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: **Natural Resources/Technical Systems Committee**
Terri Buckner (Chair)
Dana Raborn
Stephen Dear
Michael Hughes
Will Raymond
Amy Witsil
Alan Rimer (*ex officio*)

THROUGH: Ed Kerwin

FROM: Mason Crum

DATE: January 29, 2013

SUBJECT: **February 4, 2013 Natural Resources/Technical Systems (NRTS) Committee Meeting**

The NRTS Committee will meet February 4, 2013 at 5:00PM in the OWASA Boardroom. The Committee will discuss recreation opportunities at University Lake and the Cane Creek Reservoir.

This matter was referred to the NRTS Committee at the January 10, 2013 OWASA Board meeting. The agenda packet for that meeting is available at this link (please see agenda item #5).

We look forward to seeing you at 5:00PM on February 4th.

Mason Crum, P.E.
Director of Engineering and Planning

Attachment

cc: Board of Directors
Robert Epting

AGENDA ITEM

- REPORT ON PETITION TO EXPAND RECREATION SCHEDULE AT CANE CREEK RESERVOIR

PURPOSE

- To provide information to the Board on a petition received at the December 13, 2012 Board meeting requesting that the number of days available for public recreation at Cane Creek Reservoir be increased.

BACKGROUND

- The current lake recreation season runs from mid-March to mid-November. University Lake is open to the public Friday through Sunday from 6:30 AM to 6:00 PM. Cane Creek is open Saturdays only from 6:30 AM to 6:00 PM. Both lakes are also open to the public on Memorial Day, 4th of July and Labor Day.

- To lower operating costs and address affordability for OWASA's water and sewer customers, in June 2009 the OWASA Board reduced recreation hours at University Lake and Cane Creek. (Recreation at Cane Creek was reduced and temporarily discontinued because of severe drought conditions during 2007/2008). Since the Board's action in June 2009, recreation at University Lake went from four days per week to three days per week (Friday, Saturday and Sunday) and from three and one-half days per week at Cane Creek to one day per week (Saturday). This action eliminated the need for part-time help during the recreation season and lowered operating expenses by $25,000-35,000 per year.

- Approximately 80% of the University Lake patrons reside in Orange County. However, about only 40% of the Cane Creek patrons reside in Orange County.

- We estimate the net cost increase for each additional day of recreation at either lake would be about $7,000-10,000 per year (primarily for additional staffing).

STAFF RECOMMENDATION

- Staff does not recommend expanding the recreation schedule. However, increasing the number of boats allowed on the lakes and possibly purchasing additional boats would address some of the petitioner's request.

ACTION NEEDED

- Discussion of information and provide direction to staff.

January 10, 2013

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M E M O R A N D U M

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: John Greene, PE

DATE: January 4, 2013

SUBJECT: **Report on Petition to Expand Recreation Schedule at Cane Creek Reservoir**

PURPOSE

To provide information and a staff recommendation regarding a petition presented at the December 13th Board meeting by Mr. Tom, Mr. Brantley and Mr. Galassi requesting that the number of days available for public recreation at the Cane Creek Reservoir be increased.

PETITION

The petition (Attachment) requests that the Board of Directors add one recreation day per week at Cane Creek Reservoir. As an alternative, if the cost of adding a day to the Cane Creek recreation schedule is paramount, the petitioners requested that Fridays at University Lake be moved to Cane Creek. They also reported experiencing, especially in the spring, difficulty obtaining an OWASA boat because all boats had been rented when they arrived at Cane Creek.

BACKGROUND

The current lake recreation season runs from mid-March to mid-November. University Lake is open to the public Friday through Sunday from 6:30 AM to 6:00 PM. Cane Creek is open Saturdays only from 6:30 AM to 6:00 PM. Both lakes are also open to the public on Memorial Day, 4th of July and Labor Day.

To lower operating costs and address affordability for OWASA's water and sewer customers, in June 2009 the OWASA Board reduced recreation hours at University Lake and Cane Creek. (Recreation at Cane Creek was reduced and temporarily discontinued because of severe drought conditions during 2007/2008). Since the Board's action in June 2009, recreation at University Lake went from four days per week to three days per week (Friday, Saturday and Sunday) and from three and one-half days per week at Cane Creek to one day per week (Saturday). This action eliminated the need for part-time help during the recreation season and lowered operating expenses by $25,000-35,000 per year.

We currently have four full-time employees assigned to our lakes. In addition to providing coverage during recreation hours, our staff is required to provide all site landscape maintenance, perform equipment and building maintenance, conduct lake patrols and security checks, and manage, patrol and respond to situations at all rural OWASA land holdings.

Two of our lake staff announced their plans to retire during 2013. As a result, we are currently evaluating the possibility of further cost reductions should the current recreation schedule be maintained.

The table below summarizes the recreation attendance for the past nine years.

Average Recreation Attendance 2004-2012:

	Thursdays	Fridays	Saturdays	Sundays	Mondays
Cane Creek[1]	25	19	65	21[2]	
University Lake[3]		21	51	61	22

[1] Cane Creek closed on Thursdays, Fridays and Sundays at end of 2007 season.
[2] Sunday hours at Cane Creek were 1:00 – 6:00 P.M.
[3] University Lake closed on Mondays at the end of June 2009.

Approximately 80% of the University Lake patrons reside in Orange County. However, about only 40% of the Cane Creek patrons reside in Orange County.

We estimate the net cost increase for each additional day of recreation at either lake would be about $7,000-10,000 per year (primarily for additional staffing).

STAFF OBSERVATIONS

We have worked hard to reduce operating expenses to minimize rate increases and address affordability for our water and sewer customers. As the Board knows, the most frequent comment from last year's Customer Satisfaction Survey is that our rates are too high.

As noted above, adding one additional day of recreation would result in a net increase of about $7,000-10,000 per year. If the Board considers expanding recreation hours, we believe such consideration for increasing costs should be carefully evaluated with other service level improvements such as increasing the painting schedule for facilities and equipment, additional root treatment in sewers, etc.

Increasing our lake fees in an effort to generate additional revenues would likely deter some people from using our lakes as our rates are similar or in some cases already exceed the rates charged by other municipal lake facilities in the area.

OPTIONS

The following options are presented to the Board in response to the petition to expand recreation at the Cane Creek Reservoir.

#1. Add one additional day of recreation at the Cane Creek Reservoir – while this option responds favorably to the petitioners' request and would benefit lake patrons, it increases net costs by about $7,000-10,000 per year, and primarily benefits citizens who live outside Orange County.

#2. Move Friday recreation day from University Lake to Cane Creek – This option would have no operating cost or staffing impacts and responds favorably to the petition. However, it would reduce recreation available locally to our customers and Orange County residents.

#3. Increase limit on number of boats allowed on each lake – OWASA's *Regulations Governing In-Lake Activities and Uses* adopted by the Board in May, 2007 limits the number of boats on the lake to one boat per 10 acres of reservoir surface area (maximum of 50 boats at Cane Creek and 21 boats at University Lake). We believe that we could increase the number of allowable boats by as much as 50% without adversely affecting water quality or increasing staff. This action would address those busy lake use times (especially March-May) when we must not allow additional boats on the lakes. This option is not expected to result in additional costs and may result in a

modest increase in revenue during busy days. However, check-in times for patrons during busy days would increase. If approved by the Board, this increase must be approved by State's Department of Environment and Natural Resources (NCDENR).

#4. Purchase additional boats – OWASA could purchase additional boats to rent to the public at a cost of $1,500 each including motor and battery. The cost of this option would depend on the number of boats purchased and additional boat rental revenue could recover some of the costs. There are no staffing issues associated with this option.

#5. Maintain current schedule (No Change) – Continuing the current recreation schedule maintains the majority of the recreation schedule at University Lake, where 80% of the visitors reside in Orange County. This option does not increase operating costs and is consistent with the Board's affordability goal.

STAFF RECOMMENDATION

We recommend allowing more boats on each lake as discussed in option #3. This could be accomplished without additional staff. If the Board agrees, we will prepare a revision to the current lake use policy for action by the Board prior to seeking approval from NCDENR. We also suggest that we evaluate the possibility of purchasing additional boats as part of the Fiscal Year 2014 budget development.

Staff does not recommend expanding the recreation schedule at Cane Creek. The current schedule reaches three times the number of patrons on Saturdays as previously visited the lake on weekdays. Our four-person lake staff can handle the current recreation schedule and accomplish their other assignments with minimal overtime. An additional operating day would add about $7,000-10,000 costs to OWASA customers.

If the Board wishes to consider option #1 or another option which increases net operating costs, we suggest that such an option be consider during Fiscal Year 2014 budget deliberations before making a final determination.

Staff will be available at the meeting to provide additional detail or address any questions of the Board. Please feel free to contact me if you have questions in advance of the meeting, at either 919-537-4218 or jgreene@owasa.org.

John W. Greene, P.E.
General Manager of Operations

Attachment
1. Petition – Proposal for Renewing Recreational Access to Cane Creek Reservoir

PROPOSAL FOR RENEWING RECREATIONAL ACCESS TO CANE CREEK RESERVOIR

Alan Tom, John Brantley, and John Galassi

December 2012

Our Current Proposal and an Overview of Our Case

On behalf of 37 signees, we petition to have Cane Creek Reservoir open an added day each week of the March to November recreation season.

As context for our case, we introduce ourselves and outline the current financial condition of OWASA. Then we: 1) comment on the history of restricting access to Cane Creek, 2) discuss our December 2011 proposal for opening Cane Creek for an added day each week, 3) outline how we asked people to sign our current petition (copies available), and 4) provide one concrete way to implement our proposed added day of recreation each week.

Introduction and Overview

The three of us – John Brantley, John Galassi, and Alan Tom – have fishing experience at Cane Creek Reservoir for as little as 1 year to as much as almost 20 years so our knowledge of fishing at Cane Creek covers a range of time. In the early 1990s after Cane Creek was opened (1993), one could – and Alan Tom did -- fish in the winter as well as during the spring, summer, and fall. In those years, most people who fished at Cane Creek seemed to be Orange County residents, and there was never any problem getting a boat to go fishing. At some point, access to Cane Creek was restricted to four days a week (Friday, Saturday, Sunday afternoon, and Monday), with no winter times. Still there was no problem getting a boat, even though as best we can tell a larger and larger percentage of fishermen came from other counties as the word spread that the fishing at Cane Creek was good.

Then in 2008, fishing at Cane Creek was cut back to one day a week – Saturdays. This reduction in access coincided with a drought as well as an overall increase of 17% in the water rates, effective on October 1, 2008. While we have never seen a published report to the effect that decreasing access to Cane Creek was tied to the budget issues at OWASA, it is likely there was a connection. We do know that when we talked to the central staff at OWASA in January of 2012 about instituting an added day of fishing at Cane Creek (besides Saturday) that the financial condition of OWASA was cited as one reason for keeping recreational access at Cane Creek limited to one day a week for 30 or so weeks a year.

Financial Condition of OWASA

Yet by September of 2012 OWASA was able to state that "**for the third consecutive year, OWASA's financial position improved** [emphasis added] even though customer water use declined for the fifth consecutive year. The annual average of 6.35 million gallons per day (MGD) of water sold in FY 2012 is about 30% less than was sold in FY 2003 despite an increase of about 16% in customer accounts over that period. However, due to cost savings in operating expenses and a 2% rate increase effective in October 2011, **OWASA ended the year with an increase in income that was above budget** [emphasis added]. The resulting increase in financial reserves will be used for future needs including capital improvements" (OWASA FY 2012, Statement to the OWASA Board of Directors, Bondholders, and Customers, p. 1.9).

In the recent Management's Discussion and Analysis of the auditor's report the following statement is made about the net assets of OWASA: "OWASA's assets exceeded liabilities by $227 million at June 30, 2012, compared to $218 million and $210 million at June 30, 2011 and 2010 respectively. **OWASA's overall financial position strengthened between FY 2010 and 2012 as net assets**

increased by $16 million (emphasis added). Total assets increased during the same period by $8.5 million. These trends indicate that a significant portion of recent infrastructure improvements have been funded through cash rather than debt" (Annual Report, p. 1.24).

These conclusions were reinforced by Stephen Winters, Director of Finance & Customer Service, who reported at the OWASA Board Meeting on September 27, 2012 about the finances of OWASA. Winters emphasized that OWASA had sufficient reserves, was meeting its financial performance goals, and had a "Double A" bond rating. Winters further stated that no increase in monthly water and sewer rates were planned for fiscal year 2013, and future rate increases were projected to be near the rate of inflation. Aaron Smith, representing OWASA's auditing firm, indicated that OWASA had almost $29 million in cash and investments as of June 30, 2012. All of this information suggests that the budgetary condition of OWASA has improved materially in the last couple of years, even though total water usage has decreased substantially in recent years.

Access Increasingly Restricted to Cane Creek Reservoir

As noted earlier, Cane Creek Reservoir prior to 2008 was open for fishing and other recreational activity for four days per week from late March to early November (in earlier years, Cane Creek was open during the winter months). By the time of the 2008 reduction to Saturday only fishing at Cane Creek, this reservoir had become well know for the quality of its fishing – bass, crappie, and panfish. This reservoir now attracts people not only from Orange County but also from many other counties in North Carolina, and even a few fishermen from South Carolina.

As a result of the decreasing number of fishing days at Cane Creek **and** the growing reputation of the quality of fishing at Cane Creek, it became progressively harder after 2008 to get a flat-bottomed fishing boat, particularly during the spring. The authors of this proposal personally experienced this difficulty, sometimes by being turned away from Cane Creek because all boats had been rented and at other times by learning through a phone call that no boats were available that Saturday. By mid-spring of 2011 John Brantley and Alan Tom had given up even attempting to fish until summer started (Cane Creek has a first-come, first-served policy which means that one must typically line up outside the main gate very early in the morning – prior to the 6:30 opening time – to get a boat during prime fishing mornings in March, April, and May).

Our December 2011 Proposal

After the fishing season for 2011 ended, we prepared a written proposal for opening up Cane Creek for an added day during the first three months of operation (early March, April, May, and early June). In this proposal we presented some background on the problem of access to Cane Creek and discussed the fees currently charged for boats and fishing at Cane Creek. We also noted that we were aware that controlling expenses was an issue for OWASA. Quoting from our December 2010 Cane Creek proposal: "**Expenses compared to revenues**. Recently OWASA has emphasized controlling expenses at the two lakes. The chart on p. 1.4 of the '2010 Annual Recreation Report' indicates that the expenses peaked in 2006 at close to $160,000 and have declined to about $100,000 by 2010. That trend, combined with basically steady fee totals, means that operating costs have consistently exceeded revenue over the last ten years, though by a decreasing amount in recent years. In 2010 (the most recent year for which there are data), the ratio of operating cost to revenue was 1.92 (p. 1.7, Exhibit B). However, this ratio is considerably reduced from 2006 when the ratio of costs to revenues appears to have been about 2.9." In other words, recent years had seen a steady decline in the expenses related to making University Lake and Cane Creek Reservoir available to the public.

As a result of our knowledge that OWASA was cost conscious, our December 2011 proposal was a modest one – three more months of access for one day each week (presumably either Friday or Sunday); that would have been about 13-14 additional days beyond the 35 or so days Cane Creek

was to be open in 2012. In January of this year the three of us met with several members of the OWASA staff to discuss this proposal, and the financial condition of OWASA was mentioned as one issue in determining access to Cane Creek. Subsequently we found out that no changes were to be made to the Cane Creek schedule of being open only on Saturdays. We presume finances were a factor in this decision, and for this reason we have attended to the financial condition of OWASA at the beginning of this proposal.

Signees to our 2012 Petition

During the 2012 fishing season, we continued to have problems – particularly during the spring months – in obtaining a boat on the Saturdays at Cane Creek. As a result, we decided to approach OWASA with a revised proposal after the fishing season was over; this time we decided to go directly to the Board of Directors.

To illustrate that such a proposal for restoring access to Cane Creek Reservoir had broader support than the three of us we prepared a simple petition which read:

PETITION TO OWASA FOR ADDITIONAL RECREATIONAL ACCESS TO CANE CREEK RESERVOIR

September, 2012

In recent years, recreational access to Cane Creek Reservoir has been reduced to thirty days each year, that is, one day per week on Saturdays for about 30 weeks each year. The Orange County Residents listed below petition the Board of OWASA to increase access to the Reservoir an additional day each week for the coming year.

Orange County Resident Sponsors of the Petition

Name (print)	Signature	Orange County Resident (Yes/No)	Address

Initially, several of us from Orange County were going to sign the petition and take it to the OWASA Board of Directors, but we soon found when we talked – very early one Saturday morning in late September – to others waiting in line to get on Cane Creek that interest in getting an added day

was quite high. Thus we decided not to focus our petitioning effort solely on Orange County residents but rather to ask whoever was in line whether they would be willing to sign. On three Saturdays – one in late September, another one in mid-October, and the last day Cane Creek was open in November – we approached 38 people, and all but one wanted to sign the petition. The only person who chose not to sign said that this was the first time he had been there in 11 years, and he didn't think it right for him to sign. Everyone else was happy, even enthusiastic, to sign the petition, and we promised to present the petition to the OWASA Board soon after fishing season was over. We even found one person who had unsuccessfully tried a similar petitioning process several years ago.

Out of the total of 40 signatures, 11 indicated that they were from Orange County. That 27% total from Orange County is a bit less than the typical rate of Cane Creek visitors from Orange County. For example, when we computed statistics for our earlier petition on the residential home of Cane Creek users, we found that just under 40% were from Orange County:

Cane Creek Visitors (2010): Orange County vs. Outside this County

	Orange County	In-State (Not Orange County)	Out of State		Total Users
Number	1026 (est.)	1503 (est.)	171		2700
% of Total	38%	55.7%	6.3 %		100 %

The heavy use of Cane Creek by non-Orange County residents both indicates that the fishing at Cane Creek is widely recognized as superior and also helps explains why Orange County residents can have trouble getting a boat when the reservoir is open only one day a week.

At least two of the people who signed the petition had come to Cane Creek not for fishing but for rowing, and one of them explained that Cane Creek was a much better lake for rowing than University Lake because University Lake is narrow to the point that rowing sculls at times need to take care not to interfere with boaters and kayakers.

We did not approach other recreational users of Cane Creek besides those who lined up early in the morning so that we missed those who come to Cane Creek for pleasure boating, either in canoes or kayaks. We do not know how large this population is but presume that that group too would appreciate restoring added access to Cane Creek.

A Way to Implement Our 2012 Proposal

The three of us – representing our other 37 petitioners – request that Cane Creek be open an added day each week during the March to November recreation season. We presume that this added day would be either Friday or Sunday (if it is to be Sunday, we request that Cane Creek be open a full day, as in the case of University Lake).

Should cost be a paramount consideration, then we think OWASA could consider closing University Lake one of the days – Friday or Sunday – that it is open each week and re-open Cane Creek on that day. Here are the data for consumer demand on University Lake from data provided to us when we met with OWASA staff last January:

Average Visitors per Day (2004-2011) at University Lake

Friday	Saturday	Sunday
22	53	62

It would seem that Friday is a day of low demand at University Lake; Saturdays at Cane Creek have averaged 71 people in the time period 2009-11 (the period during which Cane Creek was open only on Saturdays).

Other ways to restore access to Cane Creek Reservoir – ones that would not reduce access to University Lake – may well exist, but we wanted to present the OWASA Board with at least one concrete and economical option.

Conclusion

Regardless of how renewed access to Cane Creek Reservoir is addressed, we would suggest that more emphasis be given to making the public aware of recreational opportunities at both of our local water supply lakes. About the only mention of these lakes in the local press occurs when the season opens and when these two lakes are open for some special day such as July 4.