storage allocation. This State decision is currently scheduled for November 2015, but it likely will be delayed.

The following is a proposed schedule for completion of the Plan. The schedule is tentative depending on when we receive information from others or the time needed to hold necessary meetings or make presentations in accordance with the Community Engagement Plan.

October 2015	Goals and Objectives for the LRWSP including how we weigh financial and non-financial metrics
July 2016	Water demands through 2065 and updated estimates of yield which incorporate climate change into yield estimates
TBD	Alternatives analysis – evaluate supply and demand management alternatives on whether they meet projected demands and goals and objectives (need Jordan Lake allocation decision to complete this portion of the process)
TBD	Public meetings on alternatives analyses
TBD	Draft LRWSP
TBD	Public meetings on draft LRWSP
TBD	Final LRWSP
TBD	After Action Review with Board to document effectiveness of stakeholder participation process

Community Engagement

Community Engagement is Strategic Initiative #2, which has three goals:

1. Engage stakeholders to understand their perceptions and expectations so that we make well-informed decisions about our services and so that we maintain their trust.
2. Empower stakeholders with information so they use water wisely and protect water quality through proper use of our wastewater system.
3. Provide stakeholders with timely information about projects, programs, and policies that are important to them and offer them meaningful opportunities to give their feedback so that we can continue to improve.

Regarding Goal 1, the Board of Directors on April 9, 2015 authorized staff to survey customers in the fall of 2015 and gave staff feedback on the draft questions and survey process.

Regarding Goal 2, as noted in above, we are developing a plan to continue the affordability outreach program as discussed in the June 25, 2015 meeting.

Regarding Goal 3, we continue to be guided by this Goal in all that we do. Project-specific community engagement plans have been developed for energy management, the advanced metering infrastructure feasibility study, and Long-Range Water Supply Update.

Our overall community engagement work is not yet at the level to which the Board of Directors aspires. If the Board agrees, staff will propose an approach and process for the Board to define expectations and strategies for community engagement. We propose to have this ready for the Board's review and guidance at the November 12, 2015 work session.

Plan to Evaluate Rate Structure, Financial Reserves Policy, and Capital Improvements Program (CIP) Investment Practices

Over the last several years the Board has discussed rate structure changes, financial reserves, and CIP investment practices on a number of occasions. Due to the interdependency of these topics, staff suggests analyzing and discussing them as one coordinated process. This is Strategic Initiative #4.

<u>Rate Structure</u>

OWASA employs rate consultants each year to help us determine the revenue sufficiency of our rate structure. In FY 2012, we engaged them to help us analyze our rate structure to ensure it continues to meet our objectives regarding affordability, equity across customer classes, and cost of service principles. We also wanted to review our approach to capping sewer charges for individually-metered residential customers. Working with our consultants, we recommended relatively minor changes to the individually-metered residential increasing block rate structure.

That same year, we determined that no increase in the monthly rates we charge customers was necessary. As a result, the Board decided to defer making the recommended minor changes. This same decision was reached in FY 2013.

In FY 2014, in addition to the changes recommended in the FY 2012 study, the Board considered changing aspects of the blocks within the individually-meter residential increasing block rate structure. The changes focused primarily on addressing affordability and the most significant change considered was to increase the number of gallons included in the first (lowest) rate block. However once again, because we did not need to have an overall rate increase, the Board decided to defer making any rate structure changes. Additionally, the Board decided it wanted to more thoroughly analyze our rate structure and consider the possibility of making more comprehensive changes.

More recently, the Board and staff have discussed the need to consider changes to the rate structure we apply to master-metered multi-family customers. Master-metered multi-family customers are currently subject to seasonal rates which include a higher water commodity charge in warmer months and a lower water commodity charge in cooler months. Feedback from property managers of master-metered multi-family complexes that sub-meter and re-bill their tenants for water and sewer services indicates that the pass-through of our seasonal rates can result in cash flow challenges for residents.

Financial Reserves Policy

OWASA's Financial Management Policy includes our policy regarding the level of financial reserves we should maintain. The purpose of reserves is to help ensure financial sustainability.

The Board has discussed the sufficiency of the reserves called for in our policy on several occasions during the last few years. The purpose of these discussions has been to determine whether the current policy provides sufficient, and not excessive, balances for meeting our financial sustainability needs.

CIP Investment Practices

Maintaining our system's infrastructure depends on continuing to invest in rehabilitating and replacing assets that have reached the end of their useful lives or are not meeting service level needs. Ideally, we will invest "just the right amount" in capital improvements: enough to maintain our system but not more than is necessary. The Board has expressed interest in further analyzing our approach to annual CIP investments to help ensure that we are investing at the appropriate annual level.

In previous discussions, staff has presented detailed information to the Board about how we evaluate asset condition and how we prioritize projects. The level of investment in the community's water, wastewater and reclaimed water systems is determined using a combination of models, engineering studies, consultant recommendations, staff recommendations and performance metrics.

The following is a proposed schedule for addressing these issues.

August 27, 2015	Board meeting for introductory discussion about potential rate structures. Our rate consultants and representatives from UNC's School of Government will present rate structure information including principles of rate making, comparisons of OWASA's rate structure with others, and a review of different approaches to rate structures.
September 2015 – February 2016	Meetings with the Board as necessary to review research and analyses, discuss options, etc. If the Board considers making changes to our rate structure, community engagement and customer feedback will be an important part of the Board's decision-making process.
December 2015 – February 2016	CIP investment practices – staff proposes to review with Board OWASA's asset management approach to CIP investment and provide information about the tools, practices, process, etc. used to develop the CIP and, if necessary, revise investment practices.
December 2015 – February 2016	Financial reserves policy – decisions on our financial reserves policy will likely be influenced by considerations of changes to our rate structure. For example, significant rate structure changes could introduce more uncertainty about the amount of revenue a new structure will generate which could impact the Board's views on reserve levels.
March 1, 2016	Ideally, a preliminary decision on rate structure would be made no later than March 1. The decision would be preliminary pending results of community engagement.
March 24, 2016	Board to review preliminary FY 2017 budget.
Feb – May 2016	Community engagement activities regarding rate structure changes.
May 26, 2016	Public hearings on FY 2017 budgets and the rate schedule proposed to go into effect October 1, 2016.
June 9, 2016	Approve FY 2017 budget and rate schedule.
October 1, 2016	New rate schedule goes into effect.

Affordability Outreach Program Plan

Affordability and cost management is a key theme of our Strategic Plan. In March 2014, the Board approved implementation of a pilot project *"to engage the community/target groups with information about how to reduce OWASA bills."*

During the past year, staff has pursued several strategies in partnership with staff from more than a dozen local social service and affordable housing agencies and Town and County departments. On June 25, 2015 the Board received a 12-month progress report on this effort, agreed that we should have an ongoing affordability outreach program, and directed staff to prepare a proposed program plan including an assessment of resources needed to support the plan.

Following is a proposed timetable for Board consideration of our plan for an ongoing Affordability Outreach Program. Consistent with previous direction from the Board, the Community Engagement Committee (CEC) will review and comment on draft proposals, work plans, etc. for the affordability outreach program in advance of consideration by the Board.

We will seek input from our affordability outreach partner agencies as we develop the proposed plan, and as the plan is being developed, we will continue to work with our partners on the various initiatives that are already underway.

September 2015	CEC review of and guidance regarding draft proposal for the Affordability Outreach Program.
October 2015	Board review of and guidance regarding draft proposal for the Affordability Outreach Program.
November 2015	Board approval of proposed Affordability Outreach Program.

Energy Management Plan

Development of an Energy Management Plan is Strategic Initiative #5 of our Strategic Plan. The plan will guide our future energy management, energy efficiency, and renewable energy actions and investments. Staff is proceeding to draft a plan in accordance with the Project Charter approved by the Board, which includes the proposed community engagement approach for the project.

The first major task of the project was completion of a baseline assessment of energy use and management efforts, and development of proposed goals and objectives which staff will use to prepare the draft plan. At its June 25, 2015 meeting, the Board accepted the baseline assessment and concurred with draft goals and objectives for the plan.

Following is a proposed schedule for completion of the plan. Consistent with previous direction from the Board, the schedule reflects Natural Resources and Technical Systems (NRTS) Committee review and comment on technical analyses, draft reports, etc. in advance of consideration by the Board.

November - December 2015	NRTS Committee review of and guidance regarding draft evaluation of potential strategies for achieving the proposed goals and objectives. (Two Committee meetings will likely be needed for this review.)
January 2016	Board review of and guidance regarding draft evaluation of potential strategies. (This can be done at a Work Session, unless Board desires to have this at a televised meeting.)
March – April 2016	NRTS Committee review of and guidance regarding draft Energy Management Plan. (Two Committee meetings will likely be needed for this review.)
May 2016	Board review and guidance regarding draft Energy Management Plan.
June 2016	Public review and comment on draft Plan.
July 2016	Board approval of Energy Management Plan.

Employee Total Compensation Study

In an effort to fully evaluate compensation for employees, the Board of Directors directed that a comprehensive Employee Total Compensation Study (Study) be conducted. The Study will evaluate and recommend improvements to the compensation package including merit-based salary, benefits and rewards. The Study is intended to improve OWASA's strategies to attract and retain high-performing employees.

Consultant Selection

OWASA staff issued a Request for Qualifications (RFQ) on January 16, 2015 to seek proposals from qualified consultants to conduct the Study. Five proposals were received and reviewed by the Executive Director's consultant selection panel (Panel). The Panel invited two consultants to be interviewed on April 30, 2015. Following the interviews and after carefully considering each consultant's qualifications and reference checks, the Panel unanimously selected Springsted Incorporated as the best qualified to conduct the Study.

Study Approach

We have very carefully considered the Board's recent discussions and communications on employee pay and compensation for Fiscal Year 2016 and beyond. It has reinforced the

importance of the Board reaching agreement on the organization's compensation philosophy before seeking to define the scope of work for the entire Study. Once this step has been completed, we will have a much better idea about the strategies and specific work tasks that should be included in the scope of work to meet the Board's expectations for the Study.

The Board will discuss this approach as agenda item 1 at tonight's meeting. That discussion will help inform the schedule for the project.

Land Management

Strategic Initiative 7 of OWASA's Strategic Plan is *"Develop a plan and policy framework for long-term management and disposition of OWASA lands."* This initiative was not scheduled for near-term consideration due to other priorities. Also, our land plan may be shaped by decisions about other important aspects of our operations. In the interim, our land management efforts have been guided by the following prior guidance from the Board:

1. We will implement the active forest management measures included in the NC Wildlife Resource Commission's forest management plan for the Cane Creek Mitigation Tract (as required per our US Army Corps of Engineers permit for Cane Creek Reservoir).
2. We do not plan to sell or lease any land assets until we have developed our land management plan which incorporates findings and recommendations from other plans, such as biosolids management and energy management.
3. We do not have any funds earmarked for additional land acquisition for watershed protection purposes, but we consider on a case-by-case basis inquiries from land owners who are interested in selling us their land.

Potential forestry management policy questions for the Board include:

1. Should OWASA proceed with active forest management on any tracts of land other than the Cane Creek Reservoir Mitigation Tract?
2. If so, what factors will we use to prioritize our forestry management efforts? (For example, current neighbors around our Jordan Lake property in Chatham County generally support sustainable forest management, and it would be beneficial to complete active management measures in advance of a proposed subdivision being developed adjacent to our property.)
3. Are there goals other than water quality protection, forest health, and wildlife habitat improvement that OWASA should include in its forest management activities? For example, should we consider formally using our forest lands as a means of offsetting our carbon emissions, or for generating revenues from carbon trading with other entities?
4. If revenues from forestry management activities exceed the costs we incur for our land management program, for what purpose(s) should the net revenues be used (offset future rate increases; fund energy efficiency and/or renewable energy projects; etc.)?

Staff occasionally receives calls from landowners asking if we are interested in purchasing a specific parcel of land for watershed protection purposes. We have achieved our objectives for watershed land acquisition, and do not have any funds earmarked for watershed land acquisition.

While there are no pressing time sensitive issues regarding land management, staff suggests the following activities as potential next steps:

1. Provide the Board of Directors and others (such as Orange County's Commission for the Environment) a tour of the Cane Creek Reservoir Mitigation Tract.
2. Staff provide more details on land management activities to Board of Directors at future work session. Since land management decisions are tied to biosolids management and energy management, it is recommended that this occur after the Biosolids Management Plan is finalized and after the Board reviews and evaluates strategies for achieving the energy management goals and objectives.

Review and Update Strategic Plan

The Board of Directors adopted OWASA's Strategic Plan for Fiscal Years 2014-2017 on March 13, 2014 and important progress has been made on strategic initiatives since then.

Staff seeks the Board's discussion and guidance on the following:

1) What additional actions does the staff need to take to keep the Board informed about our progress on completing strategic initiatives? What specific information would the Board find helpful?

2) When would the Board like to discuss the scope and timing of the next update of the Strategic Plan (for Fiscal Year 2018 and beyond)?

Board Self-Assessment and Board/Committee Roles

The Board of Directors may wish to discuss Board Self-Assessment and Board/Committee roles when it reviews the 12 Month Board Meeting Schedule.

OWASA Board of Directors – Potential 12 Month Board Meeting Schedule

(July 9, 2015)

Month	Board Meetings		Committee Meetings (dates to be determined)
	Work Session	**Business Meeting**	
August 2015	**Meeting Canceled** *8/13/2015*	AMI – Interview Findings & Technology/Strategy Review Kick-off Discussion for Evaluation of Rate Structure Committee Assignments 12 Month Preliminary Financial Report () CIP Semiannual Report () CS - General Counsel Review () *8/27/2015*	
September 2015	Discuss Draft Biosolids Management Plan, Part II CS - General Counsel Review () CS – ED Review *9/10/2015* ()	Annual Report and Financial Audit () Approve General Counsel Engagement () CS – ED Review () *9/24/2015*	**CEC –** *Draft Affordability Program Plan (TBD)*
October 2015	Review AMI Prelim Economic & Financial Analysis Discuss Rate Structure Discuss LRWSP – Goals and Metrics Discuss Draft Affordability Program Plan Discuss 2016 Recreation Season Fees & Activities *10/8/2015*	Approve Biosolids Management Plan Q1 Financial Report () Strategic Trends Report () *10/22/2015*	
November 2015	Draft AMI Feasibility Study Presentation/ Report Discuss Rate Structure Community Engagement Approach/Process Affordability Program Plan Concurrence *11/12/2015*	*Holiday - no meeting*	**NRTS -** *Energy Plan – Strategy Evaluation (TBD)*
December 2015	Discuss CIP Investment Practices Final AMI Feasibility Study Presentation/ Report *12/10/2015*	*Holiday - no meeting*	
January 2016	Discuss Financial Reserves Policies Annual Lakes Recreation Report () Update on Employee Health Insurance Discuss Review and Update of Strategic Plan Review Energy Plan – Strategy Evaluation *1/14/2016*	Q2 Financial Report () CIP Semiannual Report () *1/28/2016*	
February 2016	CS - General Counsel Interim Review () *2/11/2016*	Rate Structure – Comm. Engagement Process 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*	**NRTS –** *Draft Energy Plan (TBD)*
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*	
May 2016	Review Employee Health and Dental Insurance Renewal, if needed () Review Employee Merit Pay for FY 2016 () Review Draft Energy Plan Appointment of Nominating Committee () *5-12-2016*	Public Hearings - FY 16 Budget and Rates () Approve Employee Health and Dental Insurance () *5-26-2016*	
June 2016	Approve Employee Merit Pay for FY 2017 () Approve FY 17 Budget and Rates () Public Comment on Draft Energy Plan Election of Officers () *6/9/2016*	To Be Determined *6/23/2016*	

OWASA Board of Directors – Potential 12 Month Board Meeting Schedule

(July 9, 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).

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