Orange Water and Sewer Authority
OWASA is Carrboro-Chapel Hill's not-for-profit public service agency delivering high quality water, wastewater, and reclaimed water services.

Agenda
Virtual Work Session of the OWASA Board of Directors
Thursday, May 14, 2020, 6:00 P.M.

Due to COVID-19 public health concerns and in compliance with local governments "stay at home" orders, the Orange Water and Sewer Authority (OWASA) Board of Directors is conducting this meeting virtually utilizing Microsoft Teams. Board Members will be participating in the meeting remotely using Microsoft Teams. Members of the public will be able to view and listen to the meeting but will not have the opportunity to speak at any point during this meeting.

The public may submit written comments by sending an email to board_and_leadership@owasa.org ideally submitted at least three days in advance of the meeting.

The Board may take action on any item on the agenda.

Announcements

a. Announcements by the Chair
   - Any Board Member who knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight is asked to disclose the same at this time.

b. Announcements by Board Members
   - Update on the April 24 and 25, 2020 Remote Interviews with Executive Director Candidates (Robert Morgan)

c. Announcements by Staff

d. Additional Comments, Suggestions, and Information Items by Board Members (Ray DuBose)

Consent Agenda

Information and Reports

1. Notification of Purchase of Fermenter Mixing Equipment (Brad Barber)

Action

2. Resolution Accepting a Low-Interest Loan Offer from the State of North Carolina, and Authorizing Executive Director to Execute and Administer all Related Loan Offer and Acceptance Documents (Stephen Winters)

Regular Agenda

Information and Reports

3. Verbal Update on OWASA's COVID-19 Preparations and Response and Discussion by the Board (Ed Kerwin)

Discussion and Action

4. Resolution Authorizing the Executive Director to Execute Contracts with Blue Cross and Blue Shield of North Carolina for Employee Health and Dental Insurance Plans (Stephanie Glasgow)
5. Fiscal Year 2021 Draft Budget and Rate Adjustment Information and Authorize Staff to Publish Proposed Budget and Rates Information (Stephen Winters)

Discussion

6. Onboarding Program for OWASA's New Executive Director (Ray DuBose/Ed Kerwin)
7. Board Members Eligible for Nominations for Election as Board Officers (Ray DuBose)
8. Review Board Work Schedule (Ray DuBose/Ed Kerwin)
    a. Request(s) by Board Committees, Board Members and Staff
    b. May 28, 2020 Board Meeting
    c. June 11, 2020 Work Session
    d. 12 Month Board Meeting Schedule
    e. Pending Key Staff Action Items

Summary of Work Session Items

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

Agenda Item 1:

Notification of Purchase of Fermenter Mixing Equipment

Purpose:

To advise the Board that staff has recently entered into an agreement in the amount of $287,885 with Vaughan Company to purchase Fermenter Mixing Equipment for CIP 278-78 Wastewater Treatment Plant Fermenter Improvements, in accordance with the OWASA Purchasing Policy. The Purchasing Policy requires the Board be notified of purchases $90,000 and above for equipment, materials, and supplies.

Background:

At the Mason Farm Wastewater Treatment Plant (WWTP), settled solids from the primary clarifiers are pumped into the fermenter tank where they undergo fermentation under anaerobic conditions. The fermentation process breaks down some of the more complex organic molecules to form short-chain volatile fatty acids – mainly acetic and propionic acids. Using thickening equipment, the fermented product is separated into solid and liquid components; the latter is then pumped to the nutrified sludge cells to serve as a food source for the biological process.

In Fiscal Year 2019, the draining, cleaning, and inspection of the fermenter found the interior lining of the tank to be in relatively good condition, but recommended improvements to the mixing system. The improvements will increase the production of fatty acids, which in turn will significantly reduce amount of acetic acid purchased. The engineering firm of Brown & Caldwell (B&C) was selected to complete the equipment evaluation and selection, and final design of fermenter rehabilitation.

The kind of mixing system required for the fermenter is specialized, and the limited number of manufacturers results in long lead times for the equipment. The equipment is being purchased in advance to mitigate the long lead time and directly engage the equipment manufacturer in the final overall fermenter system design. B&C developed performance criteria for the required mixing equipment system and identified two qualified manufacturers, Evoqua and Vaughan. B&C issued a Request for Proposal (RFP) in September 2019 to which each manufacturer submitted a proposal for the mixing equipment. These proposals were evaluated based on each manufacturer's demonstrated ability to meet the weighted performance criteria of 1) technical support and experience, 2) schedule, 3) cost and design impacts. For the design impacts performance criteria, each manufacturer was required to develop a mixing system design specifically for the WWTP fermenter and provide modeled results demonstrating system mixing performance. B&C determined that neither bid submittal demonstrated the ability to meet all performance criteria; therefore, B&C and OWASA agreed to set a new bid date in November 2019 to allow each bidder to address their respective bid deficiencies. Note that the performance criteria remained unchanged throughout the bidding process.

B&C's evaluation of the rebid found that Vaughan's equipment could achieve the mixing design requirements, but that Evoqua's could not. B&C subsequently recommended the selection of the

Vaughan mixing system. Staff has entered into a purchase agreement with Vaughan for the proposed amount of $287,885, and this summer will be bidding out a construction contract for the installation of the equipment. Once the construction contract has been awarded, the purchase contract with Vaughan will be transferred (‘assigned’) to the general contractor.

Action Requested:

None, information only.

Agenda Item 2:

Resolution Accepting a Low-Interest Loan Offer from the State of North Carolina, and Authorizing Executive Director to Execute and Administer all Related Loan Offer and Acceptance Documents

Background:

On March 14, 2020 the Board of Directors authorized the submittal of an application for a low-interest loan from the state of North Carolina to fund the West Cameron Avenue Water Main project included in OWASA's Capital Improvements Program. The loan application was approved by the NC Department of Environmental Quality, our engineering and environmental documents for the project have been approved, and the NC Local Government Commission has approved the issuance of a low-interest loan for the project.

The North Carolina Local Government Commission authorized the NC Department of Water Infrastructure to offer OWASA a low-interest loan for the West Cameron Avenue Water Main project in the amount of $2,963,000.

The 20-year loan would have a fixed interest rate of 1.42%, which is about one-half of the current market rate for revenue bonds. (The attached "Funding Offer and Acceptance" documents indicate an interest rate of 1.89%. We have spoken to the state and they are sending us corrected documents.) The state charges a loan closing, processing, and administration fee equal to 2% of the loan amount. Based on the above loan amounts, the total loan administration fees for this project would be about $59,300.

Loan offers must be officially accepted by the governing board of the loan recipient, and loan recipients must comply with all applicable state and federal requirements, including bidding requirements for involving minority- and women-owned businesses in contracts. A copy of the Offer and Acceptance documents is attached.

Staff Recommendation – Board Action Requested:

This financing strategy will help in our efforts to keep costs low and improve affordability. It will enable us to reduce the size of our next revenue bond issue, which is currently planned for Fiscal Year 2021. Borrowing now at a low fixed interest rate will also help reduce our potential risks of having to pay higher interest rates when we go to the revenue bond market.

Staff recommends accepting the state's loan offer. Attached is a draft of a resolution accepting the Loan Offer and Acceptance Documents and authorizing the Executive Director to execute the loan documents and do all things necessary for administering the loans.

Staff recommends approval of the resolution.

Information:

- Resolution Accepting a Low-Interest Loan Offer from the State of North Carolina, and Authorizing Executive Director to Execute and Administer all Related Loan Offer and Acceptance Documents

Resolution Accepting a Low-Interest Loan Offer from the State of North Carolina, and Authorizing Executive Director to Execute and Administer all Related Loan Offer and Acceptance Documents

Whereas, the Safe Drinking Water Act Amendments of 1996 and the North Carolina Water Infrastructure Fund have authorized the making of loans and/or grants, as applicable, to aid eligible, drinking-water system owners in financing the cost of construction for eligible, drinking-water infrastructure; and

Whereas, the North Carolina Department of Environmental Quality has offered a State Revolving Loan in the amount of $2,963,000 for the replacement of the West Cameron Avenue Water Main; and

Whereas, the Orange Water and Sewer Authority intends to construct said project in accordance with the engineering plans and specifications that have been or will have been approved by the North Carolina Public Water Supply Section;

Now, Therefore, Be It Resolved:

1. That the Orange Water and Sewer Authority does hereby accept the State Revolving Loan offer in the amount of $2,963,000; and

2. That the Orange Water and Sewer Authority does hereby give assurances to the North Carolina Department of Environmental Quality that they will adhere to all applicable items specified in the standard "Conditions" and "Assurances" of the Department's funding offer, awarded in the form of a State Revolving Loan; and

3. That the Orange Water and Sewer Authority Executive Director and successors so titled, is hereby authorized and directed to furnish such information, as the appropriate state agency may request, in connection with such application or the project; to make the Assurances as contained above; and to execute such other documents as may be required in connection with the application; and

4. That the Orange Water and Sewer Authority has complied substantially or will comply substantially with all federal, state and local laws, rules, regulations, and ordinances applicable to the project, and to federal and state grants and loans pertaining thereto.

Adopted this 14th day of May 2020.

_____

Raymond E. DuBose, P.E., Chair

ATTEST:

_____

Bruce Boehm, Secretary

STATE OF NORTH CAROLINA
DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER INFRASTRUCTURE

Funding Offer and Acceptance

Legal Name and Address of Award Recipient (Applicant)

Orange Water and Sewer Authority
400 Jones Ferry Road
Carrboro NC 27510

Project Number: **H-SRF-F-20-1981**
Project Number: N/A
CFDA Number: 66.468

Funding Program

Drinking Water ☒ / **Wastewater** ☐	**Additional Amount for Funding Increases**	**Previous Total**	**Total Offered**
State Revolving Fund (SRF) ☒	--	--	$2,963,000
State Reserve Loan (SRP) ☐			
State Reserve Grant (SRP) ☐			
State Emergency Loan (SEL) ☐			
Asset Inventory & Assessment Grant (AIA) ☐			
Merger/Regionalization Feasibility Grant (MRF) ☐			

Project Description:

W. Cameron Ave. Water Main (WM) Replacement Project: 1) Abandon approx. 2,200 LF of ex. 12-inch asbestos-cement (A/C) WM & approx. 2,200 LF of parallel 12-inch cast-iron (C/I) WM within the railroad right-of-way; 2) Abandon approx. 3,100 LF of ex. 12-inch A/C WM & approx. 3,100 LF of parallel 12-inch C/I WM along W. Cameron Ave.; 3) Install approx. 3,100 LF of 12-inch DIP WM along W. Cameron Ave.; 4) Replace-in-kind approx. 650 LF of 2-inch GIP WM along Cameron Court with 2-inch PVC WM; and 5) Replace & re-connect all affected services, hydrants, etc.

Total Financial Assistance Offer: **$2,963,000**
Total Project Cost: $2,963,000
Estimated Closing Fee*: **$59,260**
For Loans
Principal Forgiveness: $ - 0 -
Interest Rate (Per Annum): 1.89%
Maximum Loan Term: 20 Years

**Estimated closing fee calculated based on total grant and/or loan amount(s).*

Pursuant to North Carolina General Statute 159G:

- The Applicant is eligible under Federal and State law;
- The Project is eligible under Federal and State law, and;
- The Project has been approved by the Department of Environmental Quality as having sufficient priority to receive financial assistance.

The Department of Environmental Quality, acting on behalf of the State of North Carolina, hereby offers the financial assistance described in this document.

For The State of North Carolina: **Kim H. Colson, P.E., Director, Division of Water Infrastructure**
North Carolina Department of Environmental Quality

Signature _____ Date 4/17/2020

On Behalf of: **Orange Water and Sewer Authority**
Name of Representative in Resolution: **Mr. Ed Kerwin**
Title (Type or Print): **Executive Director**

I, the undersigned, being duly authorized to take such action, as evidenced by the attached CERTIFIED COPY OF AUTHORIZATION BY THE APPLICANT'S GOVERNING BODY, do hereby accept this Financial Award Offer and will comply with the Assurances and the Standard Conditions.

Signature _____ Date _____

STANDARD CONDITIONS FOR FEDERAL SRF LOANS

1. The following "super cross-cutters" apply to SRF projects and may be found in the Public Policy Requirements section of the EPA General Terms and Conditions for each year's appropriation. This document can be found at www.epa.gov/ogd/tc.htm. Please note that nothing is submitted to the State's SRF program offices regarding compliance with these items.

   (a) Title VI of the Civil Rights Act of 1964
   (b) Section 504 of the Rehabilitation Act of 1973
   (c) The Age Discrimination Act of 1975
   (d) Section 13 of the Federal Water Pollution Control Act Amendments of 1972

2. Acquisition of Real Property must comply with all applicable provisions of the Uniform Relocation and Real Property Acquisition Policies Act of 1970 (PL 92-646), as amended. The Applicant shall certify it has or will have a fee simple, or such other estate or interest in the site of the project, including necessary easements and rights-of-way, to assure undisturbed use and possession for purposes of construction and operation for the estimated life of the project using a certification form provided by the Department of Environmental Quality (DEQ).

3. Specific MBE/WBE "disadvantaged businesses enterprise" (DBE) forms and instructions are provided, which are to be included in the contract specifications. These forms will assist with documenting positive efforts made by the Applicant, their consultant(s) and contractor(s) to utilize DBEs. Such efforts should allow DBEs the maximum feasible opportunity to compete for subagreements and subcontracts to be performed. Documentation of efforts made to utilize DBE firms must be maintained by the Applicant and their construction contractor(s), and made available upon request.

4. The Applicant shall comply fully with Subpart C of the Code of Federal Regulations (CFR), Chapter 2, Part 180, entitled, "Responsibilities of Participants Regarding Transactions Doing Business with Other Persons," as implemented and supplemented by 2 CFR Part 1532. The Applicant is responsible for ensuring that any lower-tier covered transaction, as described in Subpart B of 2 CFR Part 180, entitled "Covered Transactions," includes a term or condition requiring compliance with Subpart C. The Applicant is responsible for further requiring the inclusion of a similar term or condition in any subsequent lower-tier covered transactions. The Applicant may access suspension and debarment information at: http://www.sam.gov. This system allows applicants to perform searches determining whether an entity or individual is excluded from receiving Federal assistance.

5. The construction contract(s) require(s) the contractor to adhere to the Davis-Bacon and Related Acts Provisions and Procedures, as listed in the Code of Federal Regulations, Chapter 29, Part 5, Section 5 (29 CFR 5.5). Public Law pertaining to this is also enacted in Title 40, United States Code, Subtitle II Section 3141 through Section 3148.

6. As required by H.R. 3547, "Consolidated Appropriations Act, 2014" Section 436, Division G, Title IV, this project is subject to the federal "American Iron-and-Steel" provisions. The State provides detailed requirements, to be included in the construction contract specifications.

ASSURANCES

1. The Applicant intends to construct the project, or cause it to be constructed to final completion, in accordance with the Application approved for financial assistance by the Division of Water Infrastructure. The Applicant acknowledges that in the event a milestone contained within the most recent Drinking Water State Revolving Fund Intended Use Plan and/or the Letter of Intent to Fund is missed, the Department of Environmental Quality will rescind this Funding Award Offer.

2. The Applicant is responsible for paying for those costs that are ineligible for SRF funding.

3. The construction of the project, including the letting of contracts in connection therewith, conforms to the applicable requirements of State and local laws and ordinances.

4. As of the acceptance of this Funding Award Offer, Steps "A-D" in the "**North Carolina SRF Program Overview and Guidance**" (SRF Guidance Document enclosed with the Funding Award Offer) will be complete. These Assurances, likewise, incorporate the most recent version of the SRF Guidance Document, and the Applicant hereby certifies by accepting this Funding Award Offer that it will adhere to the subsequent steps in the SRF Guidance Document. The remaining steps generally govern project design, bidding, contracting, inspection, reimbursements, close-out and repayment.

5. The Applicant will provide and maintain adequate engineering supervision and inspection.

6. The Applicant agrees to establish and maintain a financial management system that adequately accounts for revenues and expenditures. Adequate accounting and fiscal records will be maintained during the construction of the project, and these records will be retained and made available for a period of at least three (3) years following completion of the project.

7. All SRF funds loaned shall be expended solely for carrying out the approved project, and an audit shall be performed in accordance with G.S. 159-34. Partial disbursements on this loan will be made promptly upon request, subject to adequate documentation of incurred eligible costs, and subject to the Applicant's compliance with the "Standard Conditions" of this Funding Award Offer. The Applicant agrees to make prompt payment to its contractor, and to retain only such amount as allowed by North Carolina General Statute.

8. The Applicant will expend all the requisitioned funds for the purpose of paying the costs of the project within three (3) banking days following the receipt of the funds from the State. Please note the State is not a party to the construction contract(s) and the Applicant is expected to uphold its contract obligations regarding timely payment.

Acknowledgement of Standard Conditions and Assurances

The Applicant hereby gives assurance to the Department of Environmental Quality that the declarations, assurances, representations, and statements made by the Applicant in the Application; and all documents, amendments, and communications filed with the Department of Environmental Quality by the Applicant in support of its request for financial assistance, will be fulfilled.

.....	.....
Signature	Date

Agenda Item 3:

Verbal Update on OWASA's COVID-19 Preparations and Response and Discussion by the Board

Purpose:

To provide the Board of Directors and public an update on OWASA's preparations for and response to COVID-19 to ensure high quality and reliable service for the community.

Staff will provide a verbal update on activities since April 23, 2020 to include OWASA's three-phase plan to Return to Normal Operations; testing wastewater for the presence of COVID-19; and OWASA's Care to Share customer assistance program.

Action Needed:

Discussion and questions by the Board of Directors.

Agenda Item 4:

Resolution Authorizing the Executive Director to Execute Contracts with Blue Cross and Blue Shield of North Carolina (BCBSNC) for Employee Health and Dental Insurance Plans

Purpose:

Authorize the Executive Director to execute contracts for insurance plans to replace those scheduled to expire on June 30, 2020.

Background:

OWASA began using the firm of Gallagher in April 2014 to manage benefit plans and negotiate premiums for Employee Health, Dental, Life, Dependent Life, Accidental Death and Dismemberment and Long-Term Disability Insurance.

The current Employee Health and Dental contracts expire on June 30, 2020.

The Board began receiving information on renewals from OWASA staff and Ellen Tucker with Gallagher in January 2020. At the January 11, 2020 work session, the Board received a presentation that included:

- Financial Performance of Health Insurance Plan
- Overview of Utilization and Cost
- Renewal Considerations

On April 9, 2020, the Board was provided a presentation from Gallagher that included:

- Health Plan Renewal
    - Financial Performance of Health Insurance Plan (5% Decrease)
    - Benchmarking with Area Entities
    - Additional Renewal Options and Considerations
- Dental Renewal
- Next Steps

Gallagher continued negotiations with BCBSNC, and they have agreed to further reduce Health premiums by a total of 10%. This provides a savings of approximately $163,672 to both OWASA ($149,304) and employees ($14,368). Attachment 1 is the presentation to be provided on May 14, 2020 by Gallagher. The presentation also provides information regarding an increase of 5% for Dental premiums for the upcoming plan year. This represents an increase of approximately $4,331 to both OWASA ($3,134) and employees ($1,197).

Attachment 2 is a letter from Ellen Tucker recommending we accept the 10% Health premium decrease and the 5% increase in Dental premiums.

Information:

- Attachment 1 – Presentation from Ellen Tucker with Gallagher
- Attachment 2 – Letter from Ellen Tucker with Gallagher recommending renewals as follows:

    - Health Insurance renewal with BCBSNC with a decrease of 10% in premiums with no change in benefits (except a reduction in virtual visit co-pays from $15 to $10).

    - Dental Insurance renewal with BCBSNC with an increase of 5% in premiums with no change in benefits.

- Resolution for consideration authorizing the Executive Director to Execute Contracts.

OWASA
Board Meeting

Ellen Tucker | May 14, 2020

Gallagher

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Agenda

- Revised Medical Renewal
- Revised Dental Renewal
- Next Steps

4.4

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Medical Renewal - BCBSNC

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	Increase	Total Premium	Cost to OWASA
Current		$1,638,009	$1,494,233
Initial Renewal	6%	$1,736,280	$1,583,873
Revised Renewal	-10%	$1,474,337	$1,344,929
Negotiated Savings		$261,943	
Change from Current		-$163,672	-$149,304

4.5

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Dental Renewal - BCBSNC

Gallagher
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	Increase	Total Premium	Cost to OWASA
Current		$86,757	$62,756
Initial Renewal	15.6%	$100,302	$72,328
Revised Renewal	5%	$91,088	$65,890
Negotiated Savings		$9,214	
Change from Current		$4,331	$3,134

4.6

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Gallagher

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Next Steps

This document is an outline of the coverage proposed by the carrier(s), based on information provided by your company. It does not include all the terms, coverages, exclusions, limitations, and conditions of the actual contract language. The policies themselves must be read for those details. The intent of this document is to provide you with general information about your employee benefit plans. It does not necessarily address all the specific issues which may be applicable to you. It should not be construed as, nor is it intended to provide, legal advice. Questions regarding specific issues should be addressed by legal counsel who specialize in this practice area.

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May 4, 2020

Stephanie Glasgow
Director of Human Resources and Safety
Orange Water and Sewer Authority
400 Jones Ferry Road
Carrboro, North Carolina 27510

Stephanie:

Gallagher has analyzed the renewals for all plans and negotiated with carriers as directed by the OWASA Board of Directors. The results of those negotiations and our recommendations are as follows:

Medical Plan
BCBSNC originally released a 6% increase, which was negotiated to a 10% decrease. There is one plan design change, which enhances virtual visits by changing the copay from $15 to $10. We recommend that OWASA accept the 10% renewal decrease and renew medical with BCBSNC.

Dental Plan
BCBSNC requested a 15.6% increase on dental but agreed to a 5% increase after negotiations. Our recommendation is to accept the 5% increase and renew dental with BCBSNC.

Life/AD&D, Dependent Life, and Long Term Disability
We recommend continuing coverage through The Hartford, which is in a multi-year rate guarantee and includes package pricing savings on medical.

Sincerely,

Ellen M Tucker
Area Vice President
Gallagher

Resolution Authorizing the Executive Director to Execute Contracts with Blue Cross Blue Shield of North Carolina (BCBSNC) for Employee Health and Dental Insurance

Whereas, OWASA employees are provided health and dental insurance coverage, through OWASA's contract with Blue Cross Blue Shield of North Carolina (BCBSNC), which will expire on June 30, 2020; and

Whereas, OWASA employees have expressed their satisfaction with their present coverage through BCBSNC, and the Board of Directors has determined that continuing the contract for such coverage with BCBSNC is desirable and in OWASA's best interests; and

Whereas, with the capable assistance of its insurance consultant Gallagher, OWASA has obtained proposals from BCBSNC for continuing the health coverage for a decrease in annual premiums of 10%, and renewal of Dental coverage with a 5% increase in rates for the period of July 1, 2020 through June 30, 2021; and

Whereas, with the capable assistance of Gallagher the Board of Directors has determined that the rates proposed by BCBSNC are reasonable and appropriate, and that it is in best interests of OWASA to accept the proposals;

Now, Therefore, Be It Resolved:

1. That the Board of Directors has determined to accept the BCBSNC proposals for Health and Dental insurance coverage for the term and on the conditions proposed; and,

2. That the Executive Director is hereby authorized and directed to execute the contracts.

Adopted this 14th day of May 2020.

_____
Raymond E. Dubose, P.E., Chair

ATTEST:

_____
Bruce Boehm, Secretary

DRAFT

Agenda Item 5:

Fiscal Year 2021 Draft Budget and Rate Adjustment Information and Authorize Staff to Publish Proposed Budget and Rates Information

Background:

At the Board's March 12, 2020 Work Session, staff presented a draft Fiscal Year (FY) 2021 Operating Budget, 5-year Capital Improvements Program (CIP) Budget, Capital Equipment Budget, and our first iteration of a new format for communicating budget information to the Board and public. Also, at the March 12th meeting, the Board canceled the March 26, 2020 Board meeting due to the developing need for OWASA to focus on preparing for and responding to the pandemic caused by the COVID-19 virus. At the March 26th meeting, staff had planned to present information about proposed rate adjustments for FY 2021 and beyond.

Pandemic's Impact on Revenue and Expenses

Since staff's preparation of the first draft of the FY 2021 budget, much has changed due to the significant impacts of COVID-19. Our projections for expenses, investments and revenues have all been impacted. Since the beginning of the state's stay-at-home order effective March 16, 2020, we have seen about a 13% reduction in the volume of water sales as compared to the same period in 2019. Projecting water sales and revenue for FY 2021 is challenging since we do not know how long and to what extent COVID-19 will be a factor.

The pandemic's impact on operating expenses is also difficult to project. Prices for commodities on which we depend may increase, and we may incur additional expenses to ensure we can continue to deliver reliable and high-quality services to customers and keep our employees and the public safe. And it is uncertain whether expenses incurred during this time will be reimbursed by state or federal agencies.

Potential for Uncollectible Customer Balances

On March 12, 2020 OWASA stopped disconnecting water service to customers due to nonpayment and suspended charging late payment fees. On March 31, Governor Cooper issued an executive order making these measures mandatory for all North Carolina utility providers. Clearly, these are important steps to take during a time when cleaning and washing are critical for personal and public health. The disadvantage to these actions is the potential for customers to accumulate arrearages they may not be able to pay timely, if at all. This means OWASA may realize an increase in expenses in the form of uncollectible debts. We have seen an increase in the number of customers with amounts past due and an increase in the aggregate amount of past due balances. As of the end of April 2020, past due balances totaled a little over $100,000; at this time last year, the balance was about $60,000.

Governor Cooper's order stipulates that customers be allowed to pay arrearages accumulated during the order's effective period over at least a six-month period. We are working on ways to accommodate this requirement. We are also working to increase customer bill assistance funds available through the Care to Share program and monitoring other financial assistance sources.

Pre-Pandemic Budget:

The budget information presented at the Board's Work Session on March 12, 2020 was drafted based on "normal operating conditions" without contingencies and developed to meet our performance objectives including our financial measurement targets. Last year, we projected that we would need to implement a

5% rate increase in October 2020. Our pre-pandemic financial planning confirmed that a 5% increase would be sufficient for funding our operating and maintenance needs, capital equipment additions, and CIP investments.

Budgeting During the Pandemic:

Because of the uncertainty of the economy and the hardship our fellow-citizens are experiencing, staff has developed a budget for the Board's consideration that does not include an October 2020 rate increase. A draft of this revised budget was presented to the Board on April 9, 2020.

Adjustments to the Operating Budget

The following table shows how we have modified the FY 2021 Operating Budget considering no October 2020 rate increase. These numbers have been updated from the version presented to the Board on April 9th.

Operating Budget	Pre-Pandemic Planning	Post-Pandemic Planning	Amount Difference	Percent Difference	Ref #
Projected rate increase	5%	0%	(5%)		
Operating Revenue	39,513,719	35,853,789	(3,659,930)	-9.3%	1
Non-Operating Revenue	1,421,286	1,162,786	(258,500)	-18.2%	2
Total Revenue	40,935,005	37,016,575	(3,918,430)	-9.6%	
Operating Expenses					
Salaries and wages	9,474,034	9,039,881	(434,153)	-4.6%	3
Payroll taxes and employee benefits	3,736,899	3,829,562	92,663	2.5%	4
Utilities	1,726,275	1,703,821	(22,454)	-1.3%	5
Chemicals	2,540,501	2,572,564	32,063	1.3%	6
Materials and supplies	807,669	767,023	(40,646)	-5.0%	7
Maintenance	3,480,080	3,330,480	(149,601)	-4.3%	8
Professional services	1,816,707	1,493,707	(323,000)	-17.8%	9
Communications	210,246	202,246	(8,000)	-3.8%	10
Printing	49,700	35,200	(14,500)	-29.2%	11
Education and development	211,585	177,085	(34,500)	-16.3%	12
Other	371,404	373,204	1,800	0.5%	13
Construction credits	(396,000)	(334,429)	61,571	15.5%	14
Total Operating Expenses	24,029,100	23,190,344	(838,756)	-3.5%	
Net Revenue over Expenses	16,905,905	13,826,231	(3,079,674)	-18.2%	

The adjustments shown above are explained in the following table.

Ref #	Explanation
1	Combination of a projected 12% reduction in revenue for half of FY 2021 due to UNC and area businesses being closed plus the effect of no rate increase. (The April 9th version included a 5% reduction.)
2	Estimating System Development Fees to be 80% of original projection.
3	No merit or cost of labor increases for employees. In this version, we have also eliminated the budget provision for the vacant Communications and Community Relations Officer.
4	Revised health insurance premiums from a projected 15% decrease to a 10% decrease from previous year. (The April 9th version included only a 5% decrease.)
5/6	Minor reductions in electricity and chemicals resulting from treating less water. However, this version also includes an adjustment in chemical costs for the Water Treatment Plant due to a recent announcement of an expected price increase in ferric sulfate.
7	Reductions in office and other supplies.
8	Reductions in various planned maintenance activities at the Water Treatment Plant ($127,600) and Distribution and Collection ($22,000).
9	Deferral of the project to implement a new computerized maintenance management system (CMMS) ($250,000). Reductions of consulting services in the Human Resources department: outsourced training, administrative support, and diversity and inclusion program support.
10	Elimination of certain community engagement activities.
11	Reduction in printing stakeholder education materials.
12	Reduction in planned education and development for employees.
13	Elimination of dues and outreach materials ($1,700) and an increase in equipment rental for street paving ($3,500).
14	Adjusted the amount of CIP work to be performed by OWASA staff.

Capital Equipment Additions

The first draft of the Capital Equipment Budget totaled $959,700. In our planning for no FY 2021 rate increase, we have reduced this budget to $704,500. We plan to include the equipment deferrals in future year's budgets.

Capital Improvements Program Expenditures

Staff conducts an annual CIP prioritization process to assess potential projects across several criteria such as regulatory compliance, safety, customer service, financial and operating risk, operational efficiency, and environmental benefits. Each of the projects in our pre-pandemic CIP Budget are important investments to improve system reliability and resiliency and operational efficiency. To balance the budget without a rate increase in October 2020, it is necessary to delay some CIP projects and each delayed project increases risk to some degree (discussed below). Staff has used its professional judgement to prioritize the revised CIP Budget to minimize near-term risk. The table on the following page summarizes the differences in the 5-year CIP Budgets of the two rate scenarios; the numbers have been revised from the April 9th version based on our ongoing analysis of priorities and risks. Attachment 1 contains the project listing for the revised five-year CIP Budget that supports the no rate increase scenario.

CIP Budget	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	5-yr Total
	(in thousands)					
With a 5% rate increase	$25,768	$20,046	$22,212	$17,751	$18,283	$104,060
With no rate increase	20,319	20,258	20,841	19,831	19,771	101,020
Difference	(5,449)	212	(1,371)	2,080	1,488	(3,040)

Issues related to COVID-19 will slow the progress of most active construction projects in the fourth quarter of FY 2020, though not as drastically as anticipated several weeks ago. The overall 5-year project portfolio for the no-rate increase scenario is substantially the same as the pre-pandemic CIP, with some exceptions discussed on the following page. The primary difference in the 5-year plan is the postponement of certain large near-term projects anywhere from six months to two years, based on staff's judgment of the additional risk incurred from the delay. Delayed construction costs are escalated at 5% per year (although staff will continue to stay abreast of potential trends in cost of construction within the industry). The no-rate-increase CIP budget also reflects a slightly greater percentage of water main replacement being completed by OWASA staff than by contractors. This change, in combination with certain work deferred from FY 2025 to future years, accounts for the change in the 5-year total.

Revised Rate Increase Projections

The following table shows the projected rate increases over the next five years based on the revised Operating, Capital Equipment, and CIP Budgets.

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Rate Increase	0%	7%	5%	5%	5%
Increase in residential monthly bill based on average use of 4,000 gallons per month	$0.00	$5.32	$4.05	$4.24	$4.47
Amount of monthly bill after increase	$75.67	$80.99	$85.04	$89.28	$93.75

Impact on Financial Performance Objectives

The alternative budget with no FY 2021 rate increase as presented above meets almost all of our financial performance objectives for FY 2021. One objective not met is our debt service coverage ratio. Our objective is for net income to be at least two-times the amount of our debt service (bond and loan principal and interest payments). With this plan, our coverage ratio is 1.5 (it was 1.7 in the April 9th version). Staff believes that in the current economic environment, this is justifiable, and we do not believe there will be significant negative consequences.

This budget alternative and rate scenario assumes a return to near-normal operating conditions for the community and OWASA within the next 12 to 18 months.

Risks Associated with Budget Deferrals:

Operating Budget

The two largest FY 2021 Operating Budget reductions are eliminating pay increases for employees and deferring investment in our CMMS.

Maintaining a high-performing workforce is critical to OWASA's ability to continue to deliver the level of service our community expects, and performance-based compensation adjustments are an important factor in employee satisfaction. By forgoing cost of labor and merit increases for employees, there is an increased risk that employees' compensation may slip below their market value which may have a negative impact on morale or that they will seek higher-compensating positions with other organizations.

Our current CMMS is not adequately meeting the needs of significant parts of the organization and the Board supports looking for and investing in a better solution. We believe a solution that better meets our needs will improve the efficiency and effectiveness of the maintenance of our treatment plants and equipment and enhance our Asset Management Program. However, we are confident that we can continue operating in the current environment in the near-term without significant negative impacts.

CIP Budget

The primary change in the 5-year CIP needed to achieve the no rate increase scenario is the postponement of up to 2 years of several large construction projects previously planned to occur in FY 2021 and FY 2022. Since the projects are still planned to be completed, the ramifications of the postponements are that the existing operational risks addressed by the projects will continue for a longer period of time. Some of these risks will be addressed by operational workarounds if we experience problems (e.g., taste and odor issues with water supplied by University Lake, lack of redundancy with Water Treatment Plant solids thickening equipment). Some project deferrals prolong addressing persistent risks (e.g., sanitary sewer overflows on a particular interceptor). Other projects that have been postponed address failure risks which are consequential but not deemed to be as likely in the near term (such as corrosion within the Wastewater Treatment Plant primary clarifiers, or deterioration of certain large Wastewater Treatment Plant pumps).

Summary:

With an extremely high number of our fellow citizens out of work or otherwise dealing with financial hardships, the community will appreciate no change in our rates this fall. We believe it is important to remain flexible to meet the challenges of an uncertain future. For these reasons, we have developed an alternative to the budget we would have recommended if we were not experiencing a pandemic.

Much has changed in the last several weeks and chances are good that more changes will occur over the coming months. If a reduced FY 2021 budget is ultimately approved and conditions improve sooner than our budget cycle next year, the Board can make mid-year budget adjustments to restore some or all of the Operating and CIP Budget deferrals outlined above.

Next Steps:

Public hearings on the budget and rates are scheduled for May 28, 2020. A final budget and proposed rate schedule are tentatively scheduled to be presented for approval at the Board's Work Session on June 11, 2020. However, we have flexibility; state statute requires that the budget be adopted prior to July 1, 2020. Tentatively, next steps include:

1. Review the updated draft of the FY 2021 budget and rate adjustment recommendation at the May 14, 2020 Work Session and authorize staff to publicize budget and rate information in advance of the public hearings.
2. At the public hearings, the Board will receive and consider comments from customers and other stakeholders.
3. After considering public input, the Board of Directors will discuss and provide guidance to staff on the final draft of the FY 2021 budget and rate adjustment recommendation.
4. Staff will finalize the FY 2021 budget and rate adjustment recommendation and is scheduled to present it for adoption by the Board of Directors at its Work Session on June 11, 2020. We may also decide to delay final action on FY 2021 budgets until our June 25, 2020 Board meeting.

Action Requested:

Review information and provide guidance to staff.

Proposed Motion to Authorize Staff to Publicize Budget and Rates Information:

In advance of public hearings scheduled for May 28, 2020, the Board of Directors hereby authorizes staff of the Orange Water and Sewer Authority to publish information about the Fiscal Year 2021 staff proposed budget and schedule of rates, fees and charges which includes no increase in monthly water and sewer rates.

TABLE 1: DRAFT FY 2021-2025 CIP

LEGEND

Major Resiliency Improvement	
Ongoing project or requirement	$ 100,000
Identified and included in prior year's CIP	$ 100,000
New project	$ 100,000

CIP	Project Name	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Total five year	Notable project postponements
270-04	Jordan Lake Raw Water Supply Allocation	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 25,000	
270-09	Quarry Reservoir Development	$ 15,000	$ 15,000	$ 15,000	$ 15,000	$ 65,000	$ 125,000	
270-11	University Lake Pump Station Improvements	$ 160,000	$ -	$ -	$ -	$ -	$ 160,000	
270-16	Cane Creek Pump Station Improvements	$ -	$ -	$ 23,000	$ 227,000	$ 2,041,000	$ 2,291,000	Postponed 2 years
270-22	Reservoir Storage Capacity Surveys	$ -	$ -	$ -	$ -	$ 200,000	$ 200,000	
270-28	University Lake Permanganate Facility	$ -	$ 1,943,000	$ -	$ -	$ -	$ 1,943,000	Postponed 9 months
270-29	University Lake Fishing Pier and Boat Launch	$ 70,000	$ -	$ -	$ -	$ -	$ 70,000	
270-30	Cane Creek Dam Rehabilitation	$ -	$ 50,000	$ 500,000	$ -	$ -	$ 550,000	
270-31	Cane Creek Resurfacing	$ -	$ -	$ -	$ 120,000	$ -	$ 120,000	
270-34	Western Intake Partnership Projects	$ 50,000	$ 217,000	$ 217,000	$ 217,000	$ 217,000	$ 918,000	
270-xx	University Lake Raw Water Main Assessment	$ -	$ 25,000	$ 75,000	$ -	$ -	$ 100,000	
271-05	Cane Creek Raw Water Transmission Main Study	$ 100,000	$ -	$ -	$ -	$ -	$ 100,000	
272-10	Water Facility Asset Rehabilition	$ 75,000	$ 50,000	$ -	$ 1,257,000	$ 1,997,000	$ 3,379,000	
272-35	WTP Flash Mix Basin Improvements	$ -	$ -	$ -	$ -	$ 100,000	$ 100,000	
272-37	WTP Belt Filter Press Replacement	$ 43,000	$ 500,000	$ 2,471,000	$ -	$ -	$ 3,014,000	Postponed 9 months
272-39	Water and Wastewater Facilities Concrete Condition Assessment	$ 50,000	$ 50,000	$ 50,000	$ -	$ -	$ 150,000	
272-42	WTP Finished Water Pump Improvements	$ 550,000	$ 338,000	$ -	$ -	$ -	$ 888,000	Postponed 6 months
272-46	WTP Chemical Facility Improvements	$ 2,200,000	$ 1,121,000	$ -	$ -	$ -	$ 3,321,000	Postponed 6 months
272-49	WTP and WWTP Supervisory Control and Data Acquisition (SCADA) Master Plan	$ 150,000	$ -	$ -	$ -	$ -	$ 150,000	
272-51	HVAC Replacement Program	$ 20,000	$ 400,000	$ 100,000	$ -	$ -	$ 520,000	
272-52	WTP Electrical Distribution Improvements	$ 150,000	$ 1,000,000	$ 4,740,000	$ -	$ -	$ 5,890,000	Postponed 9 months
272-53	Rehabilitation of WTP Front Entry	$ -	$ 200,000	$ -	$ -	$ -	$ 200,000	
272-xx	Finished Water Pump #6	$ -	$ -	$ 250,000	$ -	$ -	$ 250,000	
272-xx	HVAC Controls - Operations Center and WTP Administration Bldg	$ 130,000	$ -	$ -	$ -	$ -	$ 130,000	
272-xx	WTP Clearwell Rehab	$ -	$ 100,000	$ 400,000	$ -	$ -	$ 500,000	
274-14	Storage Tank Water Quality Monitors	$ -	$ -	$ 100,000	$ -	$ -	$ 100,000	
274-xx	Storage Tank PLC Upgrades	$ -	$ 100,000	$ -	$ -	$ -	$ 100,000	
275-15	Reimbursement for Distribution System Improvements	$ 204,000	$ 1,001,000	$ -	$ -	$ -	$ 1,205,000	
275-20	Water Distribution System Rehabilitation	$ 465,000	$ 1,347,000	$ 768,000	$ 1,319,000	$ 1,450,000	$ 5,349,000	Postponed some FY 2021 construction by 1 year (large meter vault replacements)
275-21	Water Main Replacements - Group I	$ 759,000	$ 2,000,000	$ 2,801,000	$ -	$ -	$ 5,560,000	Postponed some FY 2022 construction by 1 year (Scarlett Cooper neighborhood)
275-46	Dobbins Drive Water Main Replacement	$ 312,000	$ -	$ -	$ -	$ -	$ 312,000	
275-52	West Cameron Avenue Water Main Replacement	$ 1,000,000	$ 2,292,000	$ -	$ -	$ -	$ 3,292,000	Postponed construction start by 6 months
275-53	Distribution System Hydraulic Model	$ 30,000	$ 230,000	$ 230,000	$ 30,000	$ 30,000	$ 550,000	Postponed model update by 1 year
275-88	Kensington Drive Water Main Replacement	$ 1,453,000	$ -	$ -	$ -	$ -	$ 1,453,000	
275-90	Distribution System Sampling Stations	$ 10,000	$ -	$ -	$ -	$ -	$ 10,000	
275-91	MLK Boulevard Water Main Abandonment	$ -	$ -	$ -	$ 100,000	$ 300,000	$ 400,000	Postponed by 1 year

TABLE 1: DRAFT FY 2021-2025 CIP

LEGEND

Major Resiliency Improvement	
Ongoing project or requirement	$ 100,000
Identified and included in prior year's CIP	$ 100,000
New project	$ 100,000

CIP	Project Name	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Total five year	Notable project postponements
275-92	Jones Ferry Rd Water Main Replacements	$ 1,500,000	$ 1,155,000	$ -	$ -	$ -	$ 2,655,000	Postponed by 6 months
275-93	Bolinwood Bridge Water Main Replacement	$ 250,000	$ -	$ -	$ -	$ -	$ 250,000	
275-xx	Water Main Replacements - Group II	$ 60,000	$ 40,000	$ 140,000	$ 2,230,000	$ 1,300,000	$ 3,770,000	Postponed some FY 2023 construction by 2 years (Manning Drive)
275-xx	Legion Road Water Main	$ 25,000	$ 200,000	$ 2,319,000	$ -	$ -	$ 2,544,000	
275-xx	Distribution System Condition Assessment Program	$ 100,000	$ 100,000	$ 275,000	$ 350,000	$ 464,000	$ 1,289,000	
275-xx	West Rosemary Water Main Replacement	$ -	$ 50,000	$ 222,000	$ 1,600,000	$ -	$ 1,872,000	
276-18	Gravity Sewer Rehabilitation Program	$ 1,235,000	$ 350,000	$ 1,350,000	$ 4,350,000	$ 5,850,000	$ 13,135,000	Postponed some FY 2024 and FY 2025 scope by 1 year
276-45	Bolinwood Interceptor Replacement	$ 100,000	$ 1,005,000	$ -	$ -	$ -	$ 1,105,000	Postponed by 9 months
276-46	Willow Drive Branch Interceptor Replacement	$ -	$ -	$ 125,000	$ -	$ -	$ 125,000	
276-48	Dobbins Drive Interceptor Replacement	$ 1,390,000	$ -	$ -	$ -	$ -	$ 1,390,000	
276-52	Rocky Branch Interceptor Replacement	$ 62,000	$ 300,000	$ 400,000	$ -	$ -	$ 762,000	Postponed some construction by 1 year
276-53	Creek Crossing Access Improvements	$ 50,000	$ 500,000	$ -	$ -	$ -	$ 550,000	
276-58	Prince Street Service Replacement	$ 25,000	$ -	$ -	$ -	$ -	$ 25,000	
276-xx	Force Main Condition Evaluation	$ -	$ 50,000	$ -	$ 50,000	$ -	$ 100,000	
276-xx	Bolin Creek Interceptor	$ -	$ 25,000	$ 90,000	$ 400,000	$ -	$ 515,000	
276-xx	Brigham Rd Interceptor Replacement	$ -	$ -	$ 100,000	$ 600,000	$ -	$ 700,000	
276-xx	Willow Drive Bridge Sewer Replacement	$ -	$ -	$ -	$ 20,000	$ 150,000	$ 170,000	
276-xx	Collection System Flow Monitors	$ 60,000	$ 60,000	$ 60,000	$ -	$ -	$ 180,000	
276-xx	Morgan Creek Interceptor Replacement	$ -	$ 150,000	$ 1,000,000	$ -	$ -	$ 1,150,000	
277-01	Wastewater Pump Station Rehabilitation	$ 235,000	$ 250,000	$ -	$ 315,000	$ -	$ 800,000	
277-40	Wastewater Pump Station Operational and Needs Assessments	$ 80,000	$ -	$ -	$ -	$ -	$ 80,000	
277-43	Rogerson Drive Force Main and Pump Station Program Services	$ 147,000	$ 100,000	$ -	$ -	$ -	$ 247,000	
277-xx	Rogerson Drive Pump Station Capacity Upgrade	$ -	$ -	$ -	$ -	$ 100,000	$ 100,000	
278-11	Wastewater Facility Asset Rehabilitation	$ 150,000	$ -	$ -	$ 1,778,000	$ 4,212,000	$ 6,140,000	
278-50	WWTP Warehouse	$ -	$ -	$ 83,000	$ 663,000	$ -	$ 746,000	Postponed by 2 years
278-51	WWTP Solids Thickening Improvements	$ 3,879,000	$ -	$ -	$ -	$ -	$ 3,879,000	
278-61	WWTP Pavement Improvements	$ -	$ -	$ 25,000	$ -	$ -	$ 25,000	
278-68	Water and Wastewater Facilities Building Envelope Rehabilitation	$ 450,000	$ 400,000	$ 400,000	$ 400,000	$ -	$ 1,650,000	
278-72	WWTP Secondary Clarifier Rehabilitation	$ 1,017,000	$ -	$ -	$ -	$ -	$ 1,017,000	
278-75	WWTP Facilities Planning	$ 100,000	$ 200,000	$ 250,000	$ -	$ -	$ 550,000	Postponed by 1 year
278-78	WWTP Fermenter Improvements	$ 540,000	$ -	$ -	$ -	$ -	$ 540,000	
278-80	WWTP Miscellaneous Rehabilitation	$ 400,000	$ 100,000	$ 400,000	$ -	$ -	$ 900,000	
278-82	WWTP Headworks Rehabilitation	$ 113,000	$ -	$ -	$ -	$ -	$ 113,000	
278-84	WWTP Security Improvements	$ 50,000	$ 150,000	$ 25,000	$ -	$ -	$ 225,000	
278-86	WWTP Primary Clarifier Rehabilitation	$ -	$ -	$ 430,000	$ 3,010,000	$ -	$ 3,440,000	Postponed by 1 year
278-87	WWTP Flow Monitoring	$ -	$ -	$ 25,000	$ 125,000	$ -	$ 150,000	

TABLE 1: DRAFT FY 2021-2025 CIP

LEGEND

Major Resiliency Improvement	
Ongoing project or requirement	$ 100,000
Identified and included in prior year's CIP	$ 100,000
New project	$ 100,000

CIP	Project Name	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Total five year	Notable project postponements
278-88	Offsite Biosolids Storage Improvements	$ 75,000	$ -	$ -	$ -	$ -	$ 75,000	
278-89	WWTP RAS Pumping Improvements	$ -	$ -	$ -	$ 175,000	$ 765,000	$ 940,000	Postponed by 3 years
278-xx	WWTP Scum Pump Station Rehabilitation	$ -	$ 52,000	$ 177,000	$ -	$ -	$ 229,000	
278-xx	WWTP Clarifier #4 Conversion	$ 125,000	$ 1,782,000	$ -	$ -	$ -	$ 1,907,000	
278-xx	WWTP Stormwater Pump Station to IPS	$ -	$ -	$ 50,000	$ 300,000	$ -	$ 350,000	
278-xx	Intermediate Pump Station (IPS) Pump/Motor Replacements	$ -	$ -	$ -	$ -	$ 525,000	$ 525,000	Postponed by 1 year
278-xx	WWTP Admin Bldg Planning Study	$ 25,000	$ 30,000	$ -	$ -	$ -	$ 55,000	
279-13	Reclaimed Water Valve/Coupling Rehabilitation	$ 75,000	$ 225,000	$ 100,000	$ -	$ -	$ 400,000	
280-13	Administration Building Locker Room Improvements	$ -	$ -	$ 50,000	$ 175,000	$ -	$ 225,000	Postponed by 2 years
	Totals	$ 20,319,000	$ 20,258,000	$ 20,841,000	$ 19,831,000	$ 19,771,000	$ 101,020,000	

Agenda Item 6:

Onboarding Program for OWASA's New Executive Director

Purpose:

The purpose of this onboarding program is to prepare the organization and new Executive Director for a smooth and effective transition of leadership and successful integration.

The impact of the COVID19 public health concerns may impact the schedule, format, and priorities of the onboarding program. Additional Board (Special or regular Board) meetings might be needed to discuss and schedule other onboarding activities.

Action Needed:

Discussion and questions by the Board of Directors, especially as it pertains to the onboarding tasks for the Board of Directors.

Information:

Onboarding Program for OWASA's New Executive Director dated April 28, 2020

Onboarding Program for OWASA's New Executive Director

Purpose

The purpose of the onboarding program is to prepare the organization and new Executive Director for a smooth and effective transition of leadership and successful integration into their new role.

Onboarding Tasks and Responsibilities

The OWASA Board of Directors, Staff, General Counsel and outgoing Executive Director all have important responsibilities for a successful onboarding program for the new Executive Director. An outline of the responsibilities and onboarding tasks for each provided in the Attachments as follows:

1. Board of Directors
2. Staff
3. General Counsel
4. Outgoing Executive Director

This outline does not include the scope and details of the various tasks. The lead person for each task has the responsibilities to develop the detail and see that it is successfully completed.

Transition (Overlap) Period

Whether the new Executive Director is an internal promotion or outside hire, a two-week transition period is recommended. As noted on attachment #4, the focus of Ed Kerwin's time with the new Executive Director will be on introductions/relationships with key stakeholders, governance, and providing history and outlook on OWASA's strategic direction.

If the Board agrees, Ed Kerwin proposes to remain in responsible charge as Executive Director during the transition period. This can be accomplished by the Board approved resolution naming the Executive Director Designate and specifying the date on which he/she assumes full responsible charge from Ed Kerwin as Executive Director.

Flexibility

The new Executive Director will be very busy and will bring his/her own expectations for onboarding and transitioning into their new role. As a result, the Board, General Counsel and Staff will need to be flexible and patient. As always, good communications, strong support and teamwork will help ensure expectations are met.

Accountability

The Board, General Counsel, Staff and outgoing Executive Director have the responsibility for successful integration of the new Executive Director. Routine "check in" meetings to discuss onboarding effectiveness is recommended.

Board of Directors (BOD)

Item #	Task	Description	Task Lead	Task Support	Timing
1	Finalize BOD onboarding tasks	The BOD discusses and agrees in an open Regular or Special meeting on the BOD's tasks, roles and responsibilities for onboarding. The BOD may decide to provide the new ED suggested assignments prior to assuming responsible charge (view prior BOD/Committee meetings, review documents, etc.).	Board Chair or designee	Board Members as assigned by Board Chair or BOD. Additional assistance may be requested of staff and/or consultant(s).	Prior to new ED hire date
2	Adopt Resolution appointing new ED	BOD adopts Resolution in an open Regular or Special meeting, appointing new ED and setting the effective date on which he/she assumes full responsible charge.	Board Chair	Robert Epting, Andrea Orbich	Soon after BOD selects new ED
3	Board announcement on the hiring of new ED	BOD provides formal announcement to staff, key stakeholders and the public of the hiring of the new ED. Following the announcement, a formal introduction may be desired.	Board Chair	OWASA staff as requested	Prior to or immediately following adoption of Resolution appointing new ED
4	Get-to-know-you Event	BOD hosts a social event with new ED for the sole purpose of "getting to know you". Since no OWASA business will be discussed, this is not an open meeting (COVID-19 permitting).	Board Chair or designee	OWASA staff as requested	First 30 days
5	Onboarding meeting(s)	BOD meets with new ED in an open Regular or Special meeting to discuss onboarding items. This may be done over the course of several meetings. Topics may include: communications, roles and responsibilities, organizational culture, expectations, and pending key staff action items.	Board Chair or designee	OWASA staff and Robert Epting as requested. Consultant facilitation if desired.	First 30-90 days
6	Performance review / feedback	BOD meets in Closed Session without ED to discuss and agree on the performance feedback to be provided to ED. BOD meets in Closed Session with the ED to provide and receive feedback. The effectiveness of the onboarding process can be discussed in these meetings.	Board Chair or designee	None expected	TBD. Every 30-60 days may be useful for the first year. In the future, every six months. Past practice has been to schedule mid-year review in April and full-year review in October which is in alignment with reviews for all employees.
7	Approve ED Key Focus Areas	Past practice is the ED proposes his/her annual work plan of "Key Focus Areas" in an open Regular or Special meeting following his/her annual performance review by the BOD. After discussions with ED, the BOD adopts Key Focus Areas for ED.	ED, Board Chair or designee	ED	TBD

Staff

Item #	Task	Description	Task Lead	Task Support	Timing
1	Initial one-on-one meetings with ED's Direct Reports	Initial one-on-one meetings with all ED's direct reports.	ED Direct Reports (Andrea Orbich; Mary Tiger; Mary Darr; Dan Przybyl; Stephanie Glasgow; Stephen Winters; Todd Taylor)	Andrea Orbich	First week
2	Departmental Briefings	Meetings with each department and their employees for an overview of departmental function, responsibilities, operations and performance. Provide ED suggested reading.	Department Directors	Other staff as needed	First month
3	Emergency Preparedness and Response	Review emergency preparedness and response procedures and protocols.	General Manager of Operations	Staff as needed	First month
4	Tour facilities and assets	Tour all OWASA facilities and assets.	Department Directors or designees	Staff as needed	30-60 days
5	Current and pending key initiatives, opportunities, challenges and strategic direction.	Review and discuss current and pending key initiatives, opportunities, challenges and strategic direction. Discuss priorities, roles, responsibilities and resource needs. When scheduling, priority given to urgent matters which may required ED and/or BOD guidance and support.	Department Directors	Staff as needed	30-60 days

General Counsel

Item #	Task	Description	Task Lead	Task Support	Timing
1	OWASA and Community Overview	Provide history and outlook on OWASA and community values.	Robert Epting	Robin Jacobs	First month
2	Review key laws, contracts, policies, procedures and risk management.	Provide overview of key laws, contracts (Sale & Purchase Agreements; bond orders; Chapter 162 A; Water and Sewer Management, Planning and Boundary Agreement; etc.), policies, procedures, governance, and risk management. Provide outlook when applicable.	Robert Epting	Robin Jacobs and staff as needed	30-60 days
3	Review General Counsel Opinion letters.	Provide overview of General Counsel Opinion letters and their implications on the organization.	Robert Epting	Robin Jacobs and staff as needed	30-60 days

Ed Kerwin

Item #	Task	Description	Task Lead	Task Support	Timing
1	Welcome and Introductions	In coordination with BOD, welcome new ED and introduce direct reports, General Counsel and other staff. Host "all employees" meeting with new ED.	Ed Kerwin	Andrea Orbich and other staff as needed	First day
2	Strategic Direction Overview	Provide history and outlook on OWASA's culture and performance. Discuss working with the staff and BOD on stragetic direction. Discuss strategic direction, challenges and opportunities. Provide overview of possible future action items for new ED's consideration.	Ed Kerwin	Input from staff	First week
3	Introduction to Key Stakeholders	Arrange and accompany new ED in individual meetings with key stakeholders (Town and County Managers; senior UNC/UNC Hospital officials, area utility Directors; community and business leaders, etc.). Discuss importance and value of key relationships.	Ed Kerwin	Andrea Orbich to schedule	First two weeks
4	Regional, Service Area and Community Overview	Discuss key information about OWASA's service area, rural Orange County, area water utilities and resources, and the community at large.	Ed Kerwin	NA	First two weeks
5	Brief on Key High-Priority Issues with Staff	With appropriate staff, provide brief on high priority issues where new ED will benefit learning the perspectives of outgoing ED. This is in addition to issue briefings staff will provide new ED.	Ed Kerwin	Assigned by Ed Kerwin	First two weeks
6	Executive Director Calendar Review	Review existing ED calendar of meeting events and tasks.	Ed Kerwin	Andrea Orbich	First two weeks
7	Provide Information and Support as Requested	Be responsive to requests for information and support requested by new ED.	Ed Kerwin	NA	First two weeks

Agenda Item 7:

- Board Members Eligible for Nomination for Election as Board Officers

Purpose:

- The Board of Directors will nominate candidates for election as Chair, Vice Chair, and Secretary of the Board for the Fiscal Year 2021. Election of officers will take place in the first meeting in June, in accordance with the Bylaws.

Background:

- The Board of Directors will elect its Chair, Vice Chair and Secretary at its June 11, 2020 meeting. Those officers will hold office for one year or until their successors are elected and qualified. Every Board Member is considered eligible for election, except those who indicate their wish not to serve as Officers, or in a particular office.

- On April 11, 2019, the Board amended its Bylaws to provide that the full Board of Directors shall serve as the Nominating Committee, and to that end, shall receive nominations for election to each office of the Board, at a Board meeting prior to the meeting in which the election of Board officers is to be held. And further, that any Board Member may nominate or self-nominate for such offices, and those nominated shall constitute the slate of eligible candidates for election to each office.

- At that meeting, the Board also agreed to continue, for the 2020 Fiscal Year, its previous practice of eliminating successive terms for the offices of Chair, Vice Chair and Secretary, but not to incorporate that practice as an amendment to the Bylaws.

- At the May 14, 2020 meeting, unless the Board determines to continue its previous practice of eliminating successive terms, all Board members will be eligible for nomination for election to those offices; any Board Member may nominate or self-nominate, and if seconded, those nominated shall constitute the slate of eligible candidates for election to each office.

- In accordance with the Bylaws, the following is a list of those Board Members eligible for nomination and election to each office for the fiscal year beginning July 1, 2020:

Chair	**Vice Chair**	**Secretary**
Yinka Ayankoya	Yinka Ayankoya	Yinka Ayankoya
Ray DuBose*	Ray DuBose*	Ray DuBose*
Bruce Boehm	Bruce Boehm	Bruce Boehm
Jody Eimers	Jody Eimers	Jody Eimers
Robert Morgan	Robert Morgan	Robert Morgan
John Morris*	John Morris*	John Morris*
Bruce Runberg	Bruce Runberg	Bruce Runberg

*pending reappointment to the OWASA Board of Directors scheduled for later this year.

- From this list, Board Members will nominate candidates for election to each office on May 14, 2020. The election of Officers will be conducted at the June 11, 2020 meeting, and the ballot shall consist of those persons nominated, and whose nominations were seconded, at the May 14th meeting.

- For the Election of Officers at the June 11, 2020 Board meeting and in accordance with amended N.C. General Statutes 166A (Public Bodies/Remote Meetings During Declared Emergencies, Section 4.31.(a) Article 1A), Board Members, will vote verbally by roll call in alphabetical order, will announce their votes for each office, for one of the members nominated in the May 14, 2020 meeting. The verbal election will continue in successive rounds until an Officer is elected by five votes. In each successive round, the eligible candidates shall be those who received the greater number of votes in the previous round.

- A Board member who must be absent from the June 11, 2020 meeting may vote by proxy in the Election of Officers by submitting a written, dated and signed statement of his or her vote for each office, to the Clerk to the Board prior to beginning of the June 11th Board meeting. Proxy votes will be counted so long as the person named on the written statement remains in the running through successive rounds of voting.

Action Needed:

- Board decision on whether to continue the practice of eliminating successive terms for the offices of Chair, Vice Chair and Secretary.

- Finalize the nominations for the Officers of Chair, Vice Chair and Secretary for the OWASA Board of Directors for Fiscal Year 2020 in preparation for the June 11, 2020 meeting.

Agenda Item 8:

Review Board Work Schedule

Purpose:

a) Request(s) by Board Committees, Board Members and Staff
b) May 28, 2020 Virtual Board Public Hearings and Meeting
c) June 11, 2020 Virtual Board Work Session
d) Review and update the 12 Month Board Meeting Schedule
e) Review Pending Key Staff Action Items

Information:

- Draft agenda for the Virtual May 28, 2020 meeting
- Draft agenda for the Virtual June 11, 2020 meeting
- 12 Month Board Meeting Schedule
- Pending Key Staff Action Items from Board Meetings

May 14, 2020

Agenda
Virtual Public Hearings and Meeting of the OWASA Board of Directors
Thursday, May 28, 2020, 6:00 P.M.

Due to COVID-19 public health concerns, the Orange Water and Sewer Authority (OWASA) Board of Directors is conducting this public hearing and meeting virtually utilizing Microsoft Teams. Board Members will be participating in the meeting remotely.

The Board of Directors appreciates and invites the public to attend and observe tonight's virtual public hearings and meeting online or over the phone. If you would like to speak to the Board at the public hearing, please register at least two days in advance to speak during this meeting by contacting the Clerk to the Board at aorbich@owasa.org or 919-537-4217. You will need to be available to call-in during the public hearing.

Public speakers are encouraged to organize their remarks for delivery within a four-minute time frame allowed each speaker, unless otherwise determined by the Board of Directors.

The public is invited to submit more detailed comments via written materials, ideally submitted at least three days in advance of the meeting or within 24 hours after the public hearing to the Board of Directors by sending an email to board_and_leadership@owasa.org or US Postal Service (Clerk to the Board, 400 Jones Ferry Road, Carrboro, NC 27510).

Announcements

a. Announcements by the Chair
   - Any Board Member who knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight is asked to disclose the same at this time.

b. Announcements by Board Members
c. Announcements by Staff
d. Additional Comments, Suggestions, and Information Items by Board Members (Ray DuBose)

Petitions and Requests

1. Public: Due to the current health emergency, this meeting is being held by virtual means, and will not be attended in person by members of the public or the Board of Directors. Therefore, no spoken petitions will be heard at this meeting. Members of the public may submit written petitions for consideration by the Board, provided the written petition is received at least two days before the meeting. Written petitions should be mailed or e-mail to Clerk to the Board, at 400 Jones Ferry Road, Carrboro, NC 27510 or aorbich@owasa.org.
2. Board
3. Staff

Public Hearings

1. Concurrent Public Hearings on the Preliminary Annual Operating and Capital Improvements Budget and Proposed Rates, Fees and Charges (Stephen Winters)
   A. Staff Presentation

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B. Public Comments
C. Motion to Close Public Hearings
D. Board Discussion

Consent Agenda
Action

2. Minutes of the April 9, 2020 Virtual Work Session of the Board of Directors (Andrea Orbich)
3. Minutes of the April 23, 2020 Virtual Meeting of the Board of Directors (Andrea Orbich)

Regular Agenda
Information and Reports

4. COVID-19 Update (Ed Kerwin)
5. Update on Website Relaunch (Mary Tiger/Blake Hodge)

Summary of Board Meeting Action Items

6. Executive Director will summarize the key staff action items from the Board Meeting and note significant items for discussion and/or action expected at the next meeting

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Agenda
Virtual Work Session of the OWASA Board of Directors
Thursday, June 11, 2020, 6:00 P.M.

Due to COVID-19 public health concerns, the Orange Water and Sewer Authority (OWASA) Board of Directors is conducting this meeting virtually utilizing Microsoft Teams. Board Members will be participating in the meeting remotely using Microsoft Teams. Members of the public will be able to view and listen to the meeting but will not have the opportunity to speak at any point during this meeting.

The public may submit written comments by sending an email to board_and_leadership@owasa.org ideally submitted at least three days in advance of the meeting.

The Board may take action on any item on the agenda.

Announcements

a. Announcements by the Chair
   - Any Board Member who knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight is asked to disclose the same at this time.

b. Announcements by Board Members

c. Announcements by Staff

d. Additional Comments, Suggestions, and Information Items by Board Members (Ray DuBose)

Consent Agenda

Action

1. (Tentative) Resolution to Authorize the Executive Director to Execute an Amendment to the Western Intake Partnership Memorandum of Agreement (Ruth Rouse)
2. Minutes of the May 14, 2020 Virtual Work Session of the Board of Directors (Andrea Orbich)

Regular Agenda

Information and Reports

3. COVID-19 Update (Ed Kerwin)

Discussion and Action

4. Approval of the Schedule of Rates, Fees and Charges; Annual Budget; Five-Year Capital Improvements Program (CIP) (Stephen Winters)
   A. Resolution Adopting the Schedule of Rates, Fees and Charges Effective on or after October 1, 2020
   B. Resolution Adopting the Annual Budget for Orange Water and Sewer Authority for the Fiscal Year (FY) July 1, 2020 Through June 30, 2021
   C. Resolution Approving the CIP for FY 2021-2025 and the Accompanying FY 2021 Capital Project Resolution

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Discussion

5. Review Board Work Schedule (Ray DuBose/Ed Kerwin)
    a. Request(s) by Board Committees, Board Members and Staff
    b. June 25, 2020 Board Meeting
    c. July 9, 2020 Work Session
    d. 12 Month Board Meeting Schedule
    e. Pending Key Staff Action Items
    f. Action Items Reoccurring Every 3 to 5+ Years

Election of Officers (Effective July 1, 2020)

6. Report of the Nominating Committee for Election of Officers (Ray DuBose)
    a. Chair of the Board
    b. Vice Chair of the Board
    c. Secretary of the Board

Summary of Work Session Items

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

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OWASA Board of Directors – 12 Month Board Meeting Schedule (May 8, 2020)

Month	Board Meetings		Committee Meetings & Other Board Items
	Work Session	Business Meeting	
May 2020	Notification of Purchase of Fermenter Mixing Equipment Resolution Accepting a Low-Interest Loan Offer from the State, and Authorizing ED to Execute and Administer all Related Loan Offer and Acceptance Documents Update COVID-19 Approve Employee Health and Dental Insurance Renewals () FY21 Draft Budget and Rates Adjustment Information and Authorize Staff to Publish Proposed Rates () Onboarding Program for OWASA's New ED BOD Eligible for Nominations to Election as Board Officers () (Virtual Meeting) 5/14/2020	Virtual Public Hearings – FY 21 Budget and Rates () Update COVID-19 Update on Website Relaunch (Virtual Meeting) 5/28/2020	*Possible Board Action to Appoint New ED*
June 2020	Approve FY 21 Budget and Rates (tentative) () Update COVID-19 Election of Officers () (Tentative) Amendment to Western Intake Partnership MOA (Virtual Meeting) 6/11/2020	Approve FY 21 Budget and Rates (if needed) () Update COVID-19 6/25/2020	*Possible Board Action to Appoint New ED*
July 2020	Welcome new Board Member(s) D&I Update (Tentative) Potential conservation easement on private land 7/9/2020	TBD 7/23/2020	
August 2020	**Discuss LRWSP Supply & Demand Management Alternatives** CS – Prepare for GC Annual Review () 8/13/2020	Preliminary 12 Month Financial Report () CIP Semiannual Report () CS – GC Annual Review () 8/27/2020	
September 2020	EEO/Affirmative Action Report & Diversity and Inclusion Update () Annual Report on Disposal of Surplus Personal Property () **Forest Management Update** (Tentative) Discuss Work Plan for New ED (Tentative) Discuss Process to Update the Strategic Plan 9/10/2020	Annual Report and Financial Audit () **Annual Update of the Energy Management Plan** () Approve General Counsel Engagement () 9/24/2020	
October 2020	**Strategic Trends Report** () 10/8/2020	Q1 Financial Report () Reliability and Resiliency Improvements Update 10/22/2020	
November 2020	TBD 11/12/2020	*Holiday – no meeting*	
December 2020	TBD 12/10/2020	*Holiday – no meeting*	
January 2021	Appoint Audit Firm () Employee Health and Dental Insurance Update for FY 22 () Affordability Outreach Program Update () D&I Update () 1/14/2021	Annual Lakes Recreation Report () CIP Semiannual Report () Q2 Financial Report () Discuss FY 22 Budget Calendar, Planning Assumptions, and New Budget Format () 1/28/2021	

OWASA Board of Directors – 12 Month Board Meeting Schedule (May 8, 2020)

Month	Board Meetings		Committee Meetings & Other Board Items
	Work Session	Business Meeting	
February 2021	Department Managers FY 22 Budget Presentations CS – Prepare for GC Interim Review ↻ 2/11/2021	CS – GC Interim Review ↻ 2/25/2021	
March 2021	FY 22 Draft Budget and Rates ↻ 3/11/2021	Set date for Public Hearings – FY 22 Budget & Rates ↻ 3/25/2021	
April 2021	Review Employee Health and Dental Insurance Renewals ↻ FY 22 Draft Budget and Rate Adjustment ↻ 4/8/2021	Q3 Financial Report ↻ 4/22/2021	

Note: Meetings related to new ED search and selection will be scheduled. Additional Finance Committee meetings will likely be needed related to improving the budgeting process.

New schedule for new ED Reviews – TBD.

The 12 Month Board Meeting Schedule shows Strategic Plan initiatives and other priority efforts that the Board and staff plan to give greatest consideration to during the next twelve months. The schedule also shows major recurring agenda items that require Board action, or items that have been scheduled in response to the Board's prior standing request. This schedule does not show all the items the Board may consider in a work session or business meeting. It also does not reflect meetings at which the Board will discuss and act on the update of the Strategic Plan.

The 12 Month Board Meeting Schedule will be reviewed and updated at each monthly work session and may also be discussed and updated at the Board's business meetings.

In addition to the initiatives shown in this schedule, staff will be working on other Strategic Plan and organizational priorities that are not expected to require major additional discussion with the Board except as part of budget deliberations.

The schedule implies that the following Strategic Plan initiatives would be addressed beyond the 12-month period. The Board may conclude that one or more of the following initiatives are higher priority. The schedule will be revised as needed to reflect the Board's priorities, and any additional initiatives that the Board may decide to address.

- Development of a plan and policy framework for OWASA lands is considered a longer-term priority. The NRTS Committee discussed this issue in September 2017 and determined it was lower priority than Forest Management.
- Water Conservation Plan will be prepared concurrent with update of the Long-Range Water Supply Plan.
- Update of Strategic Plan. On October 24, 2019, the Board and staff agreed to begin updating the Strategic Plan in FY 2021.

The OWASA Board determines which topics it wants to explore as a full Board (potentially in a work session format) and which topics it wants to assign to Board committees or committee chairs for further analysis and development of recommendations. Board also determines priorities and desired timeframes for addressing topics. Committee meetings will be updated on the schedule routinely.

OWASA Board of Directors – 12 Month Board Meeting Schedule (May 8, 2020)

Abbreviations Used in Draft Schedule:

↻	Recurring agenda item (generally these are "required" items)
AV/AMI	Agua Vista/Advanced Metering Infrastructure
BOCC	Board of County Commissioners
BOD	Board of Directors
CE	Community Engagement
CEP	Community Engagement Plan
CHTC	Chapel Hill Town Council
CIP	Capital Improvements Program
COLA	Cost of Labor Adjustment
CS	Closed Session of the Board
CTC	Carrboro Town Council
CY	Calendar Year
D&I	Diversity and Inclusion
ED	Executive Director
EEO	Equal Employment Opportunity
FY	Fiscal Year
GC	General Counsel
HR	Human Resources
JLP	Jordan Lake Partnership
KPI	Key Performance Indicator
LRWSP	Long-Range Water Supply Plan
MOA	Memorandum of Agreement
MWBE	Minority/Women-owned Business Enterprises
MST	Mountains-to-Sea Trail
MFMM	Multi-Family Master Meter
NCDOT	North Carolina Department of Transportation
NRTS	Natural Resources and Technical Services
OC	Orange County
Q	Quarter
RFP	Request for Proposals
SRF	State Revolving Fund
SOW	Scope of Work
TBD	To Be Determined
WTP	Water Treatment Plant
WWTP	Wastewater Treatment Plant

Pending Key Staff Action Items from Board Meetings

No.	Date	Action Item	Target Board Meeting Date	Person(s) Responsible	Status
1.	2-27-2020	*Respond to P.M. Dubbeling, PLLC, on behalf of Frank Baumgartner and Rachel Sumney, requesting a change to the Water and Sewer Management, Planning and Boundary Agreement.	TBD	Rouse	E-mail sent to Board on 3-5-2020. Another update will be sent to Board after TOCH meets with their attorney and identifies next steps. Process delayed due to COVID-19.
2.	2-27-2020	Update the description of the project to evaluate and implement work order business process optimization improvements, such as a new Computerized Maintenance Management System, in future documents. Also clarify phasing and expected results of the project.	NA	Spinelli	Deferred - Changes have been made to the scope of work to address Board comments. However, due to the COVID-19 response we have decided to delay this project.
3.	9-26-2019	Proceed to finalize a solar PV lease agreement with Eagle Solar and Light and begin the design process for solar panels on five OWASA's facilities	NA	Tiger	Design process complete– Interconnection requests submitted to Duke Energy for four projects.