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
August 20, 2012, 5:00 - 6:45 P.M., OWASA Board Room

Committee Members: John Young (Chair), Terri Buckner, Gordon Merklein, Will Raymond, Amy Witsil, Alan Rimer (ex-officio)

Other Board Members:

Staff: Darren Berger, Stuart Carson, Mason Crum, Pat Davis, Jeremy Fireline, Vishnu Gangadharan, John Greene, Ed Kerwin, Heidi Lamay, Kelly Satterfield, Stephen Winters

Public: Michael Hughes, Mac Clarke

The meeting's agenda included the following topics:

- Preliminary Financial Report for Fiscal Year (FY) 2012
- FY 2012 Budget Amendment
- FY 2013 Capital Improvements Program (CIP) Budget execution and reporting

Preliminary Financial Report for FY 2012

Staff presented the preliminary financial report for the year ended June 30, 2012. Actual results for the year were very close to budget and seven of the organization's eight financial goals were met or exceeded; OWASA's service affordability ratio is 1.87% versus the goal of 1.5%. Improving the service affordability ratio is a primary focus of the rate study that will be discussed at the committee's next meeting. The independent audit of OWASA's FY 2012 financial statements is nearing completion and the final financial report will be presented at the Board's meeting on September 27, 2012.

FY 2012 Budget Amendment

Staff discussed a resolution to amend the FY 2012 Budget that will be on the agenda for the August 23, 2012 Board of Director's meeting. CIP expenditures for the year exceeded the amount budgeted. State statute requires that we maintain a balanced budget and gives the Board of Directors the authority to amend the budget at any time and in any form. The amendment balances OWASA's budget by transferring funds from the Operating Budget to the CIP Budget. The Finance Committee recommended that the Board of Directors approve the resolution.

FY 2013 CIP Budget execution and reporting

Staff presented a plan to the committee regarding future CIP Budget execution and reporting. In order to provide the Board information that supports its responsibility to review OWASA's financial condition and make policy decisions, staff will report CIP expenditures on a quarterly basis. In conjunction with the quarterly financial report, the quarterly CIP updates will include revised projections for the remainder of the FY, based on actual performance to date and the inevitable changes that will occur in individual project schedules and project cost estimates. Staff will also provide an explanation anytime the projected end-of-year CIP budget execution rate is forecasted to be less than 90% or greater than 105% of the

annual budget amount. As in the past, staff will continue to:

- Prepare and communicate an annual CIP plan and a mid-year update which will include information about individual CIP projects.
- Inform and seek approval of the Board in the event of any unplanned CIP projects and large project-level budget exceptions.

Staff and the Finance Committee will continue to monitor and evaluate this approach to make sure it is effective and efficient in meeting the needs of the organization.

Next Meeting

The Finance Committee will meet at 5:30 PM on Thursday, September 13, 2012 in the OWASA Boardroom to discuss the results and recommendations of the rate study.

Stephen Winters, CPA
Director of Finance & Customer Service

c: OWASA Board of Directors