ORANGE WATER AND SEWER AUTHORITY

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

AGENDA
MEETING OF THE OWASA BOARD OF DIRECTORS
THURSDAY, AUGUST 27, 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 a four minute time frame allowed each speaker. Additional time may be allowed at the discretion of the Board of Directors.

Announcements

1. Announcements by the Vice 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
   A. Update on the August 4, 2015 Community Energy Forum Meeting (Terri Buckner)
3. Announcements by Staff
   A. Mary Tiger, OWASA's new Sustainability Manager (Ed Kerwin)
   B. Vishnu Gangadharan, OWASA's new Engineering Manager, Capital Projects (Mary Darr)
   C. Annual Report on Collection, Treatment and Recycling of Wastewater and Biosolids (Todd Taylor)

Petitions and Requests

1. Public
2. Board
3. Staff

CONSENT AGENDA

Action

1. Quarterly Report on Attendance at Board and Committee Meetings (Andrea Orbich)

Action

2. Resolution Honoring the Service of Amy Witsil to the Chapel Hill-Carrboro-Orange County Community as a Member of the Orange Water and Sewer Authority's Board of Directors (Michael Hughes)
3. Approval of the Minutes of the June 25, 2015 Meeting of the Board of Directors (Andrea Orbich)

4. Approval of the Minutes of the July 9, 2015 Work Session of the Board of Directors (Andrea Orbich)
5. Approval of the Minutes of the July 9, 2015 Closed Session of the Board of Directors (Robert Epting)

REGULAR AGENDA

Discussion

6. Discussion of Water and Sewer Rate Structure Alternatives and Trends (Stephen Winters)

Information and Reports

7. Financial Report for the Twelve Month Period Ended June 30, 2015 (Stephen Winters)
8. Semiannual Status Report for Various Capital Improvement Projects (Vishnu Gangadharan)

Summary of Board Meeting Action Items

9. 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

CLOSED SESSION

10. The Board of Directors will Convene in a Closed Session immediately following the Board Meeting for the Purpose of Discussing a Personnel Matter (Michael Hughes)

ORANGE WATER AND SEWER AUTHORITY - QUARTERLY REPORT

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

BOARD OF DIRECTORS	APRIL 2015	MAY 2015	JUNE 2015
JOHN A. YOUNG CHAIR	April 9 WS (Meeting) April 23 Board (Meeting)	May 14 CE (Meeting) May 14 WS (Meeting) May 28 Board (Meeting)	June 11 WS (Absent) June 23 CE (Meeting) June 25 Board (Meeting)
MICHAEL HUGHES VICE CHAIR	April 9 WS (Meeting) April 23 Board (Meeting)	May 14 CE (Meeting) May 14 WS (Meeting) May 28 Board (Meeting)	June 11 WS (Meeting) June 23 CE (Meeting) June 25 Board (Meeting)
HEATHER PAYNE SECRETARY	April 9 WS (Meeting) April 23 Board (Meeting) April 28 NRTS (Absent)	May 14 WS (Absent) May 28 Board (Absent)	June 11 WS (Meeting) June 25 Board (Meeting)
TERRI BUCKNER	April 9 WS (Meeting) April 23 Board (Meeting) April 28 NRTS (Meeting)	May 14 CE (Meeting) May 14 WS (Meeting) May 28 Board (Meeting)	June 4 N (Meeting) June 11 WS (Meeting) June 23 CE (Meeting) June 25 Board (Meeting)
STEVE DEAR	April 9 WS (Absent) April 23 Board (Meeting) April 28 NRTS (Meeting)	May 14 CE (Meeting) May 14 WS (Meeting) May 28 Board (Meeting)	June 4 N (Meeting) June 11 WS (Meeting) June 23 CE (Meeting) June 25 Board (Meeting)
QUINTON HARPER	April 9 WS (Meeting) April 23 Board (Meeting)	May 14 CE (Meeting) May 14 WS (Meeting) May 28 Board (Meeting)	June 4 N (Meeting) June 11 WS (Meeting) June 23 CE (Meeting) June 25 Board (Meeting)
DAVE MOREAU	April 9 WS (Meeting) April 23 Board (Meeting) April 28 NRTS (Meeting)	May 14 WS (Absent) May 28 Board (Meeting)	June 11 WS (Meeting) June 25 Board (Meeting)
RUCHIR VORA	April 9 WS (Meeting) April 23 Board (Meeting) April 28 NRTS (Meeting)	May 14 WS (Absent) May 28 Board (Meeting)	June 11 WS (Meeting) June 25 Board (Absent)

AUGUST 27, 2015

BOARD OF DIRECTORS	APRIL 2015	MAY 2015	JUNE 2015
AMY WITSIL	April 9 WS (Meeting) April 23 Board (Meeting)	May 14 CE (Meeting) May 14 WS (Meeting) May 28 Board (Meeting)	June 4 N (Meeting) June 11 WS (Meeting) June 25 Board (Absent)
TOTAL MEETINGS HELD:	**3**	**3**	**4**

Board – Board of Directors
FC – Finance Committee
HR – Human Resources Committee
CE – Community Engagement Committee
N – Nominating Committee
NRTS – Natural Resources/Technical Systems Committee
WS – Work Session

AGENDA ITEM

- RESOLUTION HONORING THE SERVICE OF AMY WITSIL TO THE CHAPEL HILL-CARRBORO-ORANGE COUNTY COMMUNITY AS A MEMBER OF THE ORANGE WATER AND SEWER AUTHORITY'S BOARD OF DIRECTORS

BACKGROUND

- Since inception of Orange Water and Sewer Authority, the Board of Directors has adopted Resolutions of Appreciation for the service of a retiring member of the Board.

- The adopted resolution would be specially printed and framed for presentation to Amy Witsil.

STAFF RECOMMENDATION

- Adopt the Resolution Honoring the Service of Amy Witsil to the Chapel Hill-Carrboro-Orange County Community as a Member of the Orange Water and Sewer Authority's Board of Directors.

August 27, 2015

RESOLUTION HONORING THE SERVICE OF AMY WITSIL TO THE CHAPEL HILL-CARRBORO-ORANGE COUNTY COMMUNITY AS A MEMBER OF THE ORANGE WATER AND SEWER AUTHORITY'S BOARD OF DIRECTORS

WHEREAS, on April 26, 2010, the Chapel Hill Town Council appointed Amy Witsil to serve on the Board of Directors of the Orange Water and Sewer Authority (OWASA); and

WHEREAS, Ms. Witsil served on the OWASA Board from May 13, 2010, to June 30, 2015, including terms as Secretary of the Board of Directors from July 1, 2011, to June 30, 2013; and

WHEREAS, Ms. Witsil served on two committees during her service, Finance and Natural Resources and Technical Systems Committees, and was chair of the Finance Committee from July 2011 to July 2012; and

WHEREAS, Ms. Witsil gave freely of her time, energy, and talent in serving the community and OWASA customers with unselfish dedication and compassionate concern; and

WHEREAS, Ms. Witsil brought to OWASA exceptional analytical skills with which she contributed to the Board's deliberations and decisions in many areas including, for example, environmental, financial, planning, compensation, and community relationships and engagement; and she was adept in providing insight which was succinct, timely and of great value.

NOW, THEREFORE, BE IT RESOLVED BY THE ORANGE WATER AND SEWER AUTHORITY BOARD OF DIRECTORS:

1. That the Board of Directors expresses to Amy Witsil the Board's sincere appreciation and deep gratitude for her outstanding service, leadership and stewardship as a Member of the OWASA Board; and the Board wishes for Ms. Witsil much happiness in the years ahead.

2. That this resolution be recorded in the minutes of the OWASA Board of Directors and be part of the permanent records of OWASA, and that a copy of this resolution be transmitted to the Town of Chapel Hill.

Adopted this 27th day of August, 2015.

_____
Michael M. Hughes, P.E., Vice Chair

ATTEST:

_____
Heather Payne, Secretary

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

JUNE 25, 2015

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a regular business meeting on Thursday, June 25, 2015, at 7:00 PM in Council Chambers at the Chapel Hill Town Hall, 405 Martin Luther King Jr. Boulevard.

Board Members present: John A. Young, Chair; Michael M. Hughes, P.E., Vice Chair; Heather Payne, Secretary; Terri Buckner; Stephen (Steve) Dear; Quinton Harper; and David (Dave) Moreau. Board Members absent: Ruchir Vora and Amy Witsil.

OWASA staff present: Ed Kerwin; Mary Darr; Patrick Davis; Greg Feller; Stephanie Glasgow; Andrea Orbich; Ruth Rouse; Todd Taylor; Stephen Winters; and Robert Epting, Epting and Hackney.

Others present: Meg Holton, Water, Wastewater, and Stormwater Manager, and Kristin Blank-White, University of North Carolina at Chapel Hill; John Dorward, Executive Director of the Inter-Faith Council for Social Service; Robert Morgan, Carrboro resident; Travis Myren, Deputy Orange County Manager; Jeff Masten and Carol Rosenfeld, Durham residents.

There being a quorum present, Chair John Young called the meeting to order.

* * * * * * * * * *

MOTIONS ACTED UPON

1. Heather Payne made a motion to approve the Minutes of the May 28, 2015 Public Hearing and Meeting of the Board of Directors as amended on page 3 to read Petitions and Requests, "Mr. Tony Blake, White Cross Volunteer Fire Department, and Mr. Bill Waddell, Orange Grove Volunteer Fire Department, petitioned the Board regarding the feasibility of using OWASA water ~~installing fire hydrants on Highway 54 West in Orange County~~ to improve firefighting capabilities in that area." Second by Quinton Harper and unanimously approved.

2. Heather Payne made a motion to approve the Minutes of the June 11, 2015 Meeting of the Board of Directors; second by Terri Buckner and unanimously approved.

3. Heather Payne made a motion to approve the updated Schedule of Employee Classification and Compensation, increasing each pay grade by 3%, and that the Schedule remain in effect until further modification by the Board of Directors; second by Michael Hughes and unanimously approved.

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4. Heather Payne made a motion to approve increasing the base pay of any employee who would be paid less than the minimum of the newly established pay ranges to the minimum of the pay range; second by Terri Buckner and unanimously approved.

5. Terri Buckner made a motion to approve increasing the base pay by $1,500 for each employee receiving a performance review rating of "Successful" during the October 2015 annual review process; second by Steve Dear; the motion failed with a vote of three (3) to four (4) with Michael Hughes, Dave Moreau, Heather Payne, and John Young opposed.

6. Terri Buckner made a motion to approve a one-time pay increase of $1,500 for each employee receiving a performance review rating of "Successful" during the October 2015 annual review process; second by Steve Dear; the motion failed with a vote of three (3) to four (4) with Michael Hughes, Dave Moreau, Heather Payne, and John Young opposed.

7. Heather Payne made a motion to approve a merit increase of 3% for employees receiving a performance review rating of "Successful," and a merit increase of 6% for employees receiving a performance review rating of "Exceptional" during the October 2015 annual review process; second by Dave Moreau; the motion failed with a vote of four (4) to three (3) to with Terri Buckner, Steve Dear, and Quinton Harper opposed.

8. Heather Payne made a motion to approve a one-time merit increase of 3% for employees receiving a performance review rating of "Successful," and a one-time merit increase of 6% for employees receiving a performance review rating of "Exceptional" during the October 2015 annual review process; second by Michael Hughes; the motion failed with a vote of four (4) to three (3) to with Terri Buckner, Steve Dear, and Quinton Harper opposed.

9. Terri Buckner made a motion to approve a merit increase of 1.5%, plus a $1,000 one-time bonus for employees receiving a performance review rating of "Successful" and a merit increase of 3%, plus a $2,000 one-time bonus, for employees receiving a performance review rating of "Exceptional" during the October 2015 annual review process; second by Steve Dear; the motion failed with a vote of three (3) to four (4) with Michael Hughes, Dave Moreau, Heather Payne, and John Young opposed.

10. Terri Buckner made a motion that the adjustments in Motions 3 and 4 be effective November 2, 2015; second by Dave Moreau and unanimously approved.

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ANNOUNCEMENTS

Conflict Of Interest

John Young said 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. There were none.

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Robert Morgan Appointed

Mr. Young announced that on June 16, 2015, the Carrboro Board of Aldermen appointed Robert Morgan to the OWASA Board of Directors. Mr. Morgan's term is July 1, 2015 through June 30, 2018.

Amy Witsil and Steve Dear

On behalf of the Board of Directors, Mr. Young acknowledged and thanked Amy Witsil and Steve Dear for their service on the OWASA Board. Their terms will expire on June 30, 2015.

New Board Member Orientation

Mr. Young said that a new Board Member Orientation meeting is scheduled for Wednesday, July 1, 2015 at 2:00 PM in the OWASA Board Room for Jeff Danner and Robert Morgan.

Travis Myren

Ed Kerwin introduced Travis Myren, Orange County's new Deputy County Manager.

Scope of Work for the Employee Total Compensation Study

Mr. Kerwin recommended that in the July 9th Work Session agenda item on Scope of Work for the Employee Total Compensation Study (Study), the first step be to establish the Board's compensation philosophy rather than seeking to define the scope of work for the entire Study. With this step completed, the Board and staff will be able to identify strategies and specific work tasks to include in the scope of work to meet the Board's expectations for the Study. Mr. Kerwin noted that John Anzivino, Springsted's Project Manager, will be in attendance at the meeting.

The Board supported staff's recommendation.

PETITIONS AND REQUESTS

John Young asked for petitions and requests from the public, Board and staff; there were none.

ITEM ONE: MINUTES

Heather Payne made a motion to approve the Minutes of the May 28, 2015 Public Hearing and Meeting of the Board of Directors as amended on page 3 to read Petitions and Requests, "Mr. Tony Blake, White Cross Volunteer Fire Department, and Mr. Bill Waddell, Orange Grove Volunteer Fire Department, petitioned the Board regarding the feasibility of using OWASA water ~~installing fire hydrants on Highway 54 West in Orange County~~ to improve firefighting capabilities in that area." Second by Quinton Harper and unanimously approved. Please see Motion No. 1 above.

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ITEM TWO: MINUTES

Heather Payne made a motion to approve the Minutes of the June 11, 2015 Work Session of the Board of Directors, second by Terri Buckner and unanimously approved. Please see Motion No. 2 above.

ITEM THREE: BASELINE ASSESSMENT OF ENERGY USE AND MANAGEMENT EFFORTS AND POTENTIAL GOALS AND OBJECTIVES FOR THE ENERGY MANAGEMENT PLAN

Patrick Davis, Sustainability Manager, provided a presentation about OWASA's past energy use, energy efficiency improvements in recent years and possible goals for the energy management plan. Energy management is a priority in the Board's Strategic Plan.

The Board supported the draft objectives for the plan, which are: reduce use of purchased electricity by 35% by calendar year 2020 compared to the 2010 baseline; reduce use of purchased natural gas by 5% by calendar year 2020; and beneficially use all wastewater treatment plant biogas by 2022, provided the preferred strategy is expected to have a positive payback within the expected useful life of the required equipment. Staff will work to evaluate strategies to achieve the draft objectives, will continue to inform customers and other stakeholders and will receive comments as OWASA's energy management plan is developed in coming months.

ITEM FOUR: 12-MONTH PROGRESS REPORT ON AFFORDABILITY OUTREACH PILOT PROJECT

Steve Dear, Chair of the Board's Community Engagement Committee, said the Committee recommends that our affordability outreach efforts no longer be considered a pilot project, but be supported as an ongoing permanent program.

Patrick Davis, Sustainability Manager, provided a presentation on this project, which is a key strategic theme for the Board of Directors.

John Dorward, Executive Director of the Inter-Faith Council for Social Service, expressed appreciation from the community to the Board and staff for their work to improve water and sewer service affordability in the community.

Terri Buckner thanked John Dorward for his assistance in obtaining a new logo for the Care to Share program.

The Board agreed with the Committee's recommendation and requested that staff continue to work with partner agencies to develop a proposed plan including an evaluation of resource needs and strategies to implement a permanent affordability outreach program.

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ITEM FIVE: REVIEW INFORMATION AND OPTIONS FOR EMPLOYEE MERIT PAY FOR FISCAL YEAR 2016

John Young lead the discussion by suggesting the Board discuss the following questions:

- Leadership team and other employees in "higher" pay scales – does the Board want to increase competition in the labor market or trim back to reduce operating expenses and pass the savings back to customers?
- Lower pay scale employees – does the Board want to view compensation above and beyond the labor market to achieve a more socially equitable outcome and increase operating expenses and pass that on to customers?
- Does the Board want to implement a one-time adjustment rather than permanent increases in salaries?
- Should the Board continue the current compensation policy or proceed with a different approach?

Terri Buckner said there should be a distinction between salary structure and merit and that she prefers a flat pay increase for all employees. Ms. Buckner had no preference on a one-time adjustment or permanent increase in salaries.

Michael Hughes agreed with Ms. Buckner about separating cost of living and merit for employees and said the pay scales should be increased by the same percentage. He agreed with the same percentage for cost of living, but said that merit increases should be percentage-based and should be a one-time adjustment for employees who are successful or exceptional. Mr. Hughes said he would entertain a different approach on the compensation policy.

Heather Payne said the Board should adhere to the current policy and guidelines the Board approved until a new policy is adopted by the Board.

Dave Moreau said pay scales should be adjusted proportionally including cost of living, and OWASA should distribute merit pay as a one-time adjustment.

Steve Dear said he could support any of the suggestions but feels the Board needs to establish a compensation philosophy.

Quinton Harper said he prefers separating wage and merit increases as well as a one-time adjustment.

Mr. Young said that the pay scales should be adjusted for cost of labor, that he supports a percentage increase for all employees, a one-time adjustment is preferred, and that he supports the current Board policy.

Heather Payne made a motion to approve the updated Schedule of Employee Classification and Compensation, increasing each pay grade by 3%, and that the Schedule remain in effect until

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further modification by the Board of Directors; second by Michael Hughes and unanimously approved. Please see Motion No. 3 above.

Heather Payne made a motion to approve increasing the base pay of any employee who would be paid less than the minimum of the newly established pay ranges to the minimum of the pay range; second by Terri Buckner and unanimously approved. Please see Motion No. 4 above.

Terri Buckner made a motion to approve increasing the base pay by $1,500 for each employee receiving a performance review rating of "Successful" during the October 2015 annual review process; second by Steve Dear; the motion failed with a vote of three (3) to four (4) with Michael Hughes, Dave Moreau, Heather Payne, and John Young opposed. Please see Motion No. 5 above.

Terri Buckner made a motion to approve a one-time pay increase of $1,500 for each employee receiving a performance review rating of "Successful" during the October 2015 annual review process; second by Steve Dear; the motion failed with a vote of three (3) to four (4) with Michael Hughes, Dave Moreau, Heather Payne, and John Young opposed. Please see Motion No. 6 above.

Dave Moreau made a motion to approve a cost of labor increase of 2.5% to all employees receiving a performance review rating of "Successful" or "Exceptional," plus a one-time pay increase of $1,500 for employees receiving a performance review rating of "Successful," and a one-time pay increase of $3,000 for employees receiving a performance review rating of "Exceptional" during the October 2015 annual review process; there was no second and the motion failed.

Heather Payne made a motion to approve a merit increase of 3% for employees receiving a performance review rating of "Successful," and a merit increase of 6% for employees receiving a performance review rating of "Exceptional" during the October 2015 annual review process; second by Dave Moreau; the motion failed with a vote of four (4) to three (3) to with Terri Buckner, Steve Dear, and Quinton Harper opposed. Please see Motion No. 7 above.

Heather Payne made a motion to approve a one-time merit increase of 3% for employees receiving a performance review rating of "Successful," and a one-time merit increase of 6% for employees receiving a performance review rating of "Exceptional" during the October 2015 annual review process; second by Michael Hughes; the motion failed with a vote of four (4) to three (3) to with Terri Buckner, Steve Dear, and Quinton Harper opposed. Please see Motion No. 8 above.

Terri Buckner made a motion to approve a merit increase of 1.5%, plus a $1,000 one-time bonus, for employees receiving a performance review rating of "Successful" and a merit increase of 3%, plus a $2,000 one-time bonus, for employees receiving a performance review rating of "Exceptional" during the October 2015 annual review process; second by Steve Dear; the motion failed with a vote of three (3) to four (4) with Michael Hughes, Dave Moreau, Heather Payne, and John Young opposed. Please see Motion No. 9 above.

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Terri Buckner made a motion that the adjustments in Motions 3 and 4 be effective November 2, 2015; second by Dave Moreau and unanimously approved. Please see Motion No. 10 above.

The attached Resolution Updating the Schedule of Employee Classification and Authorized Compensation and Adjusting Affected Employees' Compensation to the Minimum of the Pay Range incorporates the actions approved in Motions No.'s 3, 4 and 11, and is included to represent the actions by the Board in resolution form.

After much discussion, the Board agreed to continue consideration of the amount and method for employee pay increases at a future meeting. The Board requested that the Executive Director communicate to all employees the Board's intention to provide pay increases for employees rated "Successful" or "Exceptional" in the October 2015 performance review, and that the amount and method for the pay increase is to be decided.

ITEM SIX: 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 BOARD MEETING

Ed Kerwin summarized the meeting as follows:

- Staff will continue to evaluate strategies to achieve the draft objectives and continue to inform customers and other stakeholders on OWASA's energy management plan;
- Community Engagement Committee and staff will work to develop a proposed plan to move the affordability pilot project into an ongoing plan that includes an evaluation of resource needs and strategies for implementation;
- Executive Director will communicate to all employees the Board's intention to provide pay increases for employees rated "Successful" or "Exceptional" in the October 2015 performance review, and that the amount and method for the pay increase is to be decided;
- Staff will send the Board a Doodle poll to determine attendance at the Board's September 10th, September 24th and October 8th meetings and the information will be used to schedule the Board's continued discussion and possible action on Employee Pay for Fiscal Year 2016;
- July 9, 2015 Work Session will include the following;
  - Jeff Danner, Chapel Hill appointee to the Board, will take the Oath of Office;
  - Discuss and review the draft Scope of Work for the Employee Total Compensation Study regarding compensation philosophy;
  - Revisit Board Members' suggestions regarding lake recreation activities; and
  - Discuss priorities and work schedules for key initiatives.

Steve Dear expressed his appreciation and thanks to the Board and staff and gave a book, *Paris Sewer and Sewermen: Realities and Representations* by Donald Reid, as a parting gift.

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ITEM SEVEN: WORK SESSION

Without objection, the Board of Directors convened in a Work Session in the First Floor Conference Room for the purpose of discussing the results of the 2015 Board Self-Assessment.

The Board agreed to continue discussing this topic on July 9, 2015.

The meeting was adjourned at 10:40 PM.

Respectfully submitted,

Andrea Orbich
Executive Assistant/Clerk to the Board

Attachments

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ORANGE WATER AND SEWER AUTHORITY

WORK SESSION OF THE BOARD OF DIRECTORS

JULY 9, 2015

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a Work Session on Thursday, July 9, 2015 at 6:00 PM in OWASA's Community Room at 400 Jones Ferry Road, Carrboro.

Board Members present: John A. Young, Chair; Michael M. Hughes, P.E., Vice Chair; Terri Buckner; Jeff Danner; Quinton Harper; David (Dave) Moreau and Ruchir Vora. Board Members absent: Heather Payne, Secretary, and Robert Morgan.

OWASA staff present: Ed Kerwin; Denise Battle; Mary Darr; Patrick Davis; Greg Feller; Stephanie Glasgow; Kenneth Loflin; Andrea Orbich; Johnny Riley; Ruth Rouse; Todd Taylor; Stephen Winters; and Robert Epting, Esq., Epting and Hackney.

Others present: Meg Holton, Water, Wastewater, and Stormwater Manager, University of North Carolina at Chapel Hill; Alan Tom, Chapel Hill resident; Joel Bulkley, Community Sports News; and John Anzivino, Springsted.

MOTIONS

1. BE IT RESOLVED THAT the Board of Directors of the Orange Water and Sewer Authority adopt the Resolution Honoring the Service of Stephen Dear to the Chapel Hill-Carrboro-Orange County Community as a Member of the Orange Water and Sewer Authority Board of Directors. (Resolution so titled attached hereto and made a part of these minutes. Motion by Michael Hughes, second by Dave Moreau and unanimously approved.)

ANNOUNCEMENTS

John Young said 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. Mr. Hughes said he may have a conflict of interest regarding discussion of trailers at the Cane Creek Reservoir.

Mr. Young said that Jeff Danner, Town of Chapel Hill appointee, and Bob Morgan, Town of Carrboro appointee, took the oaths of office as OWASA Board Members on July 1, 2015.

Mr. Young said the Board will discuss Fiscal Year 2016 merit pay for employees on September 10, 2015.

Mr. Young said an item was added to the agenda, Resolution Honoring the Service of Stephen Dear to the Chapel Hill-Carrboro-Orange County Community as a Member of the Orange Water and Sewer Authority Board of Directors. Michael Hughes made a motion to approve the resolution; second by Dave Moreau, and unanimously approved. Please see Motion No. 1 above.

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Stephen Winters said the sale of the Series 2015 Water and Sewer System Revenue Refunding Bonds was closed on July 1, 2015

ITEM ONE: REVIEW DRAFT SCOPE OF WORK FOR EMPLOYEE TOTAL COMPENSATION STUDY

The Board discussed with John Anzivino of Springsted Inc. and staff a proposed process and timetable for developing the Board's compensation philosophy, part one of the Draft Scope of Work for Employee Total Compensation Study. The Board authorized staff and the consultant to proceed with the part one of the study which will not exceed $22,200.

Ed Kerwin inquired if the Board wanted to review the employee survey prior to distribution; the Board agreed to review and offer comments via email.

ITEM TWO: REVISIT BOARD MEMBERS' SUGGESTIONS REGARDING LAKE RECREATION ACTIVITIES

The Board agreed that no additional parking for trailers at Cane Creek Reservoir was necessary.

The Board discussed possible changes in recreation at the Cane Creek Reservoir and agreed to seek citizens' comments on September 10, 2015, regarding birdwatching in the months when the lake is normally closed (mid–November to mid-March), and holding a one-time special night event. The Board requested staff provide information about public access for these activities, provide additional details about the proposed night boating activity, and propose an alternative stargazing event that would not include boating.

ITEM THREE: REQUEST(S) BY BOARD COMMITTEES, BOARD MEMBERS AND STAFF

At Michael Hughes' request, Mary Darr gave a brief update on developing the scope of work for final design of sanitary sewers to serve the Historic Rogers Road Area, and plans to begin land surveying and other information gathering in August.

Terri Buckner mentioned that the ad hoc working group on community energy management forum was not able to meet in July and staff and she would schedule a meeting in August or September 2015.

ITEM FOUR: REVIEW 12 MONTH BOARD MEETING SCHEDULE AND REVIEW PRIORITIES AND WORK SCHEDULES FOR KEY INITIATIVES

The Board discussed staff information on actions and potential timetables for several initiatives in OWASA's Strategic Plan. Staff update the Board's 12 Month Board Meeting Schedule for future agenda items based on the Board's discussion.

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ITEM FIVE: SUMMARY OF THE WORK SESSION

Ed Kerwin summarized the key action items for staff as follows:

- Staff will email the draft survey to the Board for feedback before administering it to employees;
- Staff will update and seek feedback from the Board on the 12 Month Board Meeting Schedule that reflects tonight's discussion;
- The Board's September 10th meeting will include:
    - Receive feedback from the public on lake recreation activities regarding bird watching and night opportunities at Cane Creek Reservoir; and
    - Board discussion of employee compensation for Fiscal Year 2016.

ITEM SIX: CLOSED SESSION

Without objection, the Board convened in a Closed Session for the purpose of discussing two pending litigation matters.

ITEM SEVEN: WORK SESSION

Following the Closed Session, the Board went back into its open Work Session for the purpose of discussing the results of 2015 Board Self-Assessment. No action was taken.

The work session was adjourned at 9:35 PM.

Respectfully submitted by:

Andrea Orbich
Executive Assistant/Clerk to the Board

Attachment

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ORANGE WATER AND SEWER AUTHORITY

CLOSED SESSION OF THE BOARD OF DIRECTORS

JULY 9, 2015

The Board of Directors of Orange Water and Sewer Authority met in Closed Session on Thursday, July 9, 2015, following the regular Board meeting.

Board Members present: John A. Young, Chair; Michael M. Hughes, P.E., Vice Chair; Terri Buckner; Jeff Danner; Quinton Harper; David (Dave) Moreau and Ruchir Vora. Board Member absent: Heather Payne, Secretary, and Robert Morgan.

Staff present: Robert Epting, General Counsel; Ed Kerwin, Executive Director; Todd Taylor, General Manager of Operations; and Stephanie Glasgow, Director of Human Resources and Safety.

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ITEM ONE

The Board of Directors met in Closed Session for the purpose of consultation with General Counsel regarding two pending litigation matters.

No official action was taken at the meeting.

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Robert Epting, Esquire
OWASA General Counsel

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AGENDA ITEM

- DISCUSSION OF WATER AND SEWER RATE STRUCTURE ALTERNATIVES AND TRENDS

BACKGROUND

- In Fiscal Year 2013, we conducted a rate study for the purpose of analyzing how well our rate structure meets the objectives of service affordability, conservation promotion, adherence to cost of service principles, and equity across customer classes.

- The changes recommended by the study included modifying fixed monthly service charges to reflect water industry standards and offsetting adjustments in water and sewer commodity charges to achieve revenue neutrality.

- When developing the budget for FY 2014, it was determined that no rate increase would be necessary. As a result, the Board decided to defer implementing the recommended rate structure changes.

- In the two years since, the Board has been faced with the same or similar set of facts and has reached the same decision. Our monthly rates and fees have remained the same since October 2011.

- In FY 2014 the Board again considered rate structure changes: not only the changes recommended in the FY 2013 study but also additional adjustments to the rate blocks. Once again, the Board opted against making structure changes due to the decision to not increase rates.

- The Board agreed to consider the prior recommendations and to also explore other alternative rate structures.

- The rate structure discussion on August 27 will focus on the following two general topics, and include presentations from Burton and Associates (our rate consultants) and staff of UNC's Environmental Finance Center.

    - Water industry rate-making trends and considerations.
    - Alternative rate structures.

ACTION NEEDED

- Provide direction to staff regarding next steps including:

    - Identify which aspects of the rate structure alternatives the Board would like to further analyze.
    - Determine if future rate structure discussions should occur in Board or Committee meetings.
    - Provide feedback on the timeline noted above.

August 27, 2015

ORANGE WATER AND SEWER AUTHORITY

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

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: Stephen Winters, CPA

DATE: August 21, 2015

SUBJECT: **Discussion of Water and Sewer Rate Structure Alternatives and Trends**

Background

In Fiscal Year (FY) 2013, we conducted a rate study for the purpose of analyzing how well our rate structure meets the following objectives:

- Service affordability
- Conservation promotion
- Adherence to cost of service principles
- Equity across customer classes

The changes recommended by the study included modifying fixed monthly service charges to reflect water industry standards and offsetting adjustments in water and sewer commodity charges to achieve revenue neutrality. Quoting from the consultant's technical memorandum, the study concluded that, "While OWASA's current rate structure is generally fair, equitable, and conforms to industry standards, certain adjustments could be made to achieve the goals of providing additional price incentives for water conservation and enhancing affordability for low volume and average users." (Additional details about the results of the FY 2013 study are attached in the form of staff's summary of the consultant's technical memorandum (Attachment 1).)

When developing the budget for FY 2014, it was determined that no rate increase would be necessary. As a result, the Board decided to defer implementing these changes. After many consecutive years of rate increases, we wanted all customers to realize the benefit of not increasing or otherwise modifying our rates. Had the structure changes been implemented, some customers would have seen a rate increase, others a rate decrease. In each of the two years since, the Board has been faced with the same or similar set of facts and has reached the same decision.

As indicated above, in FY 2014 the Board again considered rate structure changes: not only the changes recommended in the FY 2013 study but also additional adjustments to the rate blocks. Even though it ultimately opted against making structure changes due to the decision to not increase rates, a majority of the Board favored the changes.

Purpose of the Discussion

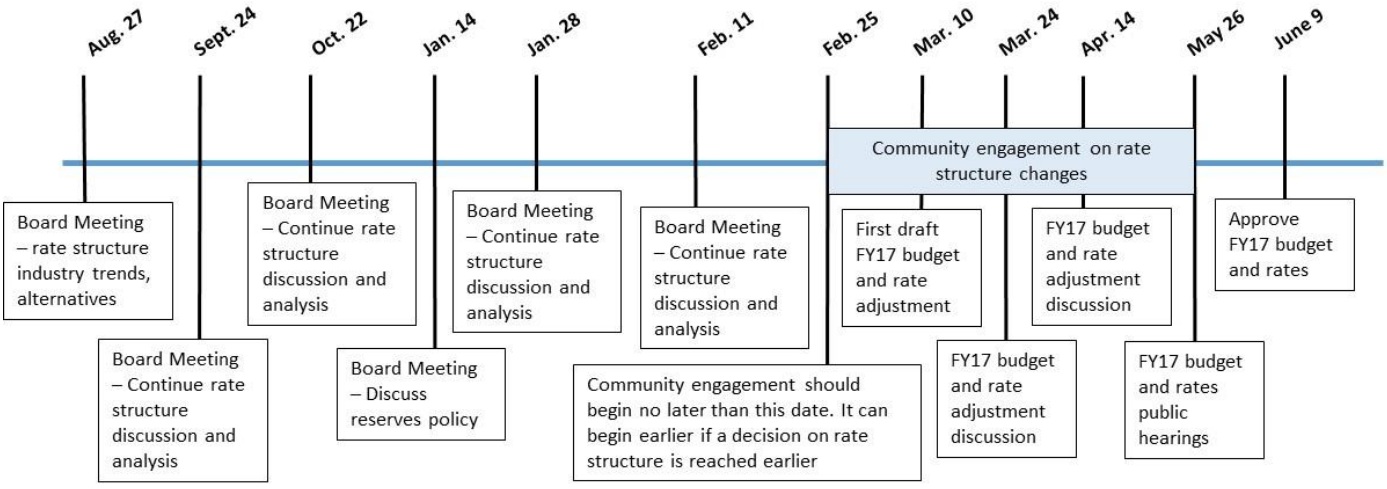
The Board has expressed interest in exploring alternative rate structures. Staff's understanding is that this may include minor adjustments to the current structure or more significant, fundamental changes.

The rate structure discussion on August 27 will focus on two general topics.

- Water industry rate-making trends and considerations – Andy Burnham from Burton and Associates will lead this part of the discussion. Andy and his firm have worked with OWASA for several years and conducted the FY 2013 rate study.
- Alternative Rate Structures – Shadi Eskaf and Mary Tiger will lead this part of the discussion. Shadi works for UNC's Environmental Finance Center (EFC). Mary also works at the EFC but on August 24, she becomes OWASA's Sustainability Manager.

Rate Structure Decision Timeline

The following is a tentative timeline for reaching a preliminary decision on changes to OWASA's rate structure. We are using the term preliminary because it is anticipated that the Board will not finalize its decision until after the public has had opportunities to provide input. We note that community engagement should begin no later than February 25, 2016 but we recommend beginning community engagement as soon as a preliminary decision is reached.



Action Requested

Provide direction to staff regarding next steps including:

- Identify which aspects of the rate structure alternatives the Board would like to further analyze.
- Determine if future rate structure discussions should occur in Board or Committee meetings.
- Provide feedback on the timeline noted above.

Stephen Winters, CPA
Director of Finance and Customer Service

Attachments: Agenda material from the Finance Committee meeting held on September 13, 2012 (Attachment 1)

Summary of FY 2013 Rate Study Technical Memorandum

We engaged the firm of Burton and Associates to conduct a rate study. The purpose of this study was to help us analyze and identify potential changes to our rate structure to ensure it still supports our strategic priorities of cost of service, conservation, and affordability. Burton and Associates has developed tools that they are using to help us analyze how changing various rate structure components affects our various customer classes.

Staff worked with our consultants to arrive at the recommendations outlined below.

Potential rate changes must be evaluated against rate-setting objectives such as:

- ✓ Ensure we generate sufficient revenues to remain sustainable
- ✓ Set rates to recover all costs we incur to provide the service from the party that benefits from the service
- ✓ Establish rates that are equitable across customer classes
- ✓ Provide services at the lowest cost consistent with our obligations to serve (maintain affordable rates)
- ✓ Maintain a system of rates and fees that is reasonably understandable by our customers
- ✓ Implement a rates and fees structure that is reasonably administered

These objectives can be competing and conflicting. For example, if monthly fixed service charges are set at a level that fully recovers our fixed costs and maximizes revenue stability, the minimum bill to our customers would be substantially higher which would adversely affect the affordability objective. Under such an approach, commodity volume charges would be much lower which would offset the conservation objective.

Burton and Associates summarized the results of the 2013 rate study work in a Technical Memorandum (TM). Below is a summary of the issues covered in the TM.

1. Monthly Service Charges / portion of fixed costs recovered – Currently, about 25% of water revenue is derived from the fixed water service charge and 75% is derived from the commodity volume charge. For sewer revenue, about 19% is derived from the sewer service charge and 81% is derived from the commodity volume charge.

   Recommendation: Change the amount of revenue derived from the fixed service charges so that the amounts recovered from water and sewer are both 20%.

   Effect of change: This will result in a relatively small increase in the amount of "at-risk" revenue since more revenue will come from the commodity volume charge versus fixed service charge. It will improve affordability for some individually-metered residential customers, as it will result in slightly lower bills for residential customers using lower volumes of water.

2. Monthly Service Charges / allocation of costs by meter size – The amount of our fixed monthly service charges increases based on meter size; large meters have a higher service charge than smaller ones. The American Water Works Association (AWWA) has established standards for determining the differential in service charges based on meter size. The amounts by which our service charges increase between meter sizes is different than the AWWA standard.

   Recommendation: Recalibrate service charges to match the AWWA standard.

   Effect of change: This will slightly reduce the service charge for most residential customers and increase the service charge for customers with large meters. Therefore, as noted

above, it will result in slightly lower bills for residential customers using lower volumes of water.

3. Monthly Service Charges / recovery of customer service and billing costs – Our monthly service charge recovers costs associated with customer service, meter reading and billing. It also includes other costs that increase as the size of a meter increases. Customer service costs do not change based on meter size; it does not cost more to read and bill for a 2" meter than it does for a 5/8" meter.

   Recommendation: Separately determine the customer service portion of our service charge from the other service charge components that appropriately increase as meter size increases. The customer service portion would not be shown separately on bills.

   Effect of change: This will better conform to the cost of service principle and will have negligible effect on customer classes.

4. Sewer Billing Cap – Sewer charges for residential customers are based on fixed monthly charge plus the volume of sewer service received (which is based on the volume of water used). If a customer uses 5,000 gallons of water they are charged for 5,000 gallons of sewer service. For residential customers, monthly sewer charges are capped at 15,000 gallons of use. If a customer uses 22,000 gallons of water in a month, they are charged for only 15,000 gallons of sewer service. The justification for using a cap is that water use over a certain number of gallons per month is most likely for outdoor use which means it does not enter the sewer system.

   Recommendation: Lower the sewer cap. Customer water use data indicates that an appropriate cap would be10,000 gallons or perhaps even less.

   Effect of change: Lowering the sewer cap will more accurately account for water that is most likely not entering OWASA's sewer system. It will have the effect of lowering the bills for residential customers with use above the lowered cap and increasing the bills for residential customers with use levels below the cap as well as non-residential customers.

5. Block Rate Structure – We also considered changing certain aspects of our residential block rates such as the number of gallons in the blocks, the differential in rates between blocks, the number of blocks, etc.

   Recommendation: Make no changes to the block rate structure. Our block rates are in-line with industry practices. However, once agreement is reached on the changes mentioned above, we can use "changing the block rate structure" as another tool to address conservation, affordability, etc.

   Effect of change: Not applicable.

6. Drought Surcharges – Burton and Associates concluded that our current approach to drought surcharges should be generally revenue neutral during periods of water use restrictions. However, factors such as the time of year the drought occurs can greatly affect revenue recovery. Their analysis was based on our experience during prior droughts but since those droughts, we have changed the local water conservation ordinances, implemented the reclaimed water system, and seen customers throughout the community implement water efficiency measures. Therefore, we cannot be certain that our customers will react similarly when the next declared water shortage occurs.

Recommendation: Do not modify the drought surcharge structure. The current structure appears to be revenue neutral; the analysis did not produce compelling reasons to make changes.

Effect of change: Not applicable.

AGENDA ITEM

- FINANCIAL REPORT FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2015

PURPOSE

- To inform the Board of Directors of OWASA's financial performance and fiscal position.

BACKGROUND

- The financial report consists of a Statement of Net Position, an Income Statement that includes a budget to actual comparison, graphical presentations of financial performance indicators and a Financial Management Policy Report Card.

- Highlights of the report include:

  - All financial performance targets were met.

  - Operating Revenues for the period were about $1.2 million or 3.5% over budget.

  - Operating Expenses were about $350,000 or 1.7% less than budget.

  - Customer Fees (Service Availability Fees) exceeded budget for the period by approximately $650,000.

  - Net Income less Debt Service was 28.4% or roughly $2.4 million over budget.

  - Capital Improvement Program expenditures were about 32% less than budgeted for the year.

  - Capital equipment expenditures were under budget by about $410,000.

ACTION NEEDED

- Receive and discuss the Financial Report for the twelve month period ended June 30, 2015.

August 27, 2015

ORANGE WATER AND SEWER AUTHORITY

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

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: Stephen Winters, CPA

DATE: August 21, 2015

SUBJECT: Financial Report for the twelve month period ended June 30, 2015

Purpose

The financial report for the twelve month period ended June 30, 2015 is presented to inform the Board of Directors of OWASA's financial position and financial performance in relation to budget.

Contents

- Statement of Net Position
- Income Statement
- Graphs of Key Performance Indicators
- Financial Management Policy Report Card

Fiscal Performance

- As shown on page 10 of the financial report, all financial performance measurement targets were met for the year.
- Average potable water sales for the period was 6.24 million gallons per day (MGD), 6.10 was projected. Combined potable and reclaimed water sales for the period averaged 6.78 MGD versus a projection of 6.85.
- Total Operating Revenue was 3.5% or about $1.2 million over budget.
- Revenue from new system connections was over budget by about $650,000. We set more meters than we projected for the year and the actual average revenue per meter was higher than the average used for budgeting.
- Total operating expenses for the period were 1.7% or about $350,000 less than budget.
- Net Income less Debt Service for the period was approximately $2.4 million or 28.4% more than budget.
- Capital equipment expenditures were under budget by about $410,000. The annual budget (which includes equipment and computer software systems) included $500,000 for implementing a new finance and customer billing system. However, rather than invest in a new system, we decided to upgrade our current system at a cost of only $135,000.
- Capital Improvements Program (CIP) expenditures were about $7.3 million or 68% of budget. The Advanced Meter Infrastructure (AMI) System project changed significantly after the FY 2015 budget was approved. The budget included $1.2 million in funding for beginning the implementation of the project.

However, we decided to perform a feasibility study before committing to funding the project. As a result, we did not spend any money in FY 2015 on the AMI project.

In addition, FY 2015 expenditures to complete the South Estes Drive Water Main Replacement project were approximately $375,000 less than budgeted due to lower than projected construction costs. The Little Creek Sanitary Sewer Replacement project's design and permitting took longer to complete than expected resulting in about $1 million less spending than budgeted. Expenditures for the Tom's Creek and Morgan Creek Aerial Crossings Replacements project were about $500,000 under budget due to lower than expected construction costs. Finally, the analysis of the condition-improvement needs of several maintenance-vehicle stream crossings took longer than expected which resulted in spending approximately $235,000 less than budget for construction.

Detailed information on FY 2015 CIP projects with significant budget or schedule variances will be provided at the August 27, 2015 Board of Directors meeting as part of the recurring Semi-annual CIP Status Report.

Stephen Winters, CPA
Director of Finance and Customer Service

Orange Water and Sewer Authority

Financial Report
For the Twelve Month Period Ended
June 30, 2015

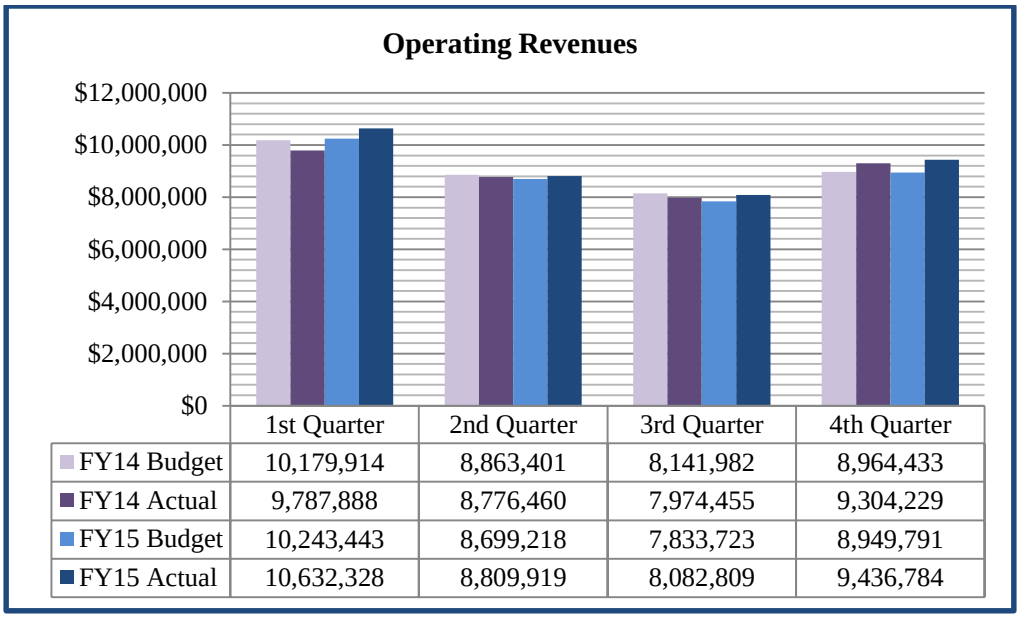
Orange Water and Sewer Authority
Statement of Net Position
June 30, 2015
(unaudited)

Assets	
Current Assets	
Cash	$25,967,718
Receivables	5,221,530
Inventory	902,288
Prepaid expenses	18,424
Restricted cash	6,750,767
Total Current Assets	38,860,727
Noncurrent Assets	
Capital Assets (net of depreciation)	273,989,327
Other Noncurrent assets	23,052,080
Total Noncurrent Assets	297,041,407
Total Assets	$335,902,134
Liabilities and Net Position	
Current Liabilities	
Accounts payable and accrued expenses	$3,878,398
Unearned income	569,673
Customer deposits	976,054
Total Current Liabilities	5,424,125
Noncurrent Liabilities	
Bonds payable	79,142,000
Other noncurrent liabilities	5,023,653
Total Noncurrent Liabilities	84,165,653
Net Position	
Contributed capital	114,193,353
Net Position at the beginning of the year	125,577,566
Year-to-date accrual basis net income	6,541,437
Total Liabilities and Net Position	$335,902,134
Net income reconciliation:	
Accrual basis net income	$6,541,437
Depreciation, other post-employment benefits, and interest expense	12,401,599
Modified accrual basis net income	$18,943,029

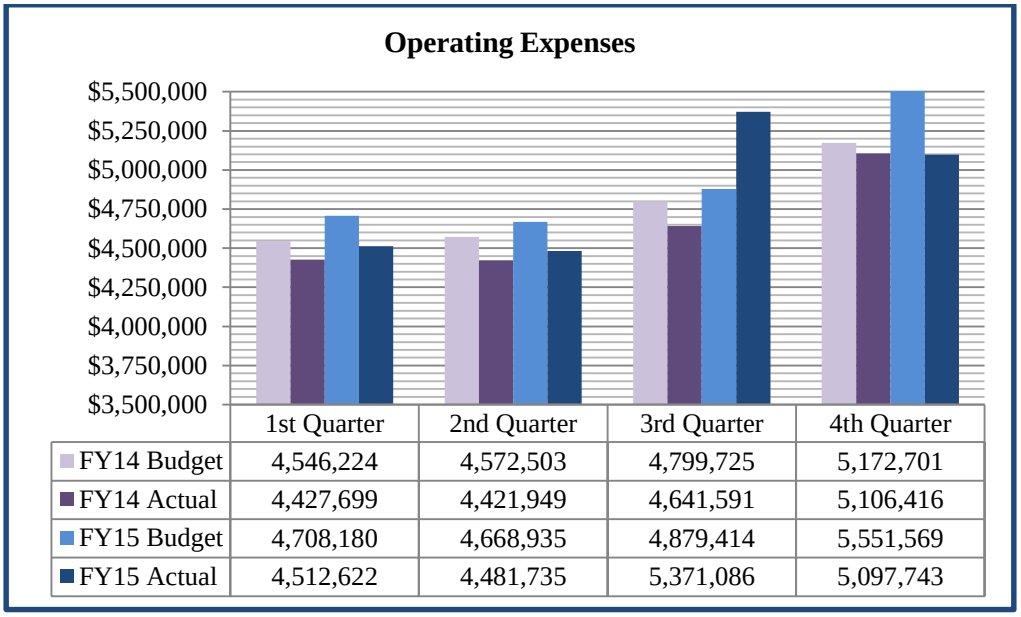
Orange Water and Sewer Authority
Income Statement
For the Twelve Month Period Ended June 30, 2015
(unaudited)

	Actual through June 30, 2015	Budget through June 30, 2015	Variance (effect on net change in Fund Balance)	Percent Variance
Operating Revenue:				
Water	$18,291,452	$17,487,472	$803,980	4.6%
Sewer	17,003,055	16,602,656	400,399	2.4
Reclaimed Water	411,122	466,955	(55,833)	(12.0)
Service Initiation Fees	167,410	193,240	(25,830)	(13.4)
Other	1,352,138	1,204,568	147,570	12.3
Refunds and Allowances	(263,337)	(228,716)	(34,621)	(15.1)
Total Operating Revenue	36,961,840	35,726,175	1,235,665	3.5
Non-operating Income:				
Customer Fees	1,429,242	782,373	646,869	82.7
Interest	15,133	54,590	(39,457)	(72.3)
Total Non-operating Income	1,444,375	836,963	607,412	72.6
Total Income	38,406,215	36,563,138	1,843,077	5.0
Operating Expense:				
General and Administrative	6,162,029	6,261,846	99,817	1.6
Water Supply and Treatment	4,630,741	4,685,125	54,384	1.2
Water Distribution	2,834,000	2,647,837	(186,163)	(7.0)
Wastewater Treatment	4,547,463	4,894,171	346,708	7.1
Wastewater Collection	1,288,953	1,319,108	30,155	2.3
Total Operating Expense	19,463,186	19,808,087	344,901	1.7
Net Income (modified accrual)	18,943,029	16,755,051	2,187,978	13.1
Debt Service	8,110,714	8,316,875	206,161	2.5
Net Income less Debt Service	10,832,315	8,438,176	2,394,139	28.4
Less: CIP Expenditures	7,324,616	10,842,000	3,517,384	32.4
Capital Equipment Expenditures	752,817	1,165,000	412,183	35.4
Net Change in Fund Balance	$2,754,882	($3,568,824)	$6,323,706	NA

Orange Water and Sewer Authority
Select Financial Data
For the Twelve Month Period Ended June 30, 2015

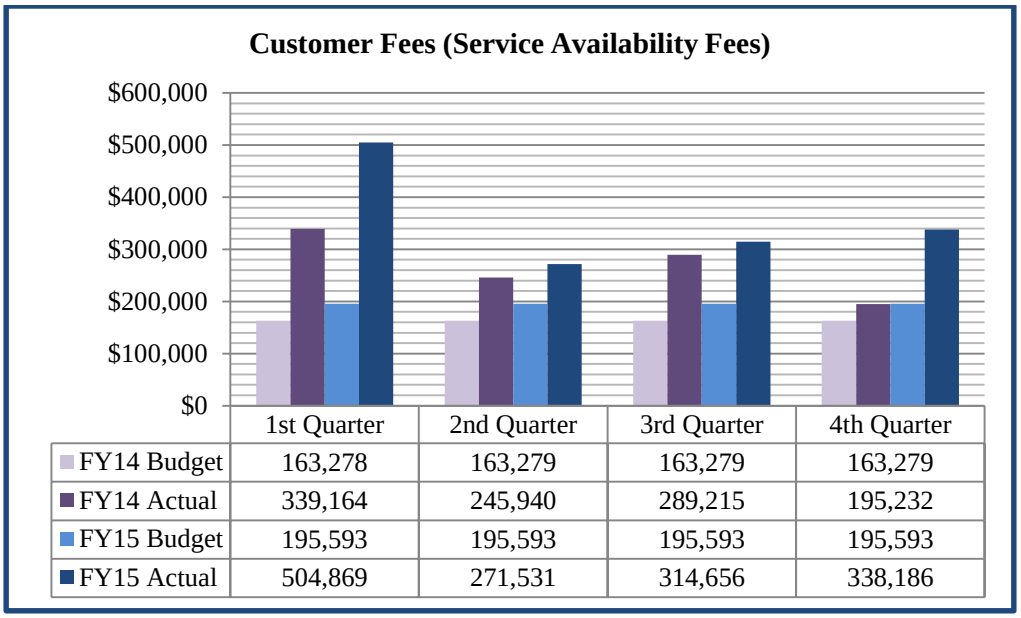


	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
FY14 Budget	10,179,914	8,863,401	8,141,982	8,964,433
FY14 Actual	9,787,888	8,776,460	7,974,455	9,304,229
FY15 Budget	10,243,443	8,699,218	7,833,723	8,949,791
FY15 Actual	10,632,328	8,809,919	8,082,809	9,436,784

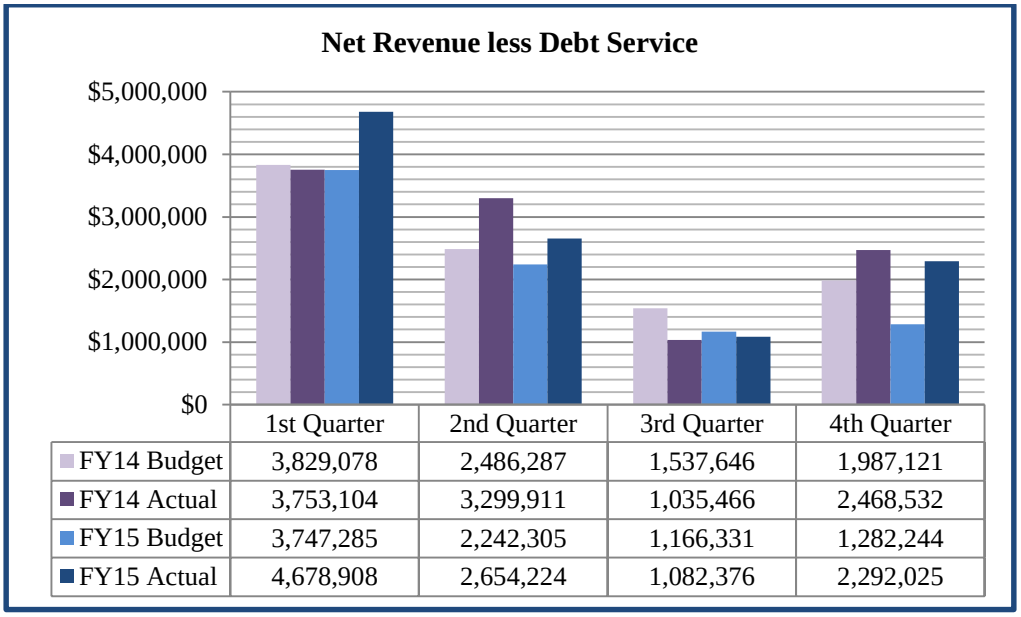


	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
FY14 Budget	4,546,224	4,572,503	4,799,725	5,172,701
FY14 Actual	4,427,699	4,421,949	4,641,591	5,106,416
FY15 Budget	4,708,180	4,668,935	4,879,414	5,551,569
FY15 Actual	4,512,622	4,481,735	5,371,086	5,097,743

Orange Water and Sewer Authority
Select Financial Data
For the Twelve Month Period Ended June 30, 2015

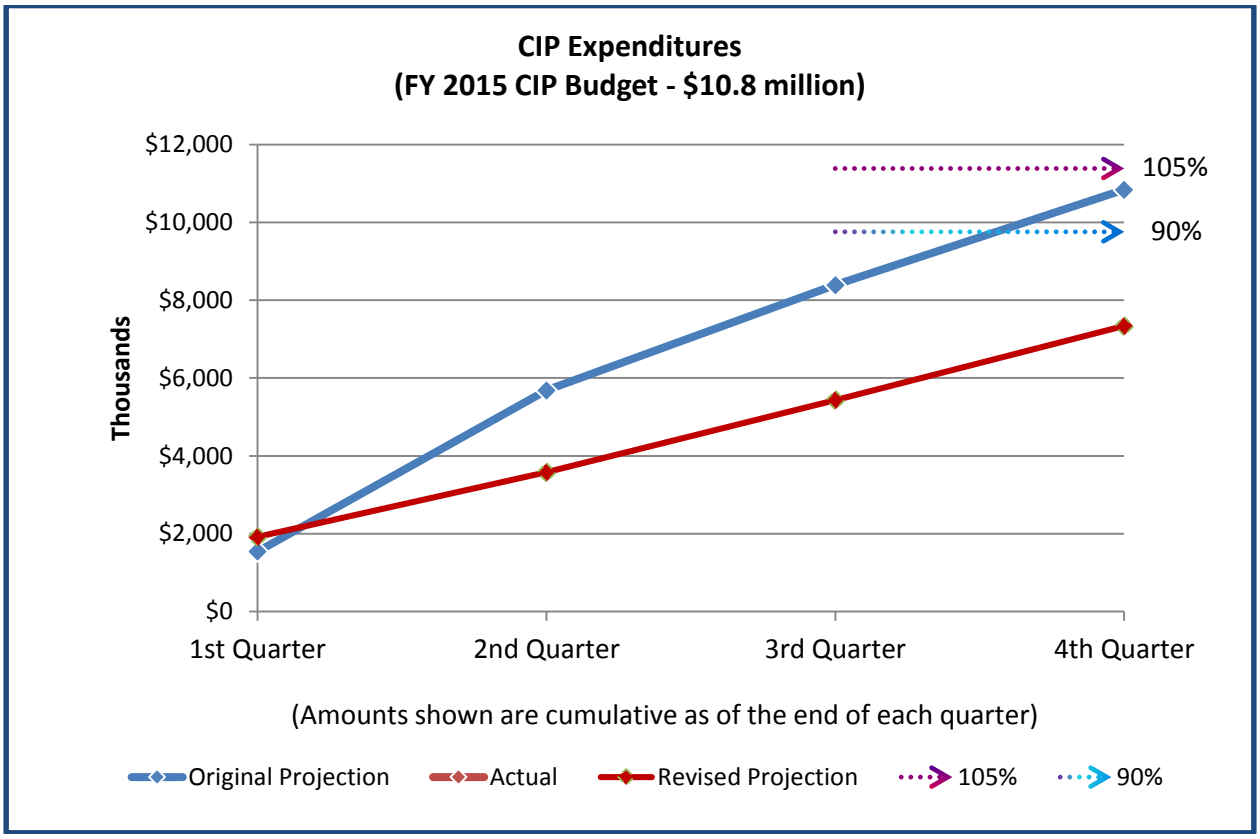


	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
FY14 Budget	163,278	163,279	163,279	163,279
FY14 Actual	339,164	245,940	289,215	195,232
FY15 Budget	195,593	195,593	195,593	195,593
FY15 Actual	504,869	271,531	314,656	338,186



	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
FY14 Budget	3,829,078	2,486,287	1,537,646	1,987,121
FY14 Actual	3,753,104	3,299,911	1,035,466	2,468,532
FY15 Budget	3,747,285	2,242,305	1,166,331	1,282,244
FY15 Actual	4,678,908	2,654,224	1,082,376	2,292,025

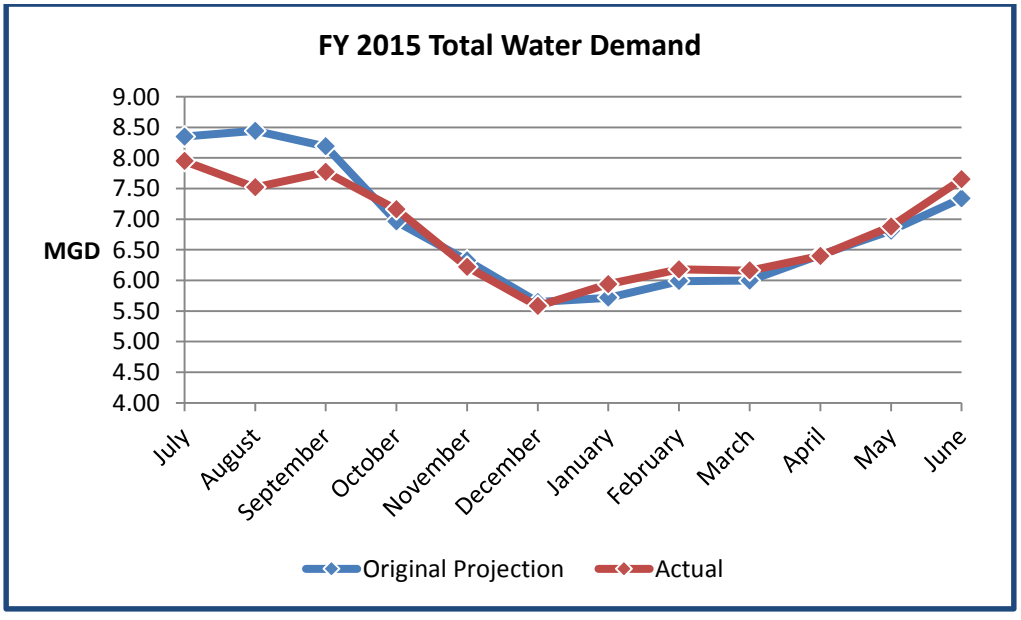
Orange Water and Sewer Authority
Select Financial Data
For the Twelve Month Period Ended June 30, 2015



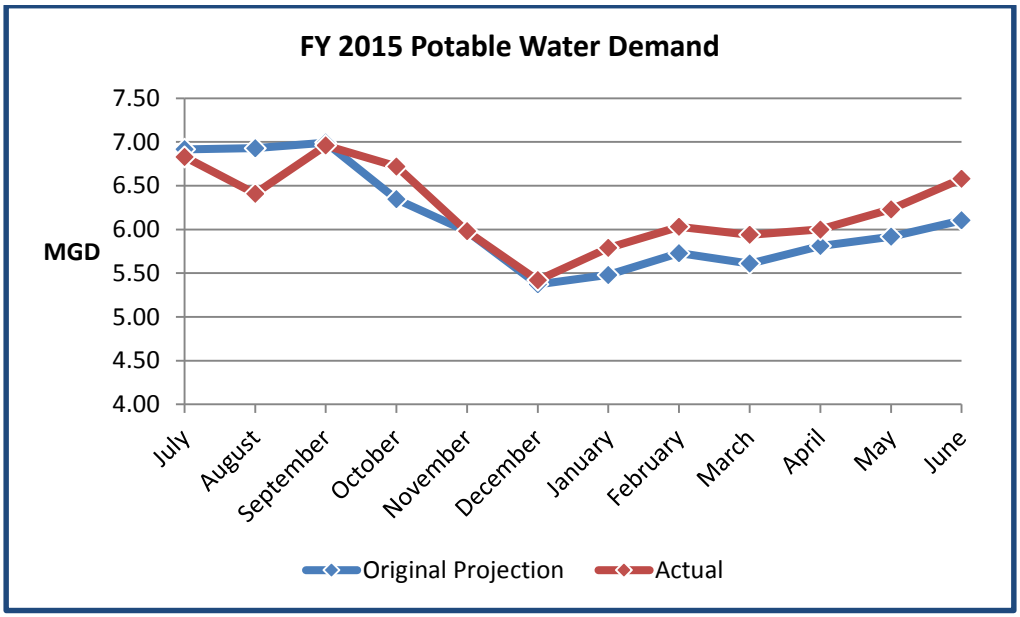
Orange Water and Sewer Authority
Select Financial Data
For the Twelve Month Period Ended June 30, 2015

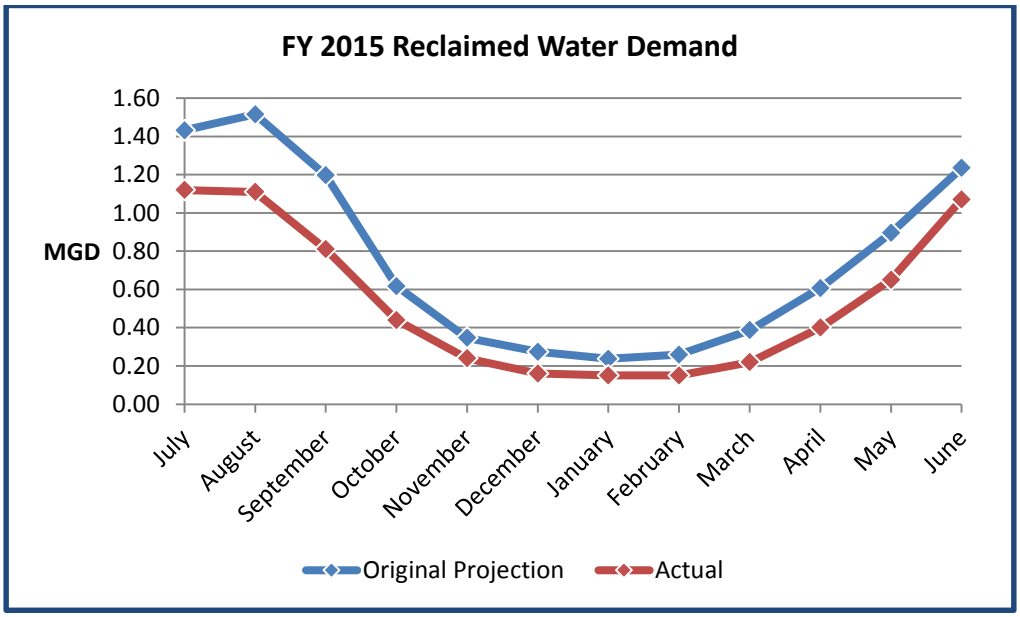
FY 2015 Water Sales Projection (Average Day)

	Original FY 2015 Sales Projections		Actual FY 2015 Water Sales		Revised FY 2015 Sales Projections	
	PW	RCW	PW	RCW	PW	RCW
July	6.92	1.43	6.83	1.12	6.83	1.12
August	6.93	1.52	6.41	1.11	6.41	1.11
September	6.99	1.20	6.96	0.81	6.96	0.81
October	6.35	0.62	6.72	0.44	6.72	0.44
November	5.98	0.35	5.98	0.24	5.98	0.24
December	5.37	0.27	5.42	0.16	5.42	0.16
January	5.48	0.24	5.79	0.15	5.79	0.15
February	5.73	0.26	6.03	0.15	6.03	0.15
March	5.61	0.39	5.94	0.22	5.94	0.22
April	5.81	0.61	6.00	0.40	6.00	0.40
May	5.92	0.90	6.23	0.65	6.23	0.65
June	6.10	1.23	6.58	1.07	6.58	1.07
Average	6.10	0.75	6.24	0.54	6.24	0.54

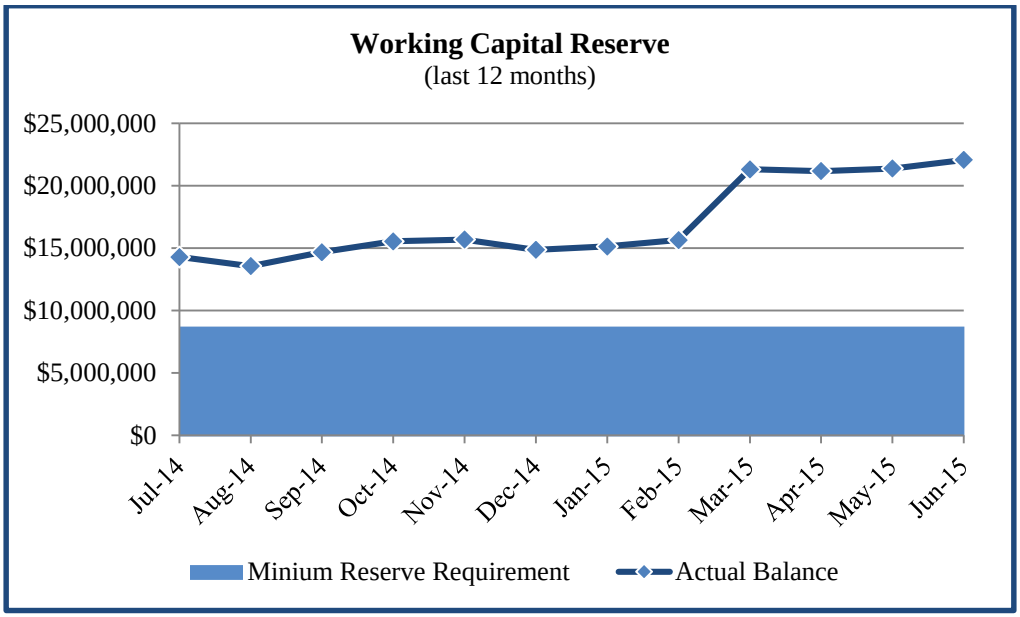


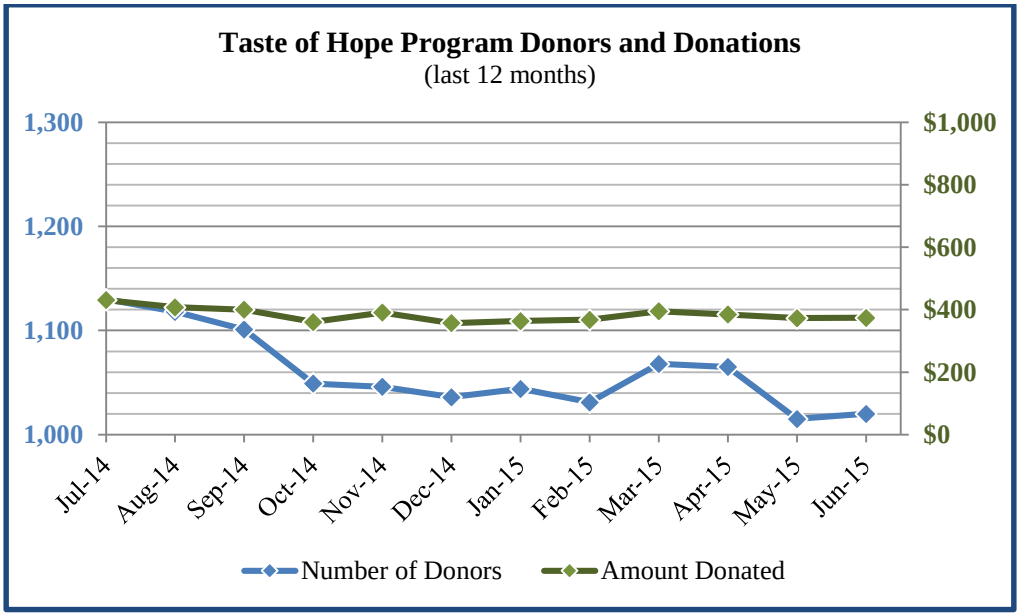
Orange Water and Sewer Authority
Select Financial Data
For the Twelve Month Period Ended June 30, 2015





Orange Water and Sewer Authority
Select Financial Data
For the Twelve Month Period Ended June 30, 2015





Orange Water and Sewer Authority
Financial Management Policy Report Card
For the Twelve Month Period Ended June 30, 2015

Measurement	Objective	FY14 Results	FY15 Goal	FY15 Results
Working Capital Reserves	Greater of four months Operating expenses or 20% of succeeding three years CIP	$14.8M	$8.6M	$22.1M
Capital Improvements Reserve	2% of Net Capital Assets (Funding $400,000 per year until reach goal of approximately $6M)	$2M	$2.4M	$2.4M
Rate / Revenue Stabilization Reserve	5% of annual Water and Sewer Revenue (Funding $250,000 per year until reach goal of approximately $2M)	$1.25M	$1.5M	$1.5M
Debt Burden to Asset Value	Total Debt not more than 50% of Total Assets	27%	≤ 50%	27%
Sufficiency of Revenues above Debt Requirements	Annual Debt Service no more than 35% of Gross Revenue	22%	≤ 35%	21%
Cash Financing of Capital	Annual revenues and reserves provide at least 30% of CIP funding	100%	≥ 30%	91%
Debt Service Coverage Ratio	Annual Net Income not less than two times Annual Debt Service	2.3	2.0	2.3
Service Affordability Ratio [1]	Average annual OWASA bill not more than 1.5% of area median household income	1.42%	1.5%	1.42%

M = million

[1] Calculation based on median household income of $59,793 (per 2012 U.S. Census Bureau, the most recent information available) and average monthly household water use of 4,000 gallons

AGENDA ITEM

- **SEMIANNUAL STATUS REPORT FOR VARIOUS CAPITAL IMPROVEMENT PROJECTS**

PURPOSE

- To provide information to the Board of Directors about the Capital Improvements Program (CIP) performance, including active and recently completed projects and Minority/Women Business Enterprise (MWBE) participation data

BACKGROUND

- The report consists of a discussion of FY 2015 performance and preview of FY 2016 projects, status updates for active and recently completed projects, map of project locations, and data summarizing MWBE participation in CIP construction projects for the past five fiscal years

- Highlights of the report include:

    - FY 2015 CIP expenditures totaled $7,324,615, which is about 68% of the FY 2015 budget amount of $10,842,000.

    - Two projects, the Advanced Meter Infrastructure (AMI) System project and the Little Creek Interceptor Replacement project, account for the majority of the difference between actual and budgeted FY 2015 expenditures.

    - The Board-approved CIP budget amount for FY 2016 is $10,615,000.

    - The overall MWBE participation rate on CIP construction projects for the five-year period between FY 2011 and FY 2015 was 28%.

ACTION NEEDED

- Receive and discuss the Semiannual CIP Status Report.

August 27, 2015

ORANGE WATER AND SEWER AUTHORITY

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

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: Vishnu Gangadharan, P.E., PMP

DATE: August 20, 2015

SUBJECT: Semiannual Status Report for Various Capital Improvement Projects

SUMMARY

This semiannual status report provides information on active or recently completed capital improvement projects. It includes:

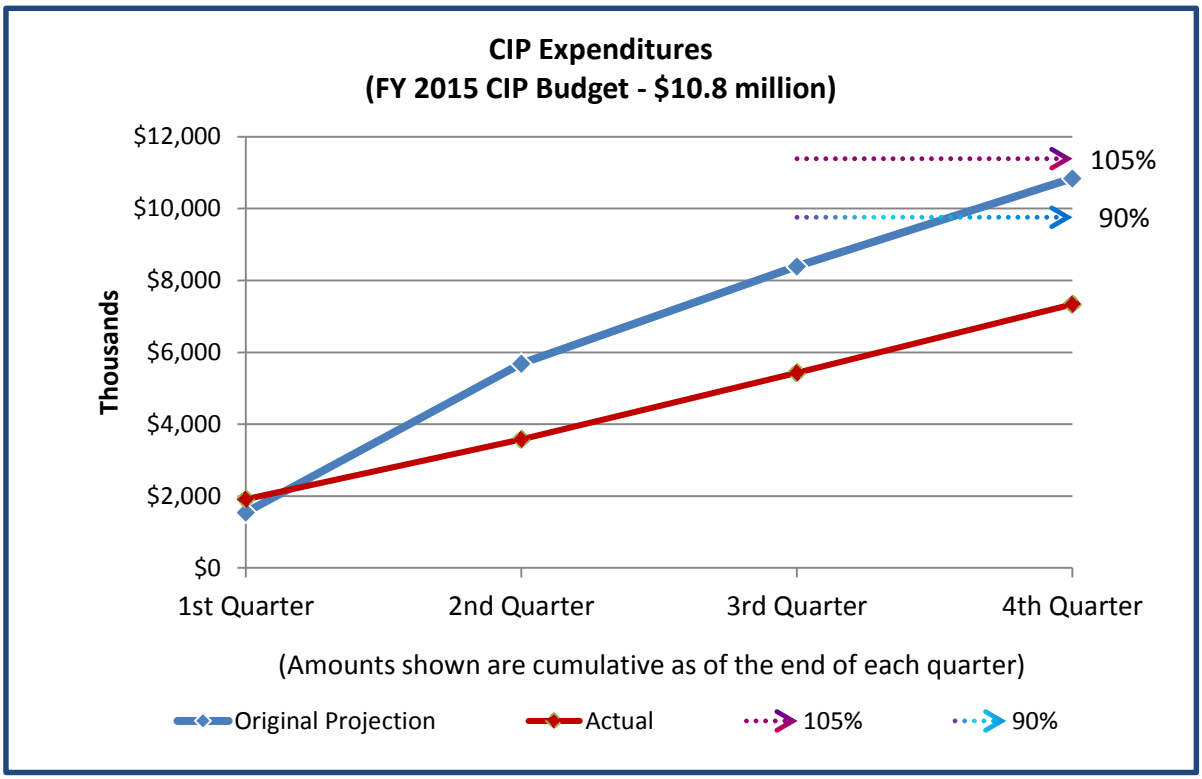
- Attachment A – a graph showing the original Capital Improvements Program (CIP) budget and actual spent amounts for Fiscal Year (FY) 2015 and a brief summary of the FY 2015 CIP and FY 2016 CIP. OWASA spent 68% of the FY 2015 CIP budget.
- Attachment B – a worksheet showing projects which are currently active or which were completed since the January 2015 update. Schedule and budget status for each project is shown for both current phase and entire project.
- Attachment C – narratives for any red "stoplights" shown in Attachment B.
- Attachment D – a map of the FY 2015 CIP project locations.
- Attachment E – a worksheet showing Minority/Women Business Enterprise (MWBE) participation in OWASA CIP construction contracts since FY 2011. The MWBE participation rate on a dollar basis during this period was 28% ($9.5M out of $34.1M). Roughly 57% (26 out of 46) of the contracts during this period met OWASA's MWBE participation goal (10% of contract value). Contracts which fell below the goal either provided evidence of Good Faith Efforts to secure MWBE participation or else did not utilize subcontracts on the project.

Customers may visit our web site (www.owasa.org) for information about our current major CIP projects and our FY 2016 - 2020 CIP book that provides additional information about the CIP and projects planned for the next five fiscal years.

If you have any questions regarding these projects, please contact me at (919) 537-4248 or vgangadharan@owasa.org.

Vishnu Gangadharan, P.E., PMP
Engineering Manager - Capital Improvement Projects

Attachments



FY 2015 Summary

The Board-approved CIP budget amount for FY 2015 was $10,842,000. CIP expenditures totaled approximately $7,324,615 or 68% of the budgeted funds, below our target range of 90% to 105% of budget. The difference in actual vs. budgeted funds in FY 2015 can be traced primarily to two projects:

- The **Advanced Meter Infrastructure (AMI) System project** was funded in FY 2015 to begin the implementation of an AMI system. However, subsequent to Board approval of the FY 2015 budget, it was decided to perform a feasibility study prior to implementation. As a result, OWASA did not spend any of the $1,225,000 funded for this project in FY 2015.
- The **Little Creek Interceptor project** was funded through construction completion in FY 2015; however, significant permitting delays and new state regulations for contractor prequalification postponed the project such that construction will now occur in FY 2016, not FY 2015 as planned. As a result, approximately $1,016,000 remained unspent on this project at the end of FY 2015.

Other projects with notable cost differences in FY 2015 include:

- The Tom's Creek and Morgan Creek Aerial Crossing Replacement project cost $511,000 less than budgeted, primarily due to lower than expected construction costs.
- The South Estes Drive Water Main Replacement project cost $375,000 less than budgeted, primarily due to lower than projected construction costs.
- Of the $357,000 budgeted in FY 2015 for reimbursements to the North Carolina Department of Transportation (NCDOT) for water main improvements installed by contractors on three NCDOT roadway projects, none was spent due to delays in the projects' construction or billing.

- The analysis of several maintenance vehicle stream crossings took longer than expected so approximately $234,000 that was budgeted in FY 2015 for construction was not spent.
- Staff accelerated some asset rehabilitation previously identified and funded for completion in FY 2016 under the Comprehensive Coatings project, resulting in expenditures that were $346,000 greater than the initial FY 2015 budget (although all work was completed under the approved budget as modified).
- The Water Main Rehabilitation and Replacement Program spent approximately $270,000 more than budgeted in FY 2015, primarily because a greater percentage of the construction expenditures for the Ridge Road Water Main Rehabilitation and the South Columbia Transmission Main Valve Repair projects occurred in FY 2015 (as opposed to FY 2014) than originally projected.

FY 2016 Preview

Looking ahead to FY 2016, the Board-approved CIP budget amount is $10,615,000. OWASA will complete the AMI System feasibility analysis in FY 2016. We also will complete design (to a 90% level) for the extension of the sanitary sewer collection system to the Historic Rogers Road Area. OWASA will be reimbursed for that work by Orange County per an interlocal agreement. Other ongoing projects that will be completed in FY 2016 include several water main replacements, a sanitary sewer main and manhole rehabilitation project, the Little Creek Sanitary Sewer Interceptor replacement, the Mason Farm Wastewater Treatment Plant (WWTP) Intermediate Pump Station evaluation, the Digesters 1 and 2 Rehabilitation project, and the completion of Phase 2 of the WWTP Biosolids Management Plan.

New Board-approved projects for FY 2016 include improvements at the Cane Creek Reservoir warden's office; site work (pavement and spill containment), electrical upgrades, and HVAC replacements at the Jones Ferry Road Water Treatment Plant (WTP); rehabilitation of several sanitary sewer pump stations; and approximately $1.4M in new projects at the WWTP, consisting of various equipment replacements and improvements, site work and building rehabilitation, and process improvements. The two largest new WWTP projects included in the FY 2015 CIP are the Biosolids Conveyance and Loading Improvements project and the Filtrate Side Stream Treatment project. The final scope and timing for both of those projects are dependent upon recommendations from the Biosolids Management Plan referenced above, and subject to Board approval.

Finally, subsequent to the Board approving the FY 2016 budget, the Town of Chapel Hill advised OWASA that it has decided to resurface Rosemary Street pavement between Henderson Street and Hillsborough Street in the near term. OWASA staff and Town staff negotiated an agreement allowing OWASA to expedite a water main replacement project in that area, subject to Board approval, before the Town resurfaces the street. Staff will provide additional project background information and its recommendation to the Board in the near future.

CIP Project Updates

CIP #	Project Name	Status Update (8/20/15)				
		Current Phase	Schedule Status		Budget Status	
			Current Phase	Entire Project	Current Phase	Entire Project
270-20	Cane Creek Reservoir Dock Replacement	Last Report	🟢	🟢	🟢	🟢
270-26	Cane Creek Reservoir and University Lake Permanganate Feed Systems	Design/bid	🟢	🟢	🟢	🟢
270-27	Cane Creek Reservoir Office HVAC Replacement	Construction	🟢	🟢	🟢	🟢
275-15	Water Main - Road Improvement Projects	Construction substantial completion	🟢	🟢	🟢	🟢
275-20	Water Main Rehabilitation/Replacement Program					
275-20	*Ridgewood Lane*	Construction	🟡	🟡	🟢	🟢
275-20	*The Glen* ***(Crew Project)***	Construction	🟡	🟡	🔴	🟢
275-20	*Plum Lane* ***(Crew Project)***	Design	🟢	🟢	🟢	🟢
275-20	*Porthole Alley* ***(Crew Project)***	Design	🟡	🟢	🟢	🟢
275-20	*Columbia St 24" Valve*	Last Report	🟢	🟢	🔴	🔴
275-20	*Purefoy Road*	Design/bid	🟢	🟢	🟢	🟢
275-20	*Briarbridge Rd* ***(Crew Project)***	Last Report	🟢	🟢	🟢	🟢
275-20	*Evergreen/Ridge WM Rehab*	Design/bid	🟢	🟢	🟢	🟢
275-20	*Village Plaza (* ***Crew Project)***	Last Report	🟢	🟢	🔴	🔴
275-52	Cameron Avenue					
275-52	*Cameron Avenue - RCW Evaluation*	Last Report	🟡	🟡	🟢	🟢
275-76	Advanced Metering Infrastructure (AMI) System	Study	🟢	🟢	🟢	🟢
275-77	Galvanized Water Main Replacement Projects					
275-77	*Dogwood Court* ***(Crew Project)***	Construction	🟡	🟡	🟢	🟢
275-77	*Hillsborough St* ***(Crew Project)***	Design/bid	🟡	🟢	🟢	🟢
275-77	*E Main St (Armadillo Grill)* ***(crew project)***	Construction	🟡	🟡	🟢	🟢
275-77	*2" Galv Water Main Replacements - FY'16 crew construction*	Design/bid	🟢	🟢	🟢	🟢
276-17	Sanitary Sewer Condition Evaluation	Design	🟡	🟡	🟢	🟢
276-18	Sanitary Sewer Service Area Rehabilitation Program					
276-18	Sanitary Sewer Service Area Rehab (Phase 1)	Construction substantial completion	🟢	🟢	🟢	🟢
276-45	Bolinwood Drive Interceptor	Design/bid	🟡	🟡	🟢	🟢
276-47	Little Creek Interceptor	Construction	🟢	🟢	🟢	🟢
276-51	Tom's Creek and Morgan Creek Aerial Crossings Replacements	Construction	🔴	🟡	🟢	🟢
276-53	Gravity Sewer Stream Crossing Improvements	Design/bid	🟢	🟢	🟢	🟢
276-54	Rogers Road Sanitary Sewer Service Engineering Design and Permitting Services	Design/bid	🟢	🟢	🟢	🟢
276-55	Easement Acquisition Program	Study	🟢	🟢	🟢	🟢
277-31	Rogerson Drive Pump Station Rehabilitation	Study	🟢	🟢	🔴	🟢
277-34	Piney Mountain Pump Station Rehabilitation	Construction	🟢	🟢	🟢	🟢
278-11	Mason Farm WWTP Rehabilitation/Recapitalization Projects					
278-11	*Mason Farm WWTP Hypochlorite Facility Rehabilitation*	Construction	🟢	🔴	🟢	🟡
278-46	Comprehensive Coatings Program	Construction	🟢	🟢	🟢	🟢
278-48	WWTP Biosolids Facilities and Recycling Study/Rehabilitation	Study	🟢	🟢	🟢	🟢
278-52	WWTP Digesters No. 1 & No. 2 Rehabilitation	Construction	🟢	🟢	🟢	🟢
278-54	WWTP Intermediate Pump Stations (IPS) Rehabilitation/Replacement Preliminary Engineering Report	Study	🟢	🟢	🟢	🟢
278-56	WWTP SCADA System Upgrade	Construction	🟢	🟢	🟢	🔴
280-06	Administration Building Chiller Replacement/Evaluation	Design/bid	🟢	🟢	🟢	🟢
280-13	Comprehensive Asset Management Plan (CAMP) Development	Study	🟢	🟢	🟢	🟢

Notes:

Schedule - Green: Ahead of / on schedule Yellow: Behind schedule (not urgent) Red: Behind schedule (urgent)	Budget - Green: within 5% of budget 🟢 Yellow: 5-10% over budget 🟡 Red: 10% or more over budget 🔴

Explanations for any **red "stoplights"** in this worksheet are provided in Attachment C to this Seminannual Status Report.

NARRATIVES FOR RED STOPLIGHTS IN ATTACHMENT B

1. The Glen Water Main Rehabilitation (CIP# 275-20, CIP Page 33)

Construction budget: Project is complete. Construction timeline was delayed to allow change in pipe material and associated installation methods. OWASA crews installed a new type of small diameter pipe that can be installed by drilling rather than digging a trench. The newer pipe appears to add durability and reliability in small diameter pipes. The project was $7,000 over budget due to slightly higher material costs and additional yard restoration.

2. Columbia Street 24-inch Valve Replacement (CIP# 275-20, *not included in FY 2015 CIP*)

Construction and entire project budgets: This project was expected to be completed in FY 2014 and, thus, was not included in the FY 2015 CIP. The valve replacement project was subtantially complete in December 2014.

The location of the valve near a highly congested and heavily traveled intersection adjacent to UNC's campus, the need to dig down on the valve with large construction equipment because of its unusual depth (approximately 12 feet) in order to determine whether the valve could be repaired or needed replacing, installation and removal of a new valve that proved to be defective, and coordination of the work to accommodate UNC's schedule all contributed to the the work taking much longer to complete than initially envisioned.

3. Village Plaza Water Main Installation (CIP# 275-20, *not included in FY 2015 CIP*)

Construction and entire project budgets: This project was not included in the CIP, but rather originated from OWASA's ongoing review of construction at the Village Plaza private development project. Staff identified the opportunity to install approximately 320 feet of new water main within the construction limits to promote orderly development of the distribution system. The new main would not have been considered a requirement of the private development project and therefore would be funded by OWASA. Based on consideration of our construction crew costs and availability, as well as available funds within the FY 2015 CIP, staff elected to engage the OWASA construction crew to install the new main, which proved to be both cost-effective and expeditious.

4. Tom's Creek and Morgan's Creek Aerial Crossings Replacements (CIP# 276-51, CIP Pages 55 and 56)

Construction schedule: The construction contract was amended by staff to provide an enhanced bypass pumping plan at the Morgan Creek site that included additional levels of redundancy in order to significantly reduce the risk of accidental overflows. This plan added $56,000 to the project costs and 80 days to the project schedule. Staff believed these measures to further reduce risk of overflow were consistent with OWASA's mission to be good stewards of the environment. Even with the change order, the project was completed using 50% of the FY 2015 budget ($511,000 actual cost vs. $1,030,000 budgeted), mainly because the construction contract amount was considerably less than estimated. Substantial completion according the the revised schedule was delayed by one month due to rework required on welds and the coating of the 36-inch casing pipe. The new line has been in service since June, but final punchlist items have taken two months longer than anticipated. The project will reach final completion by the end of August.

5. Rogerson Drive Pump Station Rehabilitation (CIP# 277-31, CIP Page 73)

Study budget: Input received during the consultant procurement and contract negotiation process revealed that a preliminary engineering study was warranted to further develop the project scope from the originally envisioned project, which did not include funds for a pre-design study. Staff engaged the consulting engineering firm of Rummel, Klepper, and Kahl to perform the engineering study at a cost of $74,940. The study will be complete this fall.

6. WWTP Replacement Projects – Hypochlorite Facility Rehabilitation (part of CIP# 278-11, Page 80)

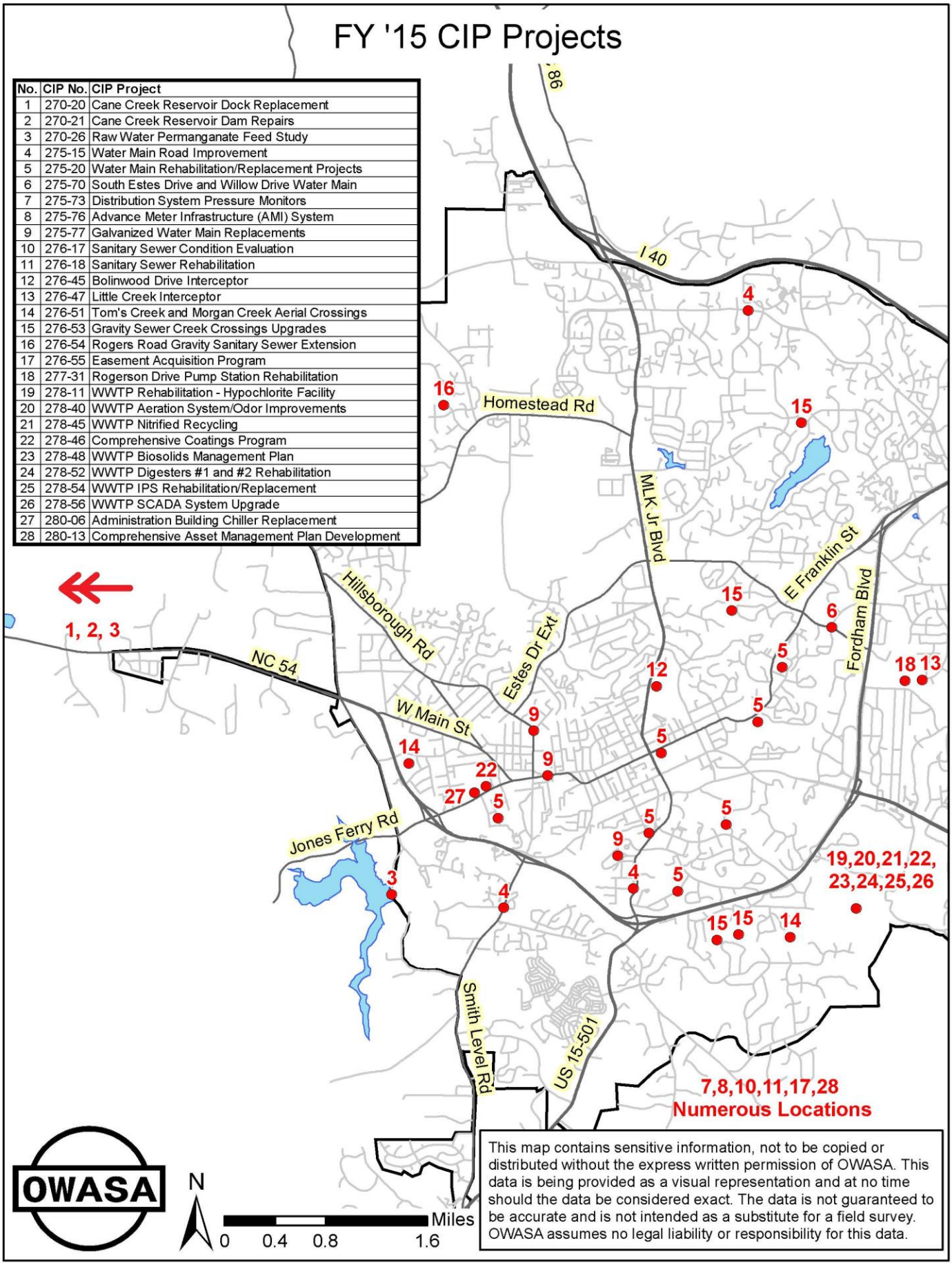
Entire project schedule: Project design was considerably more complex than originally envisioned and was not completed until FY 2014. Construction began at the end of FY 2014 and was complete in April 2015.

7. WWTP SCADA System Upgrade (CIP# 278-56, Page 91)

Entire project budget: The project is 24% over budget due to required software upgrades and related components that were not included in the original project budget.

FY '15 CIP Projects

No.	CIP No.	CIP Project
1	270-20	Cane Creek Reservoir Dock Replacement
2	270-21	Cane Creek Reservoir Dam Repairs
3	270-26	Raw Water Permanganate Feed Study
4	275-15	Water Main Road Improvement
5	275-20	Water Main Rehabilitation/Replacement Projects
6	275-70	South Estes Drive and Willow Drive Water Main
7	275-73	Distribution System Pressure Monitors
8	275-76	Advance Meter Infrastructure (AMI) System
9	275-77	Galvanized Water Main Replacements
10	276-17	Sanitary Sewer Condition Evaluation
11	276-18	Sanitary Sewer Rehabilitation
12	276-45	Bolinwood Drive Interceptor
13	276-47	Little Creek Interceptor
14	276-51	Tom's Creek and Morgan Creek Aerial Crossings
15	276-53	Gravity Sewer Creek Crossings Upgrades
16	276-54	Rogers Road Gravity Sanitary Sewer Extension
17	276-55	Easement Acquisition Program
18	277-31	Rogerson Drive Pump Station Rehabilitation
19	278-11	WWTP Rehabilitation - Hypochlorite Facility
20	278-40	WWTP Aeration System/Odor Improvements
21	278-45	WWTP Nitrified Recycling
22	278-46	Comprehensive Coatings Program
23	278-48	WWTP Biosolids Management Plan
24	278-52	WWTP Digesters #1 and #2 Rehabilitation
25	278-54	WWTP IPS Rehabilitation/Replacement
26	278-56	WWTP SCADA System Upgrade
27	280-06	Administration Building Chiller Replacement
28	280-13	Comprehensive Asset Management Plan Development



This map contains sensitive information, not to be copied or distributed without the express written permission of OWASA. This data is being provided as a visual representation and at no time should the data be considered exact. The data is not guaranteed to be accurate and is not intended as a substitute for a field survey. OWASA assumes no legal liability or responsibility for this data.

Capital Improvement Construction Projects
Minority/Women Business Enterprise (MWBE) Participation

Fiscal Year	Project	Contractor	Contract Amount ($)	MWBE Participation [1] ($)
FY2011	Willow/Estes SS Aerial Crossing	Park Construction Corp	$76,816	$8,043
	Churchill Drive WM Replacement	JF Wilkerson	$374,516	$46,224
	WTP Large Diameter Mag Meter Installations	Crowder Construction	$75,443	
	US 15-501/Culbreth Aerial Crossing	Foundation Repair Services	$139,615	
	Cane Creek Reservoir Dam Repairs	Eberhart Construction, Inc.	$450,000	$450,000
	Bolin Creek Interceptor (Phase III)	Park Construction Corp	$4,849,913	$500,000
FY2012	WTP Filter Nos. 1-5 Area Lead Paint	Allied Contract Group	$144,201	
	WTP Secondary Containment	Eberhart Construction, Inc.	$23,860	$23,860
	Cane Creek Dam Gates	Eberhart Construction, Inc.	$1,305,240	$1,305,240
	SS Service Area Rehab Ph 1	Am Liner East	$226,088	
	Plant Road & Franklin St WM	Centurion Construction	$486,086	
	Fordham-Booker Water Main	Moffat Pipe	$1,479,590	$1,479,590
	Digester Heating Improvements	Turner Murphy	$101,563	$38,320
	Finley - Rams Water Main	Hollins Construction Service	$148,278	$148,278
	WWTP Nutrient Analyzers	Via Electric	$162,650	$162,650
FY2013	Friday Center Intercepter	Park Construction	$1,648,013	$165,000
	Greensboro St and E. Franklin WM	Centurion Construction	$274,914	
	Countryside PS	Water and Waste Construction	$127,000	
	Oaks 3 and Tinkerbell PS	Water and Waste Construction	$464,000	$46,400
	Aeration and Odor Improvements	Haren Construction	$9,963,000	$957,034
	Heritage Hills Force Main Replacement	Pipeline Utilities	$791,299	$81,200
	Arboretum Drive WM	Lloyd Grading and Utilities	$111,535	$111,535
	Barclay Road WM	Lloyd Grading and Utilities	$71,562	$71,562
	Service Area MH Rehab	Atlantic Coast Contractors	$48,907	
	Calvander PS	Turner Murphy	$216,000	
	WTP Recycle Meter & Valve	Crowder	$57,336	
	WTP Process Water Discharge Pump	The Charles Underwood Co.	$39,850	
	WTP Generator Installation	Via Electric	$175,750	$175,750
	Rangewood Pump Station	Moffat Pipe	$84,619	$84,619
	WWTP Storm Water Pumps	The Charles Underwood Co.	$88,249	
	E Cameron WM and CWM	Pipeline Utilities	$829,000	$84,000
	Cane Creek Dam Gate Operators	Perkinson Company	$99,715	
FY2014	SuperPulsator	Turner Murphy	$665,151	$4,842
	WWTP Sodium Hypochlorite	Gilbert Engineering	$493,340	$55,021
	Ridge Road WM	Moffat Pipe	$874,211	$874,211
	Cane Creek Dam Spillway Caulking	Carolina Restoration and Waterproofing	$39,918	
	Columbia St 24" Valve Repair	Moffat Pipe	$33,100	$33,100
	Tom's and Morgan Creek Aerials	Moffat Pipe	$414,374	$414,374
	South Estes Drive	Moffat Pipe	$1,568,925	$1,568,925
FY2015	Comprehensive Coatings Prog.	CMT	$290,000	$290,000
	Gravity Sewer Rehab - Phase 1	Pipeline Utilities	$1,441,000	$40,000
	Cane Creek Driveway	Moffat Pipe	$83,123	$83,123
	WWTP Digesters 1&2	RTD Construction	$1,906,968	$24,800
	Little Creek Sewer Interceptor	Pipeline Utilities	$874,000	$25,000
	WWTP SCADA Upgrades	CITI	$175,706	$175,706
	WWTP SCADA Upgrades	Intellicom	$60,399	
		Totals	**$34,054,823**	**$9,528,407**

MWBE Participation = 27.98% (dollar basis)

MWBE Participation Goal (10%) met on 56.52% of contracts

Notes:
1. Green shading indicates that the MWBE Participation goal was met. Gray shading indicates that no subcontractors were used.