ORANGE WATER AND SEWER AUTHORITY

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

MEETING SUMMARY
Finance Committee Meeting
May 10, 2012, 5:30 - 7:00 P.M., OWASA Board Room

Committee Members:	Amy Witsil (Chair), Terri Buckner, John Young, Gordon Merklein (ex-officio)
Other Board Members:	Fred Battle, Dana Stidham, Will Raymond
Staff:	Stuart Carson, Mason Crum, Pat Davis, Stephanie Glasgow, John Greene, Ed Holland, Ed Kerwin, Heidi Lamay, Kelly Satterfield, Stephen Winters
Public:	None

The meeting's agenda included the following topics:

- Fiscal Year (FY) 2012 Capital Improvements Program (CIP) forecast update
- Affordability Ratio performance measurement and rate adjustment scenarios
- Draft of FY 2013 Detailed Budget
- Draft of proposed Schedule of Rates, Fees and Charges
- No interest loan from the North Carolina Department of Water Quality

FY 2012 Capital Improvements Program (CIP) Update

Staff reported that CIP expenditures will exceed budgeted amounts for the year. The new forecast for CIP expenditures is $11.1 to $11.5 million for FY 2012. CIP expenditures will exceed the FY 2012 budget of $9.9 million by $1.2 to $1.6 million, and will exceed the $8.9 million FY 2012 forecast presented to the Board on April 26, 2012 by $2.2 to $2.6 million.

One reason that expenditures for the fiscal year are expected to exceed budget is a $1 million change-order for additional work on the Cane Creek Reservoir dam structure that became apparent during repainting the gates on the dam. The change-order was reported to the Board of Directors in November 2011.

Another reason for the new forecast is that several other projects were completed and invoiced, unexpectedly, on an accelerated schedule. Because the work was completed ahead of schedule (in FY 2012), the proposed CIP budget for FY 2013 will be reduced by $400,000. In light of the significant CIP forecast change in a short period of time, the Committee asked staff to provide a plan for tracking CIP forecast, actual spending and budget performance.

Affordability Ratio performance measurement and rate adjustment scenarios

The Board is considering no increase in monthly water and sewer rates for FY 2013. At the request of Committee member Terri Buckner, the Committee discussed the alternative of a 2% rate reduction in order to make progress towards meeting OWASA's Affordability Ratio goal. OWASA has a stated goal of an Affordability Ratio of 1.5 meaning that OWASA's average annual bill for water and sewer services should be no more than 1.5% of the area's median household income.

Staff presented information that indicated a 2% reduction in FY 2013 monthly water and sewer rates would make only a fractional improvement in the Affordability Ratio. Staff also informed the committee that based on our current financial plan, reducing rates by 2% in FY 2013 will likely mean that the projected 2% rate increase in FY 2014 will be raised to 4%. Staff continues to recommend no rate adjustment for FY 2013.

Staff further explained that the calculation of the Affordability Ratio is currently based on an average monthly water use for residential customers of 5,000 gallons per month. Staff's research indicates that the actual average monthly water use is close to 4,000 gallons. At an average rate of consumption of $4,000 gallons per month, OWASA would be very close to meeting its Affordability Ratio target.

Staff will complete its analysis of average monthly water use and report the findings back to the Committee. The Committee deferred further action until it receives staff's analysis and recommendation.

Draft of FY 2013 Detailed Budget

Discussion of the FY 2013 detailed budget was on the agenda for the Board Meeting that immediately followed the Committee meeting. The Committee deferred discussion of the budget until the Board Meeting.

Draft of proposed Schedule of Rates, Fees and Charges

Discussion of the Rates Schedule was on the agenda for the Board Meeting and the Committee also deferred this item until the Board Meeting.

No interest loan from the North Carolina Department of Water Quality

OWASA has an opportunity to apply for a no-interest loan from the North Carolina Division of Water Quality. Aeration and mixing system improvements at the Mason Farm Wastewater Treatment Plant may qualify for the no interest loan due to an expected increase in energy efficiency. If accepted, the loan would reduce interest costs on borrowing that is planned for future years. The Committee approved staff's request to ask the OWASA Board of Directors to formally approve application for the loan at its May 24 meeting.

Next Meeting

The Committee is considering meeting again prior to the June 14, 2012 Board of Directors meeting at a date and time to be determined.



Stephen Winters, CPA
Director of Finance & Customer Service

c: OWASA Board of Directors