



# Annual Budget



## FISCAL YEAR 2024

ORANGE WATER AND SEWER AUTHORITY  
NORTH CAROLINA

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



# Orange Water and Sewer Authority

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Orange Water & Sewer Authority  
North Carolina**

For the Fiscal Year Beginning

**July 01, 2022**

*Christopher P. Morrill*

Executive Director

## BUDGET MESSAGE

**To the  
Board of Directors**

The Annual Budget for the fiscal year beginning July 1, 2023 and ending June 30, 2024 has been prepared in accordance with OWASA's *Financial Management Policy*, our *Amended and Restated Bond Order* adopted on September 13, 2001, and North Carolina's *Local Government Budget and Fiscal Control Act*.

The primary drivers of this budget include the capital improvements project needs identified in OWASA's five-year Capital Improvements Program (CIP); projected drinking and reclaimed water demands; wastewater management needs; operating expenses required to sustain service levels; debt obligations; and reserve funding.

Drinking water sales for the FY 2024 is projected to average 5.93 million gallons per day (MGD). The budget also includes a 9% increase in the rates charged for monthly water and sewer services.

Last year, we projected that we would need to implement a 7% rate increase in FY 2024. Several factors led to the need for a larger rate increase to fund the FY 2024 budget.

- Drinking water sales remain flat.
- Inflation and supply chain issues continue to impact costs.
- Significant investments in our drinking water treatment process are required to meet new regulations concerning per- and polyfluoroalkyl substances (PFAS).

We are projecting that drinking water sales volume for FY 2024 and the next few years will average approximately 5.9 million gallons per day (mgd). This is the same volume of drinking water used by the community in the late 1980s, over 30 years ago. Drinking water sales volume peaked in the early 2000s at around 8.5 mgd. The community has done a tremendous job of conserving water. Conservation provides many benefits to OWASA and, thereby, the community. Among other things, it delays the need for additional sources of water and for expanding the capacity of our treatment plants and distribution and collection systems: all costly investments. However, lower sales volume also results in lower revenue which means less funds are available to cover costs.

Inflation and supply chain issues are having a large impact on our operating and capital improvements costs. Many cost categories are affected including the chemicals necessary for treating drinking and wastewater. We expect chemical costs to be about 34% or \$1.1 million more than was budgeted for FY 2023.

In the spring of 2023, the Environmental Protection Agency (EPA) issued new regulations that require water utilities to essentially remove all PFAS compounds from drinking water. This is a positive step towards ensuring that the country's drinking water remains healthy and safe. However, we estimate we will spend about \$50 million over the next five years to implement equipment and processes to comply with the new regulations. This investment was not anticipated during previous years' budget planning.

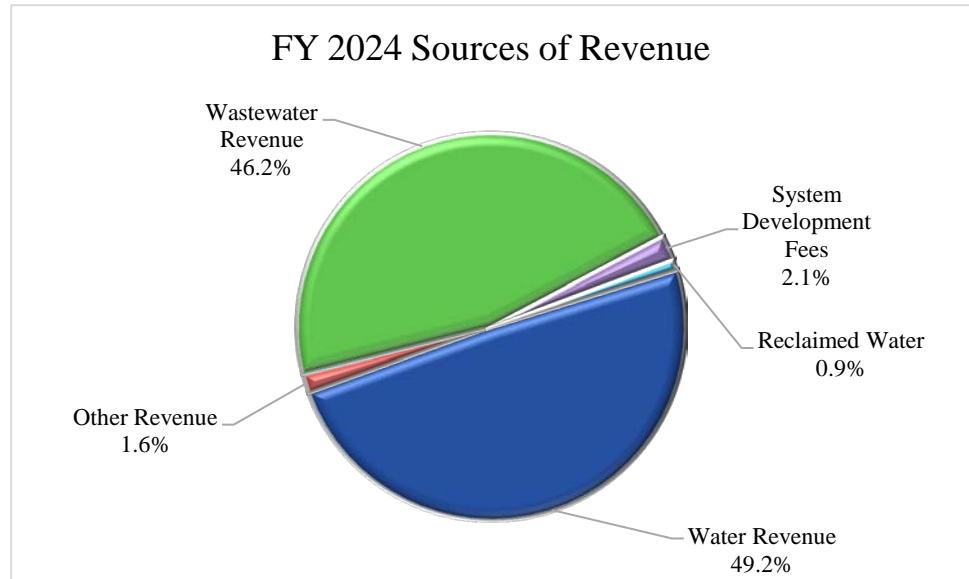
The FY 2024 budget includes funding for strategic initiatives such as our diversity and inclusion program, ensuring we recruit and retain a high-performing workforce, and updating technology.

In summary, a larger than projected rate increase is needed because drinking water sales volume is not increasing, costs continue to rise, and funds are needed for meeting new regulations and strategic initiatives.

OWASA's Finance Management Policy identifies nine financial management objectives for the organization. The FY 2024 budget is designed to achieve all of these objectives except the goal of achieving a debt service coverage ratio of at least 2.0. Since our financial management policy objectives for reserve balances, sufficiency of revenues above debt requirements, and cash financing of capital are all projected to be met, we decided not to further burden rate payers with

an even higher rate increase simply to meet the debt service coverage ratio performance target. We are projecting to meet the debt service coverage ratio target in future years. For FY 2024, the budget results in a debt service coverage ratio of 1.8.

The budget consists of projected operating revenues of \$48.2 million, capital project costs of \$16.1 million, operating expenses of \$30.2 million, debt service payments of \$10.6 million, and capital equipment purchases of \$1.7 million. The operating expense budget is about 14% greater than the FY 2023 budget.



### Highlights of the Budget

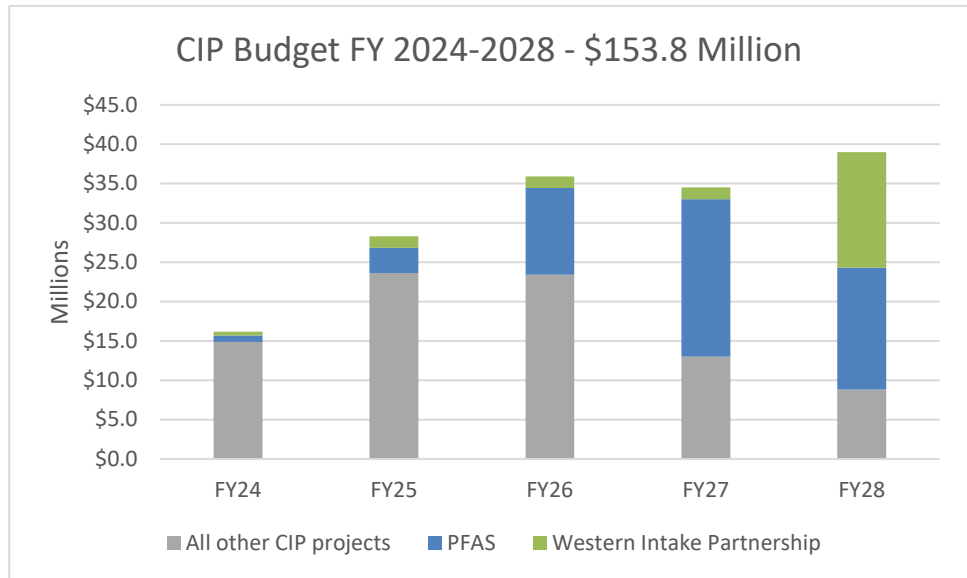
Key elements of this budget include:

- 9% increase in monthly water and wastewater rates.
- Continuation of the seasonal water conservation rate structure for customers other than individually metered residential, multi-family master-metered, and irrigation-only customers. Under the seasonal water conservation rates, the water commodity charge will be \$11.24 per thousand gallons of water consumed during the warmer peak water demand months of May through September 2024. The water commodity charge during the cooler, lower demand months of October 2023 through April 2024 will be \$5.92 per thousand gallons.
- Irrigation-only meters are charged a year-round water commodity rate of \$12.09 per thousand gallons.
- Multi-family master-metered customers are charged a uniform year-round water commodity rate of \$8.06 per thousand gallons. Multi-family master-metered customers are properties served by one (or in some cases, more than one) OWASA meter which provides water service to more than one residential unit.
- Continuation of the five-tiered increasing block water rate structure for individually metered residential customers. The block rate structure is designed under cost-of-service principles to promote water conservation.

|         | <u>Monthly<br/>Volume of Use in Gallons</u> | <u>Rate per 1,000 Gallons</u> |
|---------|---|-------------------------------|
| Block 1 | 1,000 to 2,000                              | \$3.74                        |
| Block 2 | 3,000 to 5,000                              | \$9.08                        |
| Block 3 | 6,000 to 10,000                             | \$11.14                       |
| Block 4 | 11,000 to 15,000                            | \$15.56                       |
| Block 5 | All use 16,000 and up                       | \$28.15                       |

For an individually metered residential customer using the median water consumption of water per month, the monthly water and wastewater bill will be \$82.15. (Median monthly use for individually metered residential customers is a about 3,000 gallons.)

- An annual operating budget of \$30.2 million, which is an increase of 14% from the FY 2023 budget. The FY 2024 budget includes funding for 141 personnel positions.
- The budget includes an average combined cost of labor and merit increase of 7.9% for employees. The Board bases cost of labor adjustments on market data and merit adjustments on market data and employee performance. These adjustments are scheduled to go into effect in July 2023.
- Capital improvement spending of \$16.1 million for FY 2024, as identified in the five-year CIP. For the five-year period FY 2024-28, we plan to invest \$153.8 million capital spending. The following chart shows the impact of our planned investment to meet new PFAS regulations and our investment in securing our allocation of Jordan Lake water through the Western Intake Partnership.



- Capital improvements will be funded through a combination of debt and cash.

## Strategic Planning

In FY 2022 OWASA’s Board of Directors and staff developed a new Strategic Plan.

Staff engagement was critical to the plan development process. A Strategic Planning Advisory and Resource Council (SPARC) was formed of staff from across the organization. The SPARC provided feedback on individual steps of the plan’s development and served as members of task forces to have challenging conversations about what is needed to advance OWASA’s strategic priorities.

OWASA undertook a multi-faceted scan to help assess the current organization and environment in which we are working. This scan included:

- Departmental assessments of OWASA’s strengths, opportunities, aspirations, and (desired) results (SOAR)
- Survey of OWASA employees
- Survey of community members
- Sessions with representatives from institutions that OWASA serves and works with, businesses, and other important stakeholders
- Survey of current and past Board members
- Literature review of the strategic plans of leading utilities and businesses across the country, community partners, and utility industry organizations



We approached the scan with the following questions.

- Who is OWASA?
- What are our strengths?
- What values and priorities do various groups hold for OWASA to consider in our strategic plan?
- What is currently happening or emerging that presents opportunities for OWASA?

The OWASA Board of Directors and staff Leadership used the results of this scan as a foundation for their revisions to OWASA’s vision, mission, and values, and the identification of the top strategic priorities for the organization over the next five years.

Task forces of OWASA staff, organized around each of the strategic priorities, identified and prioritized goals for each priority and the initiatives required to achieve them. The Board of Directors provided input on the recommendations made by staff in order to finalize the strategic plan.

The following summarizes the strategic plan.

### Strategic Priorities

- Employee recruitment, retention, and development
- Equitable services
- Climate and land use change adaptation
- Service reliability and resiliency
- Emergency management and cybersecurity
- Community engagement

### Employee recruitment, retention, and development

OWASA’s mission requires a dedicated team. The following initiatives make advancements beyond the myriad of important human resources efforts underway. This priority has a high-level of overlap with OWASA’s organizational value of Diversity and Inclusion.

| Goals  | Initiatives  | Status   |
|--|--|--|
| Increase the number of applicants for entry-level and/or high-turnover positions | Develop a recruitment strategy for entry-level and high-turnover positions | We are identifying and defining positions on which we will focus and establish recruitment and on-boarding goals. In FY24, we will begin implementing and evaluating novel recruitment strategies. |
| Achieve and maintain competitive compensation                                    | Conduct and implement a Pay and Class Study                                | Study is complete and recommendations have been implemented.   |
| Ensure staff are prepared, informed, and engaged to lead OWASA into the future   | Develop and institute an Employee Development Plan                         | This initiative will begin in FY24.  |

### Equitable Services

This priority focuses on assisting those in our community who face challenges with obtaining and paying for water and sewer services. The following goals and initiatives were identified as near-term opportunities to increase the equity of OWASA's life-critical services.

| Goals   | Initiatives   | Status  |
|---|---|---|
| Decrease the number of disadvantaged/underserved households not connected to OWASA's services | Identify affected households and pursue outside funding to connect them | We identified properties not connected to services and since we cannot use rate payer funds for this purpose, applied for grant funding. Unfortunately, we did not receive a grant. We are looking for other potential funding sources. |
| Increase adequacy and accessibility of customer assistance funding                            | Evaluate and update our customer assistance program (Care to Share)     | We have received a report from a research study conducted by UNC's Environmental Finance Center and are analyzing the results to help inform our plan for improving the program.  |

### Climate and Land Use Change Adaptation

Climate change readiness/adaptation is a high priority for OWASA staff, Board, community, and stakeholders. In the strategic priority-setting workshop, climate change mitigation was differentiated from adaptation; adaptation was rated as a high priority to address, mitigation was not. Additionally, recognizing the interplay between climate change and land use change (particularly on hydrology), adaptation to land use change is included in this strategic priority.

| Goals                       | Initiatives   | Status  |
|-----------------------------|---|---|
| Increase drought resilience | Implement most viable Jordan Lake alternative (OWASA owns a 5% allocation of water from B. Everett Jordan Lake and is seeking to participate in a regional project to construct intake, treatment, and distribution infrastructure on the reservoir's western shore.) | OWASA and its partners are developing an Interlocal Agreement that will define OWASA's level and cost of involvement. The project is currently in the preliminary design phase. |



|   |                               |   |
|---|-------------------------------|---|
| Prepare for organizational impacts of climate and land use change | Develop a Climate Action Plan | OWASA is evaluating the benefits of using the EPA’s Climate Resilience Evaluation and Awareness Tool (CREAT) which enables utilities to assess their climate-related risks and informs decision-making. |
|---|-------------------------------|---|

**Service reliability and resiliency**

Service reliability and resiliency are at the core of ensuring that our water and sewer services are valued, and the community’s trust is developed and maintained. This requires us to ensure our infrastructure remains in good working order, our investments and operations are data-driven, and we have redundancy in the system.

| Goals  | Initiatives   | Status  |
|--|---|---|
| Increase capital project execution   | Develop and pursue Project Delivery Optimization Plan | We are developing a variety of strategies and plan to implement initial action steps in FY24  |
| Reduce downtime of critical infrastructure and equipment                             | Update and execute Asset Management Plan              | Initial priorities are to implement a new computerized maintenance management system, optimize the existing condition assessment and rehabilitation program for the collection system, and collect and utilize vertical asset condition data. |
| Improve the collection and use of real-time data to inform and drive decision-making | Execute SCADA system Master Plan                      | We have hired a SCADA Manager who is identifying resources needed to support our system and kick-off the initial phase of the Master Plan.  |
| Establish and pursue capital investment goals  | Establish and implement Capital Investment Strategy   | We are developing objectives and scope for a capital investment strategy.   |

**Emergency Management and Cybersecurity**

Past and present OWASA Board members, stakeholders, and community members all ranked “preparing for emergencies and cybersecurity threats” as one of the top three priorities for OWASA to address. Preparation is only one aspect of emergency management. It is equally important to focus on the prevention of, protection against, response to, and recovery from emergencies and cybersecurity threats. OWASA has a robust emergency management and cybersecurity program. The following initiatives will enhance existing efforts and help to increase our capacity to manage emergencies.

| Goals  | Initiatives   | Status  |
|--|---|---|
| Ensure staff are prepared and ready for emergencies of all types | Develop and institute a Continuous Emergency Preparedness Model   | We are assessing the status of existing emergency preparedness plans, training, and mitigation efforts and updating those plans.  |
| Reduce risk exposure   | Assess risk on collection and wastewater system and implement high priority risk mitigation actions for entire system | We have begun implementing high priority risk mitigation action items identified in the America’s Water Infrastructure Act (AWIA) process that was conducted on the water and distribution systems. |

**Community Engagement**

Achieving and maintaining the trust of our community requires that we effectively engage with them and respond to their needs. The community survey identified informational gaps regarding OWASA’s commitment to environmental protection, sustainability, and infrastructure construction. In addition to continuing to pursue and refine OWASA’s Communications and Community Engagement Program, the following goals and initiatives were prioritized to further enhance our community engagement.

| Goals  | Initiatives                                    | Status  |
|--|--|---|
| Increase the quality and use of community feedback | Develop and implement regular community survey | Implementation scheduled for FY25   |
| Streamline customer account experience             | Integrate online billing and water use portals | We are implementing a new Customer Information and Billing System which is the first step in combining systems to enhance customer online experience. |

The updated strategic plan will guide the investment of OWASA’s time and resources over the next five years and help ensure that we are advancing the priorities of our community and preparing for the future that the community wants for its water and sewer utility.

**OWASA’s Budget Process**

The budget for OWASA’s operating services and capital projects is developed in accordance with:

- OWASA’s *Mission Statement*. The Board’s adopted *Mission and Values Statement* establishes priorities for serving the community. These priorities focus on integrity, reliability, teamwork and partnership, diversity and inclusion, innovation, stewardship, and equity.
- OWASA’s *Strategic Plan* which identifies the organization’s high-priority goals and objectives.
- OWASA’s *Financial Management Policy*, strategic financial planning, related policy decisions, and measurements of financial performance.
- A regularly updated water and wastewater master plan which includes reports and analyses of system needs.
- North Carolina General Statute Chapter 159: *The Local Government Budget and Fiscal Control Act*.
- A 15-year financial plan that takes into account economic assumptions, growth trends, operating and capital project costs, desired ratio of net income to debt service, projected water sales, growth in customer accounts, inflation factors, and the cost of borrowing.
- Strategic issues and policies as identified by the Board of Directors and staff.
- The five-year Capital Improvements Program.

The annual budget process begins early in each fiscal year and concludes with the adoption of an annual budget in June. Throughout the process, OWASA staff work closely with the Board of Directors in developing and refining information to submit for approval.

Public hearings on the proposed budget, CIP, and the schedule of rates and fees were held at the OWASA Board of Directors’ meeting on May 11, 2023, and the budget and rate schedule were adopted by the Board on June 8, 2023.

OWASA maintains its financial records and presents its financial reports as an enterprise fund and uses the accrual method for financial reporting; generally, revenue is recognized when

earned and expenses are recognized when incurred. The annual budget is prepared using the modified accrual method.

In accordance with state law, the adopted budget may be amended at any time to reflect changes in services, projects and costs. Such amendments can be made in any form by the Board of Directors' action, but the budget must remain balanced. A budget is considered balanced when the sum of net revenues and appropriated fund balance is equal to appropriations. In the state of North Carolina, the minimum legal budgetary level of control is at the departmental level. In addition to the departmental information presented in this document, compliance at this level is disclosed in OWASA's *Annual Comprehensive Financial Report*.

## **Priorities and Assumptions**

### **Legal/Regulatory Assumptions**

#### Federal, State, Local and Judicial

- OWASA must prepare and adopt a balanced budget in accord with the North Carolina Budget and Fiscal Control Act.
- Statutes governing purchasing and contracting require the development of and adherence to a Minority and Women-Owned Business Enterprise Program in soliciting and accepting bids for certain construction work.
- OWASA's primary source of income is customer rates and fees. The OWASA Board has sole authority to set and revise rates, fees and other charges for services. Rates, fees and charges are not subject to supervision or regulation by any bureau, board, commission, or other agency of the state, or by any political subdivision (N.C. General Statute 162A-9). Rates, fees and charges shall be set so that revenues, together with any other available funds, shall be sufficient at all times to pay (1) the cost of maintaining, repairing, and operating the water and wastewater systems including reserves for such purposes, and (2) all of the principal and interest on bonds (N.C. General Statute 162A-9).
- Fees are applicable throughout the service area, and fees and charges may vary by customer class when discernable cost factors can be attributed to the varying classes.
- The Governmental Accounting Standards Board requires that the cost of post-employment benefits be recognized and recorded in OWASA's annual financial statements.

#### Intergovernmental Sale and Purchase Agreements

*Agreements of Sale and Purchase* with the University of North Carolina at Chapel Hill (UNC) and the Towns of Chapel Hill and Carrboro state:

- OWASA shall charge reasonable rates, based on cost of service, to all classes of users, serving all users within each class impartially and without discrimination, with no differential in rates based on the location of a customer.
- OWASA shall operate the water and wastewater system at the lowest rates possible consistent with its obligation to provide proper and efficient service.
- OWASA will furnish, for as long as UNC shall desire, drinking water, meeting acceptable purity standards, in such quantity as may be required to meet UNC's needs.
- UNC will purchase all its drinking water requirements from OWASA unless OWASA is unable to supply sufficient water.
- UNC will be provided reliable and adequate wastewater services to meet its needs.
- If five-year cumulative rate revisions exceed 20%, UNC may request that a rate study be performed by a qualified consultant.

- OWASA agrees to meet the reasonable water and wastewater needs of the Towns of Carrboro and Chapel Hill.

Additionally, Chapel Hill, Carrboro, and Orange County have adopted local water conservation ordinances as recommended by OWASA. The requirements of those ordinances have short- and long-term demand and revenue implications.

Bond Order (Series 2001 as amended and restated)

- Interest earnings are included in the debt service ratio calculation.
- OWASA shall not provide free service and shall charge all users including public bodies based on established rates, except for water used in fire protection, washing and flushing streets, and testing water lines. The cost of these public benefit uses is recovered from all customers.
- The Bond Order requires a minimum debt service coverage ratio of 1.2. OWASA's *Financial Management Policy* sets the desired performance target at 2.0.
- In order to issue new debt, rates in any fiscal year must be sufficient to provide for debt service payments in the immediately succeeding fiscal year.

**Organizational Assumptions**

Financial Goals and Objectives

- The FY 2024 Budget assumes no changes in the levels of service delivered to customers.
- OWASA's *Financial Management Policy* requires maintaining a working capital reserve balance at least equal to the greater of four months of the annual operating expense budget or 20% of the total estimated cost of capital improvements projects identified for the succeeding three years.
  - Four months of estimated operating costs based on the FY 2024 budget is \$10.0 million.
  - 20% of planned capital improvements for FY 2025 through FY 2027 is \$19.7 million.
  - The General Fund ending balance for FY 2024 is projected to be \$27.7 million.
- The *Financial Management Policy* calls for funding a Capital Improvements Reserve fund and a Rate/Revenue Stabilization Reserve fund. The minimum balance in the Capital Improvements Reserve fund is 2% of net capital assets. The minimum balance in the Rate/Revenue Stabilization Reserve fund is 5% of projected water and wastewater revenue.
- The *Financial Management Policy* specifies at least 30% cash funding of capital improvements. Our five-year financial plan reflects approximately 33% cash funding of capital projects during fiscal years 2024 through 2028.
- Debt service coverage ratio of 1.8. OWASA's *Financial Management Policy* stipulates that our debt service coverage ratio goal is 2.0. Since our financial management policy objectives for reserve balances, sufficiency of revenues above debt requirements, and cash financing of capital are all projected to be met, we decided not to further burden rate payers with an even higher rate increase simply to meet the debt service coverage ratio performance target. We are projecting to meet the debt service coverage ratio target in future years.

OWASA's financial plan indicates the following subsequent annual rate increases may be required in order to meet our financial obligations and maintain our financial measurement goals:

Projected Rate Increases

|         |           |                |
|---------|-----------|----------------|
| FY 2025 | 9% Water  | 9% Wastewater  |
| FY 2026 | 9% Water  | 9% Wastewater  |
| FY 2027 | 10% Water | 10% Wastewater |

Projected rate adjustments are estimates and will be analyzed during each year’s budget process.

**The Need for Future Rate Increases**

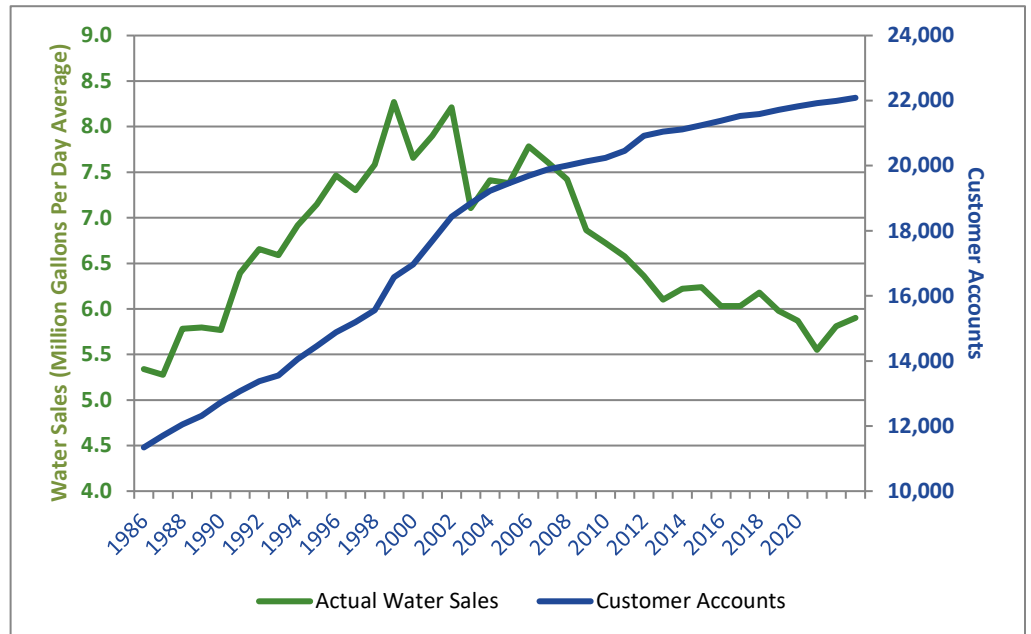
The projected rate increases are necessary for providing the funding required to meet the community’s water and wastewater needs.

- As the community’s provider of drinking water and wastewater management services, funding the programs needed to efficiently provide high-quality and reliable services around the clock is essential.
- On average, about half of the fees customers pay for services is invested in renewing and replacing the pipes, equipment and facilities necessary for delivering services.

Drivers for increased investments in our operating and capital budgets include supporting our commitment to the community to improve the reliability and resiliency of our services and rising construction costs.

**Customer Demand and Service Levels**

Over the last 30 years, drinking water demand in OWASA’s service area has declined substantially even as the number of customers served has increased (see chart below). Projected water demand for FY 2024 is about the same as it was in the late 1980s while the number of customers served has increased by over 80% during that time. Two droughts in the 2000s, the implementation of conservation rates in 2001 and 2007, and the completion of our reclaimed water (RCW) system in 2009 contributed to the reduction in drinking water demand.

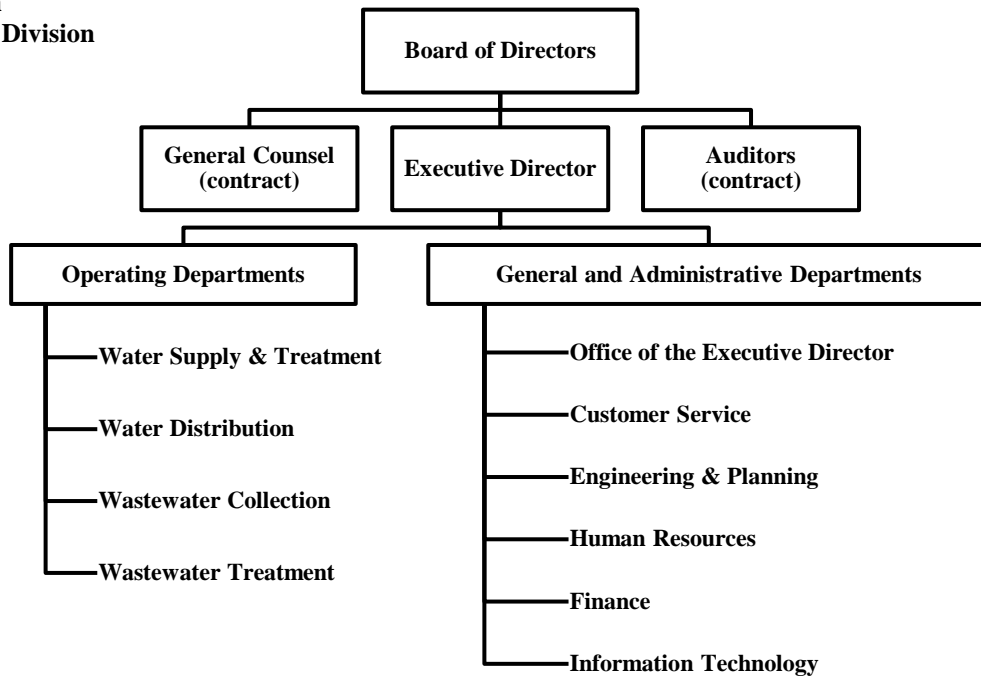


The following projections are based on historical trends.

- FY 2024 projections for drinking water demand and new connections are affected by several factors.

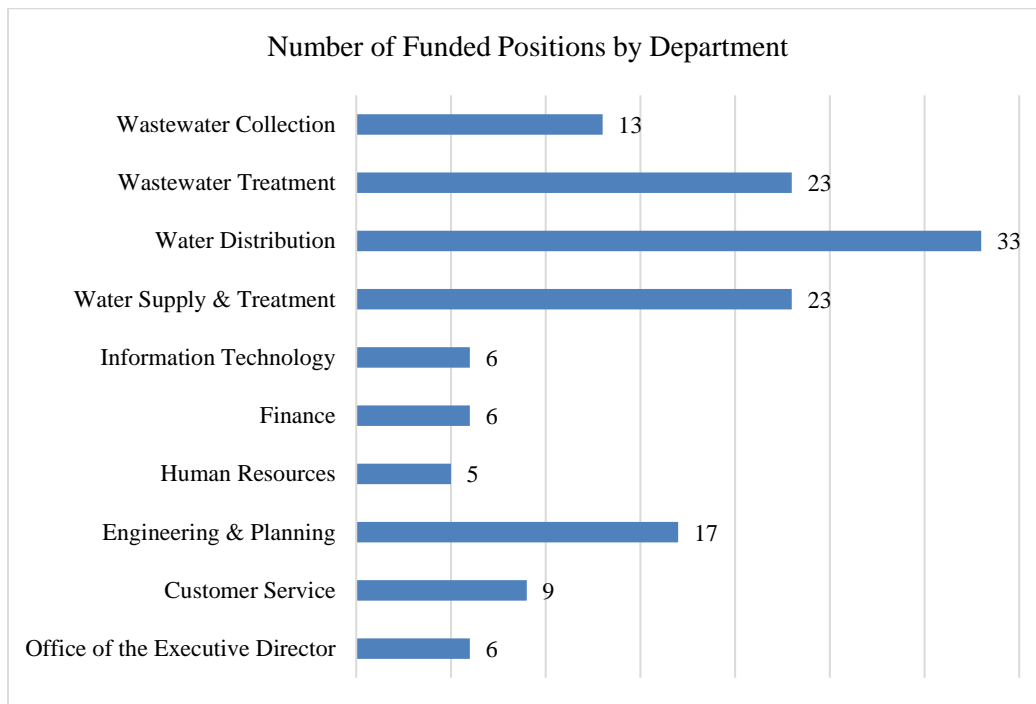
- We are projecting average daily drinking water demand in FY 2024 to be approximately 5.9 million gallons per day (MGD).
- Reclaimed water (RCW) sales are budgeted to be approximately the same as recent years. Estimated RCW use during FY 2024 is 0.7 MGD.
- Based on the development plans in OWASA’s service area, we expect to install 167 new 5/8” meter equivalents for the year.
- A construction cost inflation rate of 5.0% is assumed for FY 2025 and beyond.

**Organization  
Overview by Division**



**Staffing  
Summary**

The OWASA Board has authorized a total of 146 positions; 141 are funded for FY 2024. Funded staffing levels (full-time equivalents) are allocated by department as follows:



**Summarized Annual Income and Expenses (Revenue Fund)**

| Description                                 | Resources    | Expenses          | Balance      |
|---|--------------|-------------------|--------------|
| <b>Total Operating Revenue</b>              | \$48,163,381 |                   |              |
| <b>Operating Expenses</b>                   |              |                   |              |
| Net Expenses, General and Administrative    |              | \$10,281,854      |              |
| Net Expenses, Operating                     |              | <u>19,917,997</u> |              |
| Net Total Operating Expenses                |              | 30,199,851        |              |
| <b>Net Operating Income</b>                 |              |                   | \$17,963,530 |
| System Development Fees and Interest Earned | 1,288,151    |                   |              |
| <b>Total Net Income</b>                     |              |                   | 19,251,681   |
| <b>Total Debt Service</b>                   |              | 10,626,764        |              |
| <b>Debt Coverage Ratio</b>                  |              |                   | 1.8          |

**Summarized Annual Capital/Non-operating Income and Expenses (General Fund)**

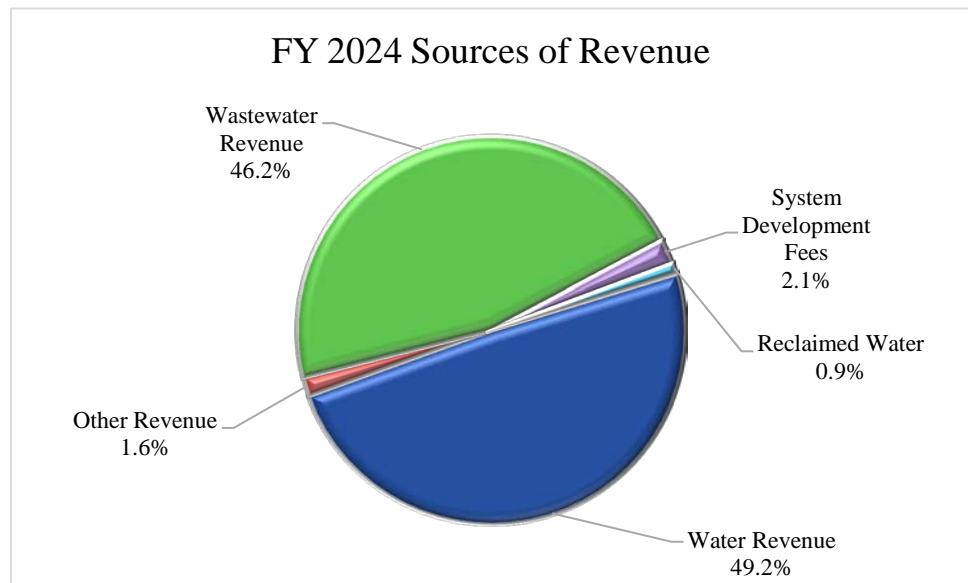
| Description                                    | Resources  | Expenses     | Balance             |
|--|------------|--------------|---------------------|
| <b>General Fund Beginning Balance (7/1/23)</b> |            |              | \$23,538,416        |
| Transfer from Revenue                          | 8,624,917  |              |                     |
| Loan proceeds                                  | 13,328,692 |              |                     |
| Funds Available for Expenditures               |            |              | 45,492,025          |
| Total Estimated Capital Expenditures           |            | \$17,830,635 |                     |
| <b>General Fund Ending Balance (6/30/2024)</b> |            |              | <u>\$27,661,390</u> |

**Revenue Summary** In providing essential public water, wastewater and reclaimed water services to Carrboro, Chapel Hill and portions of southern Orange County and southwest Durham County, OWASA incurs substantial operating and capital costs. OWASA operates as a nonprofit enterprise fund and has no legislative authority to levy taxes, nor does it receive tax revenues from local governments. Ongoing water, wastewater and reclaimed water operations and capital improvements are financed almost entirely through customer fees and charges with occasional

grants from state or federal governments. OWASA establishes rates sufficient to generate revenue to meet operating costs, pay debt service, and provide at least 30% cash funding for the CIP. Rates and fees are periodically adjusted in response to resource needs as determined in OWASA’s financial planning process.

OWASA’s gross receipts, with minor exceptions, are restricted by bond indenture. All revenues except grants, reimbursements and assessments must be deposited to the credit of the Revenue Fund. Monies in the Revenue Fund are pledged to the repayment of outstanding debt and must be expended first for current expenses and then debt service. Any funds remaining after current expenses and debt payments may be transferred to the General Fund and may be used for any lawful purpose: generally, for capital improvements and reserves.

The majority of OWASA’s revenues are generated by the sale of drinking water and the collection and treatment of wastewater, and related services. Fees for water and wastewater services include charges for service initiation, line tapping, meter installation, monthly service charges, and a commodity charge for each 1,000 gallons of drinking water or reclaimed water used or wastewater processed. As depicted in the following graph, in FY 2024, 50.1% of total budgeted revenue is anticipated from water and reclaimed water services while wastewater services are expected to generate 46.2%. System development (new connection) fees, plan review and construction observation fees, rents, royalties, administrative fees, and interest income contribute the remaining 3.7% of total projected revenues.



OWASA collects fees for delivery of reclaimed water services through a reclaimed water utility. The system primarily serves UNC for non-drinking purposes such as irrigation and cooling tower make-up water on campus.

OWASA’s primary revenue-generating fees are summarized below.

- Fixed monthly charge      Calculated to recover costs related to certain direct and indirect customer service efforts, meter and lateral maintenance, and capital costs associated with supplying drinking and reclaimed water to and collecting sewage from a customer’s property. Charges are based on meter size.
  
- Commodity charge        Calculated to recover the remaining direct and indirect costs of water supply and treatment, water distribution, sewage collection and treatment, general administration, and water and wastewater capital costs not recovered by the monthly service charge. This charge is applicable to all water, wastewater and reclaimed water accounts based on meter readings and is billed in thousand-gallon increments of water use.



Water and sewer system development fees

Calculated to recover a portion of the capital costs of providing water and wastewater system capacity. The system development fee applies to each new connection to a drinking or reclaimed water main or wastewater main, regardless of who may have paid for the installation of the main to which the connection is to be made. For the purpose of system development fees, customer accounts are divided into four categories: (1) single-family residential, (2) multi-family, individually metered residential, (3) non-residential (including multi-family master-metered apartment complexes and all commercial, UNC, and institutional accounts) and (4) RCW service to UNC and non-UNC customers. The use of these categories is justified by distinct patterns of water and wastewater consumption.

A key assumption in developing the budget is the amount of expected growth. Revenue projections are calculated combining this assumption with the number of customer accounts, and applying the various rates to the assumed demand levels. The growth projection for FY 2024 is approximately 167, 5/8" meter equivalent units.

Service initiation fees

The purpose of this charge is to defray the labor and administrative costs associated with establishing a water, wastewater or reclaimed water account. This includes establishing service and account records for billing. The fee is applicable to all accounts requiring work to set a meter, reconnect service or read a meter.

With the implementation of the Agua Vista advanced metering infrastructure system, in most circumstances we no longer need to visit a customer's property to turn meters on or off. Since we do not have to travel to a customer's location, there are no associated costs to be recovered. Therefore, annual revenue from these fees is significantly lower than in years prior to implementing Agua Vista.

Tapping fees

This charge is for making a tap into a water main and/or a wastewater main or manhole. The charge recovers the cost for time and equipment plus an allowance for overhead.

Service installation

This charge is to recover costs of installing a service connection from a water or reclaimed water main to the curb or property line and setting a meter.

Plan review and construction observation fees

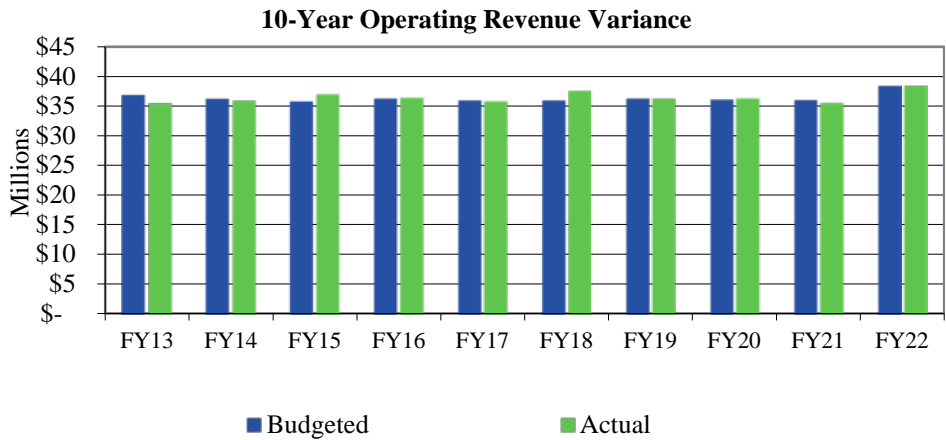
This charge is to recover the cost of reviewing plans for the extension of water and wastewater facilities, and for field observation of the installation of these facilities. The plan review and construction observation fees apply to all extensions of the public water and/or wastewater system regardless of the party which undertakes the improvements. The fees apply separately to water and wastewater main extensions.

Operating revenue

In addition to recovering the cost of operations, rates and fees must be set at a level sufficient to fund future capital improvements costs and debt. Debt is issued to spread capital costs to future customers who will benefit from infrastructure improvements that have long useful lives.

As shown in the graph on page xi, beginning with a drought in 2001-2002, water demand began to decline in OWASA's service area. A second drought in 2007-2008 put further downward pressure on the demand for water. In 2009, our reclaimed water system came online and the University of North Carolina at Chapel Hill (UNC), OWASA's largest customer, began using less expensive reclaimed water for about 30% of its needs. Rate increases during these years helped offset the declines in water and wastewater service revenue.

The following graph summarizes the historical trend of OWASA's primary revenue stream compared to our budget for those revenues.



**Debt and Debt Policy**

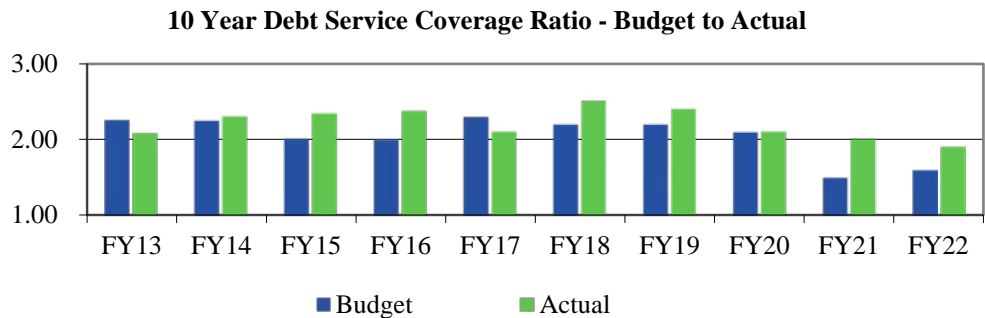
Revenue bonds and low-interest loans from the State of North Carolina have been used to finance a significant portion of OWASA's capital improvements. The remainder has been funded with annual revenues, grants and fund balance.

As a stand-alone enterprise fund that does not have taxing authority or issue general obligation bonds, OWASA has no legal debt limit. OWASA's financial management policy specifies that the organization's debt should be no more than 50% of asset value. As of the end of FY 2022, OWASA's debt burden to asset value was 28%.

OWASA's bond ratings are AAA, AA+, and Aa1 from Standard & Poor's, Fitch, and Moody's, respectively.

Outstanding debt was \$82.4 million as of June 30, 2023. The debt outstanding for each bond issue or loan is: Series 2014 refunding bonds - \$9.7 million, Series 2018 refunding bonds - \$15.3 million, Series 2019 revenue bonds - \$15.4 million, Series 2020 refunding bonds - \$4.9 million, Series 2021 revenue bonds - \$18.4 and low-interest and interest-free loans from the state of North Carolina - \$18.7 million. Principal and interest payments on these balances will be approximately \$10.6 million in FY 2024.

The ratio of net income to debt payments is an important measure of OWASA's financial performance. OWASA's Bond Order sets the minimum required debt coverage ratio at 1.2. The OWASA Board of Directors has set a goal of 2.0.

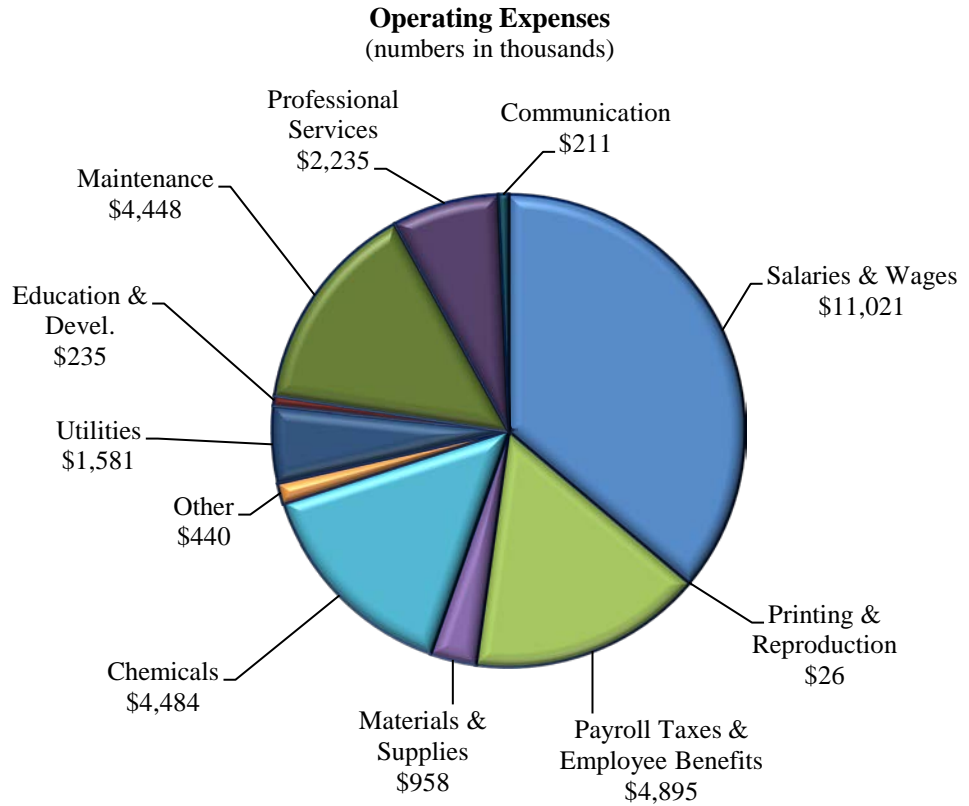


**Planned  
Operating  
Expenses  
Summary**

The chart below shows the planned operating expenses for FY 2024. The graph illustrates the relative proportions of the total costs by each category of expense.

**Orange Water and Sewer Authority  
Operating Expenses by Division/by Category  
Fiscal Year 2024 Budget**

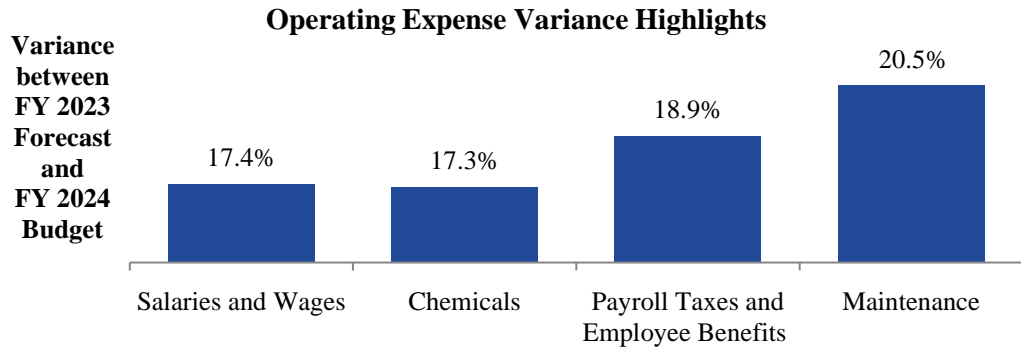
|   | <b>General and<br/>Administrative</b> | <b>Operating<br/>Departments</b> | <b>Total<br/>Budget</b>    |
|---|---------------------------------------|----------------------------------|----------------------------|
| Salaries & Wages                        | \$4,592,125                           | \$6,429,051                      | \$11,021,176               |
| Payroll Taxes & Employee Benefits       | 2,083,680                             | 2,811,792                        | 4,895,472                  |
| Chemicals                               | 0                                     | 4,483,653                        | 4,483,653                  |
| Materials & Supplies                    | 236,615                               | 721,054                          | 957,669                    |
| Utilities                               | 173,860                               | 1,407,179                        | 1,581,039                  |
| Maintenance                             | 776,265                               | 3,671,918                        | 4,448,183                  |
| Professional Services                   | 2,021,597                             | 212,711                          | 2,234,308                  |
| Communication                           | 206,921                               | 4,440                            | 211,361                    |
| Printing & Reproduction                 | 23,700                                | 2,000                            | 25,700                     |
| Education & Development                 | 114,720                               | 120,465                          | 235,185                    |
| Other                                   | <u>199,353</u>                        | <u>240,734</u>                   | <u>440,087</u>             |
| <b>Total</b>                            | <b><u>\$10,428,836</u></b>            | <b><u>\$20,104,997</u></b>       | <b><u>\$30,533,833</u></b> |
| Construction Credits                    | (146,982)                             | (187,000)                        | (333,982)                  |
| <b>Total After Construction Credits</b> | <b><u>\$10,281,854</u></b>            | <b><u>\$19,917,997</u></b>       | <b><u>\$30,199,851</u></b> |



Construction credits are offsets against operating expenses for capital improvement projects performed by OWASA personnel. The amount of capitalized labor, equipment, and overhead costs for these in-house projects is credited to the appropriate departmental budget in the form of construction credits. Material costs are charged directly to each project from an inventory account and are not included in the construction credit amount.

**Operating Expense Variances**

The chart below highlights Operating Expenses that represent some of the more significant variances between the FY 2024 Budget and FY 2023 Forecast.



Salaries and Wages

The budget for salaries and wages is approximately \$1.6 million or 17.4% higher than the amount forecasted for FY 2023. The increase in salaries and wages expense is due to a projected average combined cost of labor and merit increase of 8.7% for employees and the addition of one newly funded position for FY 2024.

Chemicals

The FY 2024 budget for chemicals to treat drinking water and wastewater is approximately \$663,000 or 17.3% greater than the FY 2023 forecast. The increase is due to expected price increases which have been impacted by supply chain delays and inflation.

Payroll Taxes and Employee Benefits

The FY 2024 budget for payroll taxes and employee benefits expense is approximately \$779,000 or 18.9% greater than the FY 2023 forecast. The cost of employee health insurance will increase by 7.5% and other expenses based on a percentage of wages have increased due to the increase in employee compensation.

Maintenance

The budget for maintenance is approximately \$756,000 or 20.5% greater than the forecast for FY 2023. A few non-annual periodic maintenance activities are scheduled for FY 2024.

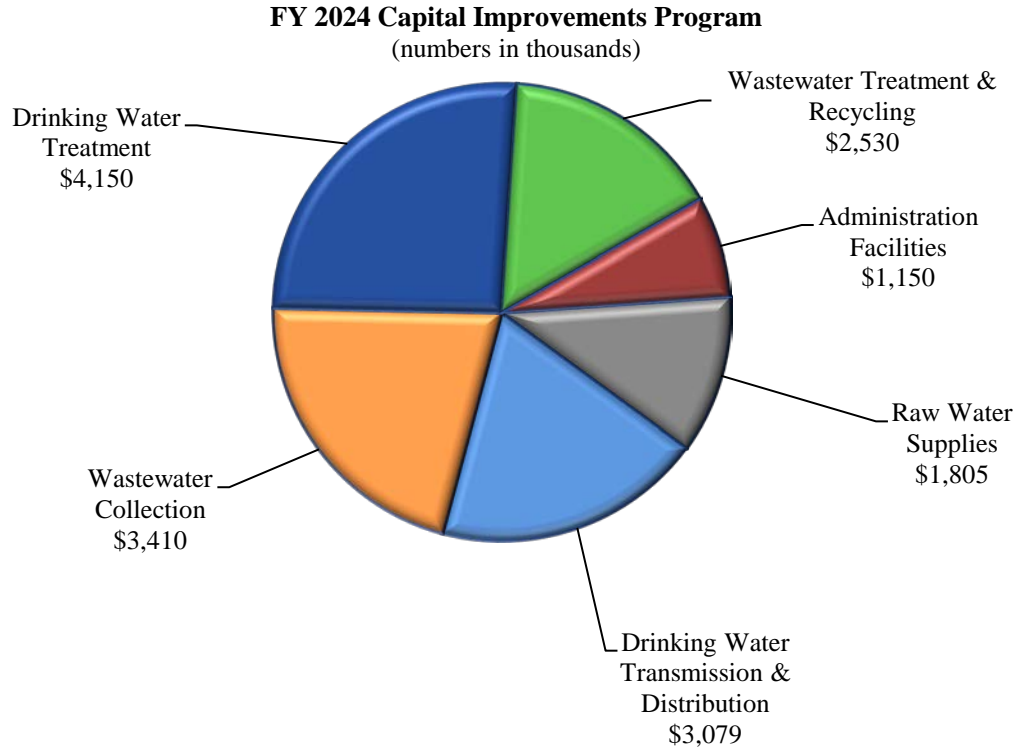
**Capital Equipment**

OWASA replaces capital equipment items that have exceeded their useful lives and purchases equipment to meet operational needs. Purchases planned for FY 2024 total \$1.7 million (see schedule on page 22).

**Capital Improvements Program Summary**

Capital improvements are necessary to renew, replace, and improve infrastructure, and to provide safe, reliable, high-quality water, wastewater and reclaimed water services to current and future customers. Capital expenditures are recorded as capital assets and are depreciated over the economic useful lives of the assets.

A five-year planning period is used to develop the CIP. Only the first year of the CIP is included in each fiscal year’s budget ordinance. For FY 2024, capital improvements projects total \$16.1 million, as shown below. The improvements planned for FY 2024-2028 are approximately \$153.8 million.



**Strategic Issues and Policies**

OWASA must maintain a budget that continues to ensure high-quality and reliable services to our customers while minimizing rate increases.

A summary of some of the more significant budget issues include:

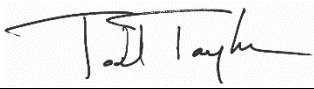
1. We project that drinking water and reclaimed water sales in FY 2024 will be about the same as in FY 2023.
2. The operating budget includes funding to help ensure OWASA continues to attract and retain a highly qualified and dedicated workforce.
3. The CIP budget for the five year period from FY 2024-2028 is sufficient to meet the needs of OWASA’s customers today and in the future and includes funding for ensuring access to OWASA’s allocation of Jordan Lake water and for improvements to be able to meet the new regulations regarding PFAS chemicals in drinking water.

The organization’s strategic plan and the financial management objectives set forth in OWASA’s *Financial Management Policy* help us remain focused on mission-critical services, greater operational efficiency, accurate and sustainable asset management and capital improvements priorities, and opportunities for further reductions in operating expenses. We must accomplish this while balancing service levels with operating risks associated with distinct levels of service.

**Conclusion**

This budget reflects OWASA’s continuing commitment to maintain, replace and renew water, wastewater, and reclaimed water system components to ensure high-quality and reliable services to our customers.

We believe the FY 2024 Budget reflects the OWASA Board of Directors’ guidance and priorities, provides the appropriate level of funding for strategic initiatives, is responsive to community needs, and meets OWASA’s contractual responsibilities and regulatory requirements.



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**Todd Taylor, P.E.**  
**Executive Director**



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**Stephen Winters, CPA**  
**Director of Finance and Customer Service**

**SECTION I**

**ORANGE WATER AND SEWER AUTHORITY OVERVIEW**

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**ORANGE WATER AND SEWER AUTHORITY**  
**System Information**  
**For the Fiscal Year Ended June 30, 2023**

|  |        |
|--|--------|
| Year Incorporated  | 1975   |
| Size of Service Area:  |        |
| Square miles   | 31     |
| Miles of Water Pipe (includes 14 miles of raw water and 5 miles of reclaimed water pipe) | 405    |
| Miles of Wastewater Collection Pipe (includes 14 miles of force main)                    | 350    |
| Customer Accounts  | 22,039 |
| Full-time Equivalent Employees:  |        |
| Approved Positions   | 146    |
| Budgeted Positions   | 141    |
| Water Treatment Plant Capacity (millions of gallons per day (MGD)):                      |        |
| Capacity   | 20.0   |
| Production Average Day   | 6.7    |
| Production Peak Day  | 10.0   |
| Wastewater Treatment Plant Capacity (MGD):   |        |
| Capacity   | 14.5   |
| Average Daily Flow   | 7.5    |
| Number of Water Supply Resources   | 4      |
| Total Capacity of Water Supply Resources (millions of gallons):                          |        |
| Cane Creek Reservoir   | 3,000  |
| University Lake  | 450    |
| Quarry Reservoir   | 200    |
| Jordan Lake Allocation (approximate MGD)   | 5 MGD  |



## SERVICE AREA

General. OWASA provides water, wastewater and reclaimed water services to the residents, businesses and institutions in the Chapel Hill-Carrboro community. The term “service area” refers to the area presently being served and those proximate areas that may reasonably be served by extensions of the water and wastewater system in the future. The present service area lies almost wholly within Chapel Hill and Carrboro in Orange County with contiguous extensions of the water and wastewater system into southwestern Durham County.

The developed portions of the service area are composed of the University of North Carolina at Chapel Hill (UNC) campus, UNC Healthcare, commercial downtown areas and shopping centers, and residential areas comprised of single- and multi-family residences. Most of the development in the service area consists of residential development, including single-family residences, townhouses, condominiums, apartments, and related commercial development, including office buildings, shopping facilities, restaurants and motels. Industrial development in the service area is limited.

Relative Location and Features of the Service Area. The area served by OWASA’s water and wastewater system is located predominantly within the southeastern portion of Orange County. Orange County is located in the north central part of the state. Originally formed in 1752, Orange County covers an area of approximately 400 square miles and includes four incorporated towns. Hillsborough, the county seat, is located near the center of the County; Chapel Hill and Carrboro, adjoining communities which comprise the major urbanized area of the county, are located in the southeast corner of Orange County; Mebane is located on the western boundary. The remainder of Orange County is rural and largely agricultural.

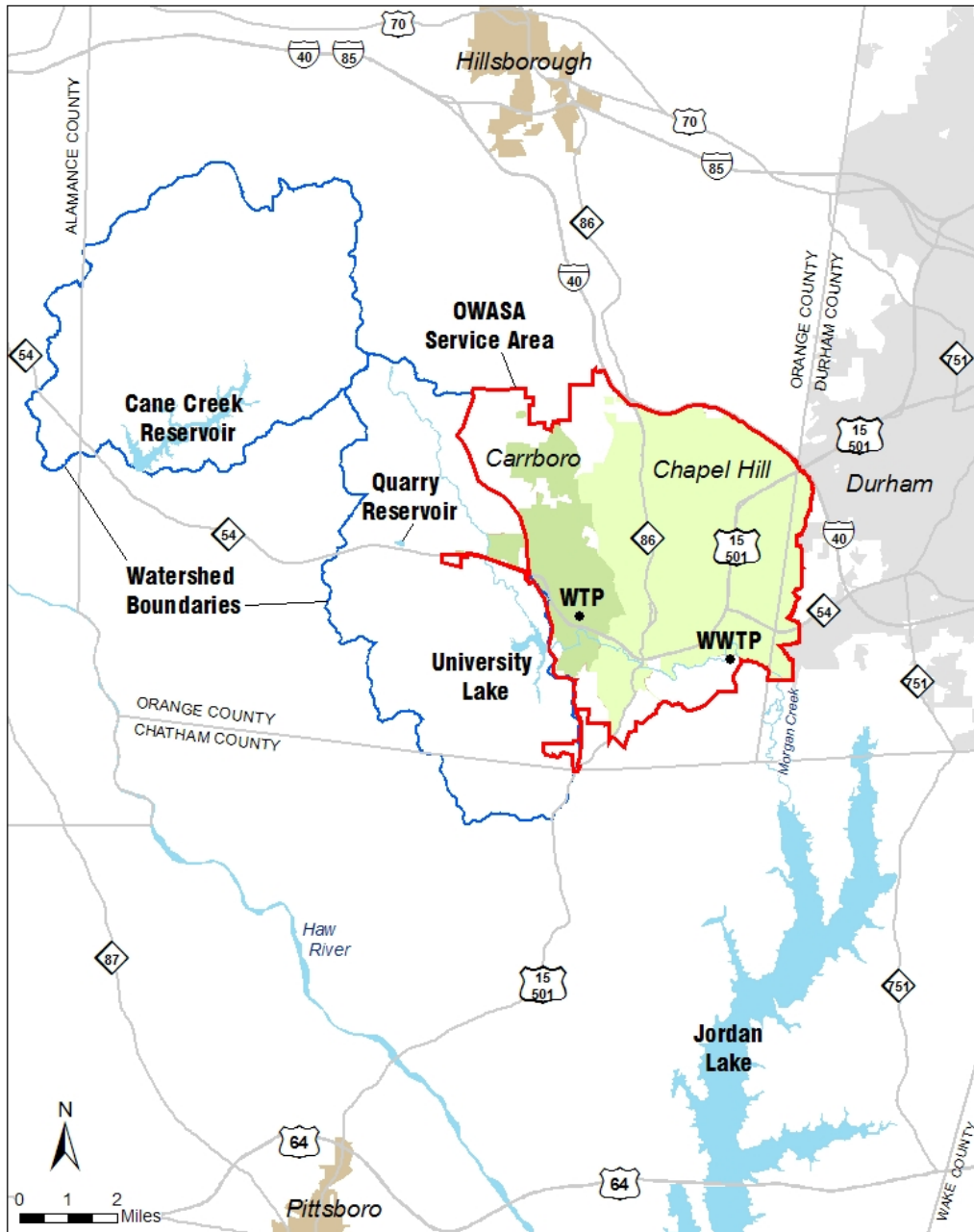
Located on a plateau approximately 500 feet above sea level, the Chapel Hill-Carrboro area is surrounded by gently rolling land. The climate is mild, with an average January temperature of approximately 39 degrees and an average temperature in July of approximately 78 degrees. The area receives an average of approximately 46 inches of rainfall per year.

The Towns of Chapel Hill and Carrboro are located southwest of Durham and approximately 25 miles northwest of Raleigh. The regional transportation system connects the area with the major North Carolina population centers of Charlotte, Durham, Raleigh, Greensboro, Winston-Salem, and Wilmington. U.S. and state highways connect Chapel Hill-Carrboro with Durham, the Research Triangle Park (“RTP”), Cary, Raleigh, and Raleigh-Durham International Airport. The region is served by Interstate 85 extending northeasterly from Durham to Petersburg, Virginia where it intersects Interstate 95, and southwesterly through Greensboro to Charlotte and Atlanta, Georgia. Interstate 40, which extends from Raleigh through Orange County, connects the region directly to both the Atlantic and Pacific coasts of the United States. Rail service is provided by a branch of the Norfolk Southern Railway which extends north from Carrboro to a connection with the railroad west of Durham. Amtrak passenger rail service is available in Durham. Commercial air service is provided by Raleigh-Durham International Airport, located 16 miles from Chapel Hill.

The Chapel Hill-Carrboro area comprises one portion of the metropolitan area which includes the City of Durham, Town of Cary, and the City of Raleigh and is commonly known as the “Research Triangle.” Major universities located in these communities include UNC, Duke University, North Carolina Central University, and North Carolina State University. The proximity of these universities makes the RTP area suited for many types of academic research and advanced research-oriented industrial activities. There are many other colleges and universities in the area.

The dominant economic sectors in the Chapel Hill-Carrboro area are education and medical services, including research activities, primarily through UNC and UNC Healthcare. The RTP, located ten miles east of Chapel Hill, contains approximately 7,000 acres which have been reserved for research and research-oriented manufacturing. Since its inception in the 1950s, over 200 private and governmental organizations have located facilities in the RTP. The RTP is not served by OWASA; however, its impact on OWASA and the economy of the surrounding area is significant because of the companies and residents brought into the area directly and indirectly by the RTP.

**MAP OF OWASA'S SERVICE AREA**



Service area is indicated in red. The watersheds for Cane Creek Reservoir and University Lake are outlined in blue.

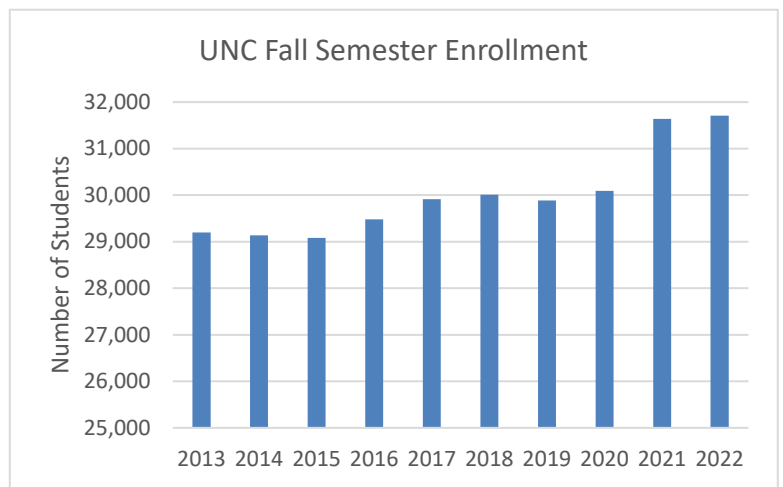
Demographic Characteristics. The United States Department of Commerce, Bureau of the Census has recorded the populations of the Town of Chapel Hill, the Town of Carrboro and Orange County to be as follows:

| Year | Chapel Hill | Carrboro | Orange County |
|------|-------------|----------|---------------|
| 1980 | 32,421      | 8,118    | 77,055        |
| 1990 | 38,711      | 12,134   | 93,622        |
| 2000 | 48,715      | 16,782   | 118,227       |
| 2010 | 57,233      | 19,891   | 132,951       |
| 2020 | 63,705      | 21,239   | 149,077       |

The growth in population during this period reflects several factors, including the growth of student enrollment at UNC, increased economic activity in the area and the relocation of retirees attracted by the climate and amenities of the area.

Education. An important factor in the economy and growth characteristics of OWASA’s service area and the immediately surrounding area is UNC. Fall enrollment at UNC is shown in the following table:

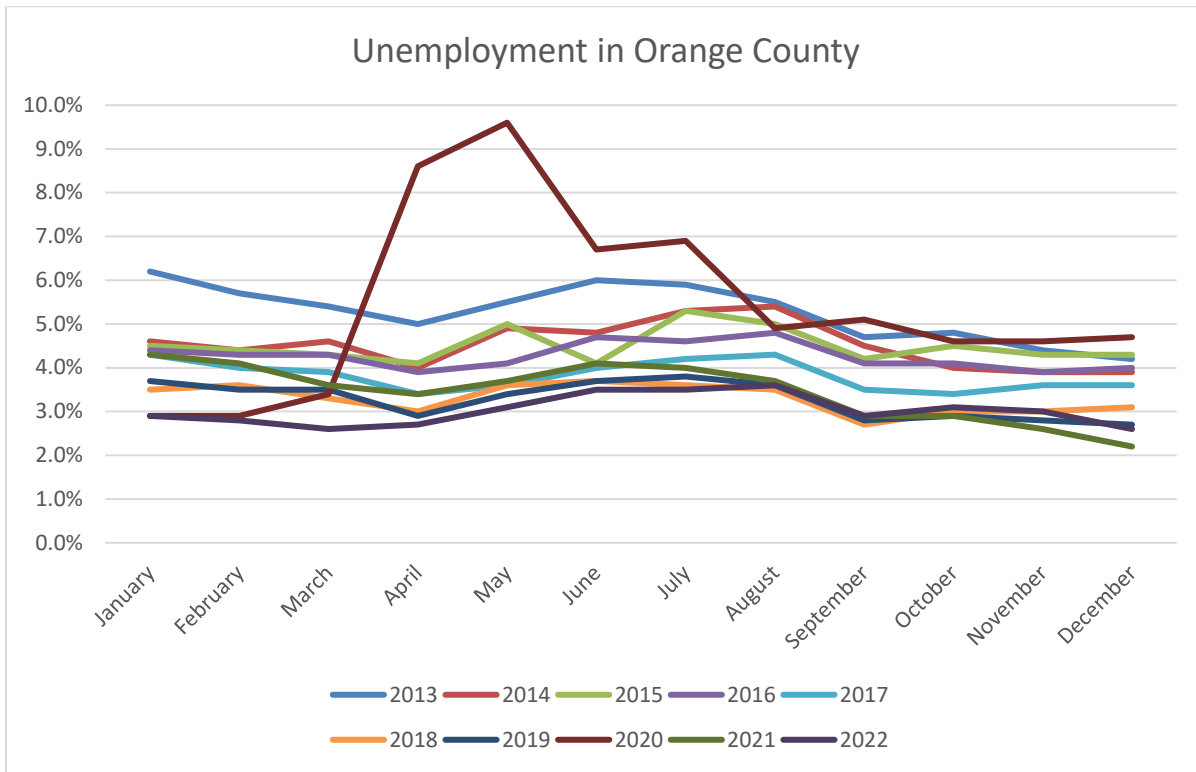
| Fall | UNC Enrollment |
|------|----------------|
| 2013 | 29,197         |
| 2014 | 29,135         |
| 2015 | 29,084         |
| 2016 | 29,479         |
| 2017 | 29,912         |
| 2018 | 30,011         |
| 2019 | 29,887         |
| 2020 | 30,092         |
| 2021 | 31,641         |
| 2022 | 31,705         |



Together, UNC’s health-related schools form one of the nation’s major academic medical centers. Among the specialized medical programs are the Health Services Research Center, the Hand Rehabilitation Center, the Child Development and Mental Retardation Institute, and the North Carolina Jaycees Burn Center. The Schools of Government, Cancer Research, Environmental Studies, Urban Studies, Marine Sciences, and Social Sciences conduct multi-disciplinary research and public service programs.

Employment. The chart and graph below show the U.S. Bureau of Labor Statistics unemployment estimates for Orange County:

|           | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------|------|------|------|------|------|------|------|------|------|------|
| January   | 5.7% | 4.4% | 4.4% | 4.3% | 4.0% | 3.6% | 3.5% | 2.9% | 4.3% | 2.9% |
| February  | 5.4  | 4.6  | 4.3  | 4.3  | 3.9  | 3.3  | 3.5  | 3.4  | 4.1  | 2.8  |
| March     | 5.0  | 4.0  | 4.1  | 3.9  | 3.4  | 3.0  | 2.9  | 8.6  | 3.6  | 2.6  |
| April     | 5.5  | 4.9  | 5.0  | 4.1  | 3.6  | 3.6  | 3.4  | 9.6  | 3.4  | 2.7  |
| May       | 6.0  | 4.8  | 5.1  | 4.7  | 4.0  | 3.7  | 3.7  | 6.7  | 3.7  | 3.1  |
| June      | 5.9  | 5.3  | 5.3  | 4.6  | 4.2  | 3.6  | 3.8  | 6.9  | 4.1  | 3.5  |
| July      | 5.5  | 5.4  | 5.0  | 4.8  | 4.3  | 3.5  | 3.6  | 4.9  | 4.0  | 3.5  |
| August    | 4.7  | 4.5  | 4.2  | 4.1  | 3.5  | 2.7  | 2.8  | 5.1  | 3.7  | 3.6  |
| September | 4.8  | 4.0  | 4.5  | 4.1  | 3.4  | 3.0  | 2.9  | 4.6  | 2.9  | 2.9  |
| October   | 4.4  | 3.9  | 4.3  | 3.9  | 3.6  | 3.0  | 2.8  | 4.6  | 2.9  | 3.1  |
| November  | 4.2  | 3.9  | 4.3  | 4.0  | 3.6  | 3.1  | 2.7  | 4.7  | 2.6  | 3.0  |
| December  | 6.2  | 4.6  | 4.5  | 4.4  | 4.3  | 3.5  | 3.7  | 2.9  | 2.2  | 2.6  |



UNC is the largest employer in Orange County. UNC Healthcare System, a major medical facility located adjacent to UNC; and the Chapel Hill/Carrboro City Schools (both located in Chapel Hill) are the second and third largest employers, respectively. The following table lists the ten largest employers in Orange County for 2022 and 10 years prior:

| Company or Institution            | Service or Product                 | Number of Employees 2022 | Number of Employees 2013 |
|-----------------------------------|------------------------------------|--------------------------|--------------------------|
| UNC                               | Educational Services               | 1,000+                   | 1,000+                   |
| UNC Healthcare System             | Health Care and Social Assistance  | 1,000+                   | 1,000+                   |
| NC Health                         | Health Care and Social Assistance  | 1,000+                   |                          |
| Chapel Hill/Carrboro City Schools | Educational Services               | 1,000+                   | 1,000+                   |
| Orange County Schools             | Education and Health Services      | 1,000+                   | 1,000+                   |
| Orange County Government          | Public Administration              | 1,000+                   | 500-999                  |
| Town of Chapel Hill               | Public Administration              | 500-999                  | 500-999                  |
| Eurosport                         | Trade                              | 500-999                  | 500-900                  |
| Wal-Mart                          | Trade                              | 500-999                  |                          |
| A K G of America, Inc.            | Manufacturing                      | 250-499                  |                          |
| Blue Cross Blue Shield            | Health/Medical Insurer             |                          | 1,000+                   |
| Employer Resource                 | Professional and Business Services |                          | 500-999                  |
| Harris Teeter                     | Retail Food                        |                          | 250-499                  |

Source: North Carolina Department of Commerce.

## ORANGE WATER AND SEWER AUTHORITY VISION, MISSION AND VALUES

### VISION

To be our community's trusted partner for clean water and environmental protection.

### MISSION

Our dedicated Team delivers valuable water and sewer services that are essential to our community's health, environment, and economy through the stewardship of infrastructure and natural resources.

### VALUES

- **Integrity**  
We can be counted on to use sound judgement and follow-through on our promises.
- **Reliability**  
We are committed to consistently providing high-quality products and services.
- **Teamwork and Partnership**  
We work together to achieve shared goals.
- **Diversity and Inclusion**  
We are committed to creating an inclusive workplace that promotes and values diversity.
- **Innovation**  
We take a creative approach and adapt to changing circumstances.
- **Stewardship**  
We make wise and efficient use of the financial and natural resources with which we are entrusted.
- **Equity**  
We work to ensure fair access to and delivery of our essential services.

**ORANGE WATER AND SEWER AUTHORITY**  
**BOARD OF DIRECTORS**

**CHAIR**

Bruce Boehm  
1921 South Lakeshore Drive  
Chapel Hill, NC 27514  
Appointed by Chapel Hill; Term Expires June 30, 2025

**VICE CHAIR**

Melody Kramer  
103 Richard Dixon Court  
Carrboro, NC 27510  
Appointed by Carrboro, Term Expires June 30, 2025

**SECRETARY**

Elmira Mangum  
102 Rivercreek Place  
Carrboro, NC 27510  
Appointed by Carrboro; Term Expires June 30, 2025

**MEMBERS**

Todd BenDor  
904 Coker Drive  
Chapel Hill, NC 27517  
Appointed by Chapel Hill; Term Expires June 30, 2024

Jody Eimers  
3120 Landeau Dr.  
Hillsborough, NC 27278  
Appointed by Orange County; Term Expires June 30, 2024

Pedro Garcia  
319 Sonoma Way  
Chapel Hill, NC 27516  
Appointed by Chapel Hill; Term Expires June 30, 2025

Kyle Onda  
100 Valley View Drive  
Chapel Hill, NC 27516  
Appointed by Chapel Hill; Term Expires June 30, 2026

Kim Piracci  
101 Flamingo Road  
Durham, NC 27705  
Appointed by Orange County; Term Expires June 30, 2026

**ORANGE WATER AND SEWER AUTHORITY**  
**MANAGEMENT TEAM**

Denise Battle, Customer Service Manager  
Tim Czupka, CGCIO, Director of Information Technology  
Mary Darr, P.E., General Manager of Operations  
Monica Dodson, Water Supply and Treatment Manager  
Jesse DuClau, Water Distribution and Wastewater Collection Systems Manager  
Vishnu Gangadharan, P.E., Director of Engineering and Planning  
Stephanie Glasgow, M.E.S.H., MPM, P.H.R., SHRM-CP, Director of Human Resources and Safety  
Jessica Godreau, P.E., BCEE, Engineering Manager (Development Services)  
Katie Hall, Public Information Officer  
Wil Lawson, Water Treatment and Biosolids Recycling Manager  
Andrea Orbich, Executive Assistant  
Ruth Rouse, A.I.C.P., Planning and Development Manager  
Kelly Satterfield, CPA, Finance and Procurement Manager  
Allison Spinelli, P.E., Engineering Manager (Capital Projects)  
Todd Taylor, P.E., Executive Director  
Stephen Winters, CPA, Director of Finance

**GENERAL COUNSEL**

Robert Epting, Esquire  
Epting and Hackney, Attorneys at Law

**FINANCIAL MANAGEMENT POLICY**

OWASA's Board-approved Financial Management Policy begins on page 68 of this budget document. The policy provides guidance to staff about OWASA's financial management objectives. To ensure the organizational fiscal objectives are appropriate, the policy is reviewed no less frequently than every five years.

**BUDGET PREPARATION AND CALENDAR**

**Basis of Accounting**

OWASA maintains its financial records and presents its financial reports as an *enterprise fund* and uses the *accrual method* for financial reporting; generally, revenue is recognized when earned and expenses are recognized when incurred. The annual budget is prepared using the *modified accrual method*. The primary differences between the two accounting methods are shown below.

| <b>Transaction Type</b>            | <b>Financial Reporting (Accrual)</b> | <b>Budgetary (Modified Accrual)</b> |
|------------------------------------|--------------------------------------|-------------------------------------|
| Depreciation expense               | <i>Included</i> as an expense        | <i>Excluded</i> as an expense       |
| Principal portion of debt payments | <i>Excluded</i> as an expense        | <i>Included</i> as an expense       |
| Vacation accrual expense           | <i>Included</i> as an expense        | <i>Excluded</i> as an expense       |
| Assessment income                  | Recognized in year assessed          | Recognized in year collected        |

**Budget Process**

OWASA's budget process begins in the fall of each year. Many key elements are prescribed in the *Financial Management Policy* and major milestones are published in a budget calendar. The operating expense and capital improvements program budgets are prepared by the staff with guidance and review by the Board of Directors.

In January, before the budget development process begins, staff presents assumptions and goals for fiscal year budget to the Board of Directors. The budget development process then begins with preparation of line-item budget requests by each of OWASA’s departments and includes estimates for any new initiatives or cost reduction strategies. A 15-year financial plan is used to develop alternatives including possible rate adjustments and debt financing arrangements to achieve full cost recovery and meet OWASA’s financial obligations. The following calendar reflects the timeframe for the preparation of this budget.

**Budget Calendar**

|                  |  |
|------------------|--|
| December 2022    | Distributed templates for the preparation of operating expense appropriations, capital equipment requests and departmental budget narratives.  |
| January 9, 2023  | Board of Directors Meeting – reviewed FY 2024 Budget Calendar, Assumptions and Goals   |
| February 3, 2023 | Submission of Capital Equipment Request Forms, Budget Narratives and Departmental Operating Budget Requests to Budget Officer.   |
| February 9, 2023 | Board of Directors Meeting – managers of the Water Supply and Treatment, Water Distribution and Wastewater Collection, and Wastewater Treatment and Biosolids Recycling departments presented information about key drivers, opportunities and challenges of their departments’ preliminary budgets. |
| March 9, 2023    | Board of Directors Meeting - set the date for public hearings and discuss FY 2024 Draft Budget.  |
| April 13, 2023   | Board of Directors Meeting – discuss FY 2024 Draft Budget and rate adjustment alternatives and authorize staff to publicize budget and rates information.  |
| May 11, 2023     | Board of Directors Meeting – Public Hearing on the Draft Annual Budget, Capital Improvements Budget and proposed adjustments to rates, fees, and charges.  |
| June 8, 2022     | Board of Directors Meeting – adopt FY 2024 Annual Budget and Schedule of Rates, Fees and Charges.  |
| July 2023        | Distribute FY 2024 Annual Budget.  |



### Rate Projections and Budgetary Forecast

OWASA’s annual financial planning and budget development process includes a 15-year projection of revenues, expenditures, borrowing needs, and rate adjustments. Revenue projections are based on estimates of customer water demand and service area growth. Operating expenses are projected to increase based on a combination of anticipated inflation rates and specific expected cost increases or decreases.

Annual rate increases over the 15-year planning horizon are expected to be between 4% and 10%. However, because conditions change, OWASA updates its financial plan each year and actual rate increases could vary from the projection.

The following summarizes projections for the next ten years. Revenue is projected based on assumptions of per-customer water use and estimates of system growth. Operating expense projections are based on assumptions about the rate of inflation and specific anticipated expense increases or decreases. Future capital improvement investment projections are based on system growth expectations and our ongoing processes for identifying assets that are nearing the end of their useful lives.

|                                      | <b>FY 2025</b>               | <b>FY 2026</b> | <b>FY 2027</b> | <b>FY 2028</b> | <b>FY 2029</b> | <b>FY 2030</b> | <b>FY 2031</b> | <b>FY 2032</b> | <b>FY 2033</b> | <b>FY 2034</b> |
|--------------------------------------|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Rate increase</b>                 | 9%                           | 10%            | 6%             | 6%             | 6%             | 5%             | 4%             | 4%             | 4%             | 4%             |
|                                      | (numbers below in thousands) |                |                |                |                |                |                |                |                |                |
| <b>Operating revenue</b>             | \$53,814                     | \$58,974       | \$63,060       | \$66,863       | \$70,846       | \$74,512       | \$77,652       | \$80,780       | \$84,065       | \$87,503       |
| <b>Operating expenses</b>            | 30,659                       | 31,955         | 33,312         | 34,731         | 36,217         | 37,772         | 39,399         | 41,104         | 42,888         | 44,757         |
| <b>Capital Improvements Projects</b> | 28,302                       | 35,901         | 34,463         | 39,008         | 49,866         | 64,828         | 49,968         | 34,054         | 29,662         | 25,589         |
| <b>Debt service coverage ratio</b>   | 2.1                          | 1.9            | 2.4            | 2.0            | 2.1            | 2.0            | 2.1            | 2.0            | 2.0            | 2.0            |
|                                      |                              |                |                |                |                |                |                |                |                |                |

OWASA’s service area is determined by the municipalities and is unlikely to change in the planning period covered by these projections. Because there is little undeveloped land in the service area, increases in the number of customers served and the volume of water used by the community is likely to be minimal. Since costs are expected to continue to increase, rate increases will be necessary to be able to operate and invest in the system and maintain financial stability and sustainability.

**STATEMENT OF INCOME, EXPENSE AND DEBT SERVICE (OPERATING)**

|                                     | <b>FY 2022</b>     | <b>FY 2023</b>     | <b>FY 2023</b>     | <b>FY 2023</b>  | <b>FY 2024</b>     | <b>FY 2024</b>  |
|-------------------------------------|--------------------|--------------------|--------------------|-----------------|--------------------|-----------------|
|                                     | <b>Actual</b>      | <b>Budget</b>      | <b>Forecast</b>    | <b>Forecast</b> | <b>Budget</b>      | <b>Budget</b>   |
|                                     |                    |                    |                    | <b>to</b>       |                    | <b>to</b>       |
|                                     |                    |                    |                    | <b>FY 2023</b>  |                    | <b>FY 2023</b>  |
|                                     |                    |                    |                    | <b>Budget</b>   |                    | <b>Forecast</b> |
| <b>Operating Revenue</b>            |                    |                    |                    |                 |                    |                 |
| Water                               | \$18,872,830       | \$20,206,147       | \$20,922,792       | 3.55%           | \$24,345,351       | 16.36%          |
| Sewer                               | 18,049,316         | 20,776,916         | 20,458,789         | -1.53%          | 22,822,446         | 11.55%          |
| Reclaimed Water                     | 452,479            | 465,390            | 447,456            | -3.85%          | 441,300            | -1.38%          |
| Service Initiation Fee              | 15,945             | 16,510             | 14,298             | -13.40%         | 14,720             | 2.95%           |
| Other                               | 1,098,953          | 764,215            | 390,721            | -48.87%         | 673,576            | 72.39%          |
| Refunds and Adjustments             | <u>(129,536)</u>   | <u>(107,101)</u>   | <u>(181,504)</u>   | 69.47%          | <u>(134,012)</u>   | -26.17%         |
| <b>Total Operating Revenue</b>      | <u>38,359,987</u>  | <u>42,122,077</u>  | <u>42,052,552</u>  | -0.17%          | <u>48,163,381</u>  | 14.53%          |
| <b>Operating Expense</b>            |                    |                    |                    |                 |                    |                 |
| General and Administrative          | 8,109,518          | 9,219,707          | 8,989,559          | -2.50%          | 10,281,854         | 14.38%          |
| Operations                          | <u>14,682,266</u>  | <u>17,206,487</u>  | <u>16,876,160</u>  | -1.92%          | <u>19,917,997</u>  | 18.02%          |
| <b>Total Operating Expense</b>      | <u>22,791,784</u>  | <u>26,426,194</u>  | <u>25,865,719</u>  | -2.12%          | <u>30,199,851</u>  | 16.76%          |
| <b>Net Operating Income</b>         | 15,568,203         | 15,695,883         | 16,186,833         | 3.13%           | 17,963,530         | 10.98%          |
| <b>Non-operating Revenue</b>        |                    |                    |                    |                 |                    |                 |
| System Development Fees             | 801,021            | 1,351,674          | 1,007,437          | -25.47%         | 1,031,306          | 2.37%           |
| Interest and Other                  | <u>17,689</u>      | <u>3,085</u>       | <u>399,513</u>     | 12850.18%       | <u>256,845</u>     | -35.71%         |
| <b>Total Net Income</b>             | <u>16,386,913</u>  | <u>17,050,642</u>  | <u>17,593,783</u>  | 3.19%           | <u>19,251,681</u>  | 9.42%           |
| <b>Debt Service</b>                 | 7,842,182          | 10,450,040         | 8,980,154          |                 | 10,626,764         |                 |
| <b>Net Income Less Debt Service</b> | <u>\$8,544,731</u> | <u>\$6,600,602</u> | <u>\$8,613,629</u> | 30.50%          | <u>\$8,624,917</u> | 0.13%           |
| <b>Debt Coverage Ratio</b>          | 2.1                | 1.6                | 2.0                |                 | 1.8                |                 |

This income statement discloses the source and application of OWASA's revenues and reflects the adequacy of operating revenues to meet the costs of operations and to satisfy debt service requirements. As presented in the Statement of Income and Expense (Capital/Non-Operating), excess revenues are available for transfer to the General Fund, the established funding mechanism for capital expenditures.

**STATEMENT OF INCOME AND EXPENSE (CAPITAL/NON-OPERATING)**

|  | <b>FY 2022<br/>Actual</b> | <b>FY 2023<br/>Budget</b> | <b>FY 2023<br/>Forecast</b> | <b>FY 2023<br/>Forecast<br/>to<br/>FY 2023<br/>Budget</b> | <b>FY 2024<br/>Budget</b> | <b>FY 2024<br/>Budget to<br/>FY 2023<br/>Forecast</b> |
|--|---------------------------|---------------------------|-----------------------------|---|---------------------------|---|
| General Fund   |                           |                           |                             |   |                           |   |
| Resources  |                           |                           |                             |   |                           |   |
| Transfer from Revenue  | <u>\$8,544,731</u>        | <u>\$6,600,602</u>        | <u>\$8,613,629</u>          | 30.50%  | <u>\$8,624,917</u>        | 0.13%   |
| Annual Income Available for Capital                          | 8,544,731                 | 6,600,602                 | 8,613,629                   | 30.50%  | 8,624,917                 | 0.13%   |
| Transfer from Construction Fund (Bond/Loan Proceeds)         | <u>10,280,605</u>         | <u>11,451,350</u>         | <u>6,229,403</u>            | 0.00%   | <u>13,328,692</u>         | 0.00%   |
| Total Available for Capital                                  | <u>18,825,336</u>         | <u>18,051,952</u>         | <u>14,843,032</u>           | -17.78%   | <u>21,953,609</u>         | 47.91%  |
| Capital Expenditures   |                           |                           |                             |   |                           |   |
| Project Ordinances Funded by General Fund/Bond/Loan Proceeds | <u>9,387,634</u>          | <u>16,736,578</u>         | <u>16,500,000</u>           | 0.00%   | <u>16,124,000</u>         | -2.28%  |
| Total Project Resolutions                                    | 9,387,634                 | 16,736,578                | 16,500,000                  | -1.41%  | 16,124,000                | -2.28%  |
| Capital Equipment  | <u>892,971</u>            | <u>1,315,374</u>          | <u>1,315,374</u>            | 0.00%   | <u>1,706,635</u>          | 29.75%  |
| Total Capital Outlay   | <u>10,280,605</u>         | <u>18,051,952</u>         | <u>17,815,374</u>           | -1.31%  | <u>17,830,635</u>         | 0.09%   |
| Annual General Fund Balance                                  | <u><u>\$8,544,731</u></u> | <u><u>\$0</u></u>         | <u><u>(\$2,972,342)</u></u> |   | <u><u>\$4,122,974</u></u> | -238.71%  |
| General Fund Beginning Balance                               |                           | 26,510,758                | 26,510,758                  | 0.00%   | 23,538,416                | -11.21%   |
| General Fund Ending Balance                                  | 23,538,416                | 18,834,915                | 23,538,416                  | 24.97%  | 27,661,390                | 17.52%  |
| Project Funding Reserves                                     | 5,189,341                 | (4,062,334)               | 641,167                     | -115.78%  |                           | -100.00%  |
| Rate/Revenue Stabilization                                   | 1,852,584                 | 2,047,049                 | 2,047,049                   | 0.00%   | 2,100,000                 | 2.59%   |
| Capital Improvements   | 5,200,000                 | 5,600,000                 | 5,600,000                   | 0.00%   | 5,828,190                 | 4.07%   |
| Working Capital  | <u>11,296,491</u>         | <u>15,250,200</u>         | <u>15,250,200</u>           | 0.00%   | <u>19,733,200</u>         | 29.40%  |
| <b>Unallocated General Fund Balance</b>                      | <u><u>-</u></u>           | <u><u>-</u></u>           | <u><u>-</u></u>             |   | <u><u>-</u></u>           |   |

**FUND BALANCE STATEMENTS**

**CONSOLIDATED SUMMARY - INTRAGOVERNMENTAL SERVICE FUNDS  
FY 2024**

|                      | <b>Beginning<br/>Balance</b> | <b>Revenues</b>            | <b>Expenditures</b>          | <b>Ending<br/>Balance</b>  | <b>Change in<br/>Balance</b> |
|----------------------|------------------------------|----------------------------|------------------------------|----------------------------|------------------------------|
| Revenue Fund         | -                            | \$49,451,532               | (\$49,451,532)               | -                          | -                            |
| Bond Service<br>Fund | -                            | 10,626,764                 | (10,626,764)                 | -                          | -                            |
| General Fund         | <u>23,538,416</u>            | <u>21,953,609</u>          | <u>(17,830,635)</u>          | <u>27,661,390</u>          | <u>4,122,974</u>             |
| <b>Total</b>         | <u><u>\$23,538,416</u></u>   | <u><u>\$82,031,905</u></u> | <u><u>(\$77,908,931)</u></u> | <u><u>\$27,661,390</u></u> | <u><u>\$4,122,974</u></u>    |

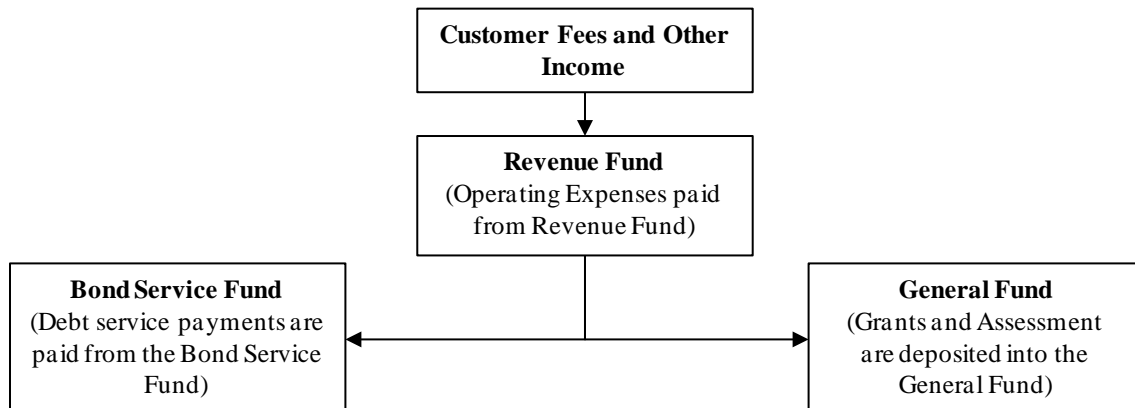
**OWASA's Fund Accounting Structure**

The Budget Ordinance reflects inflows and outflows of economic resources that represent activities related to the General Fund. Other funds presented here are either required contractually or are sub-accounts of the General Fund. Because of the close relationship of these funds to the General Fund, the following Fund Statements are included as attachments to the Budget Ordinance and are adopted as such. All funds, unrestricted and restricted, are treated as a part of the General Fund in OWASA's audited financial statements.

In accordance with OWASA's Amended and Restated Bond Order, Series 2001, all revenues from the operation of the water and wastewater system are deposited into the Revenue Fund except for grants and assessment proceeds which are earmarked for other purposes. Revenues are first applied to the payment of current expenses and then to the repayment of outstanding debt. Any excess amounts above the cost of current operations and debt service are available for capital improvements and may be transferred, upon certification to the Trustee, to the General Fund. The Revenue Fund is administered by OWASA.

The Bond Service Fund is established by the Amended and Restated Bond Order, Series 2001 and serves as the mechanism for repaying the current portion of long-term debt. The Bond Order requires that the total of any principal and interest payments on long-term debt be transferred to the Bond Service Fund no later than 45 working days prior to the due date of such payments. This Fund is comprised of restricted assets and is administered by the Bond Trustee.

Establishment of the General Fund is required by statute and is administered by OWASA. Monies in the General Fund may be used for any lawful purpose and, in addition to bond proceeds, are OWASA's primary source to pay for capital improvements. Interest earnings in the General Fund are considered debt-pledged revenue and are to be transferred to the credit of the Revenue Fund. The following flowchart shows the interrelationship of the funds.



## Financial Reserves

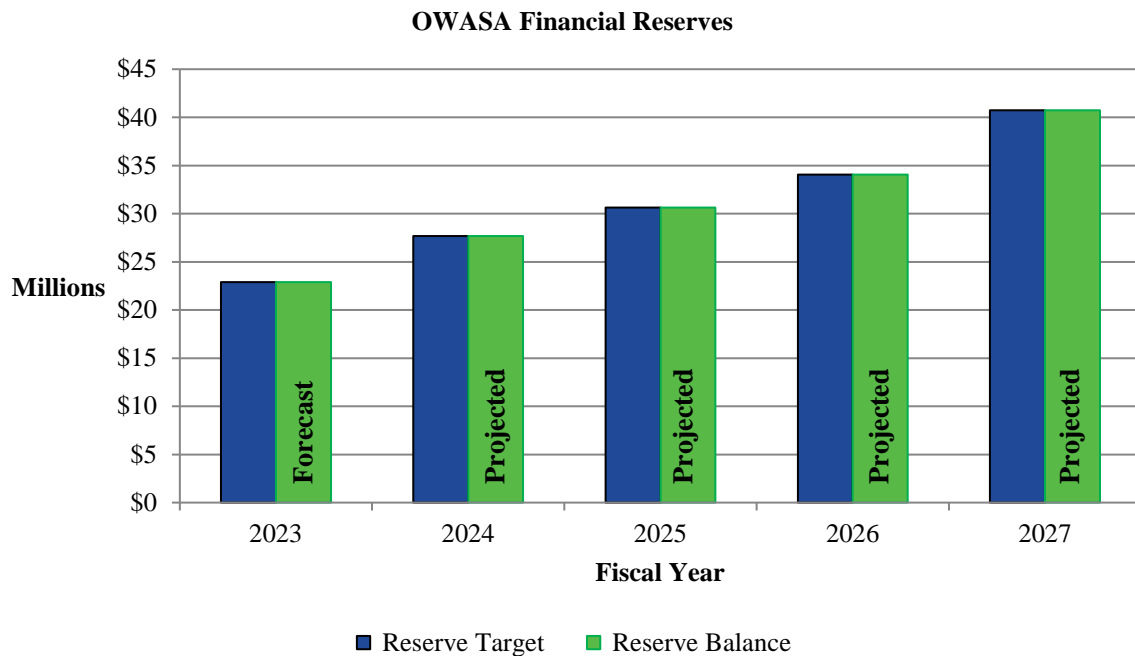
OWASA’s *Financial Management Policy* (see Section III) includes certain financial performance objectives which are intended to help management and other stakeholders monitor the organization’s financial condition. One of the objectives is to maintain adequate financial reserves and OWASA has established a minimum financial reserve target consisting of the following:

**Working Capital Reserve** – The greater of four months of operating expenses or 20% of the succeeding three years CIP budget. The balance in this reserve is projected to be about \$19.7 million at the end of FY 2024.

**Capital Improvements Reserve** – At least 2% of depreciated capital assets. As of the end of FY 2022, 2% of depreciated capital assets was about \$5.8 million. The balance in this reserve is projected to be approximately \$5.8 million at the end of FY 2024.

**Rate/Revenue Stabilization** – At least 5% of projected water and wastewater revenue. The balance in this reserve is projected to be about \$2.1 million at the end of FY 2024.

The graph below depicts the combined balance of the Working Capital, Capital Improvements, and Rate/Revenue Stabilization Reserve funds compared to the target.



**FUND BALANCE STATEMENTS**

**REVENUE FUND**

|                                    | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|------------------------------------|--------------|--------------|--------------|
| <b>Fund Balance July 1, 2023</b>   |              |              | -            |
| <b>Receipts</b>                    |              |              |              |
| <b>Operating Revenue</b>           |              |              |              |
| Customer Billings                  | 24,345,351   | 22,822,446   | 47,167,797   |
| Reclaimed Water                    | 441,300      | -            | 441,300      |
| Service Initiation Fee             | 7,360        | 7,360        | 14,720       |
| Other                              | 336,788      | 336,788      | 673,576      |
| Refunds and Adjustments            | (67,006)     | (67,006)     | (134,012)    |
| <b>Total Operating Revenue</b>     | 25,063,793   | 23,099,588   | 48,163,381   |
| <b>Non-operating Revenue</b>       |              |              |              |
| System Development Fees            | 520,534      | 510,772      | 1,031,306    |
| Interest Income                    | 128,423      | 128,422      | 256,845      |
| Total Non-operating Revenue        | 648,957      | 639,194      | 1,288,151    |
| <b>Total Receipts</b>              | 25,712,750   | 23,738,782   | 49,451,532   |
| <b>Expenditures</b>                |              |              |              |
| Current Expense                    | (16,484,966) | (13,714,885) | (30,199,851) |
| Debt Service                       | (5,555,433)  | (5,071,331)  | (10,626,764) |
| <b>Total Expenditures</b>          | (22,040,399) | (18,786,216) | (40,826,615) |
| <b>Net Revenue</b>                 |              |              | 8,624,917    |
| <b>To General Fund</b>             |              |              | (8,624,917)  |
| <b>Fund Balance June 30, 2024</b>  |              |              | -            |
| <b>Change in Available Balance</b> |              |              | -            |

**FUND BALANCE STATEMENTS**

**BOND SERVICE FUND**

|                                    |                             |                     |
|------------------------------------|-----------------------------|---------------------|
| <b>Fund Balance July 1, 2023</b>   |                             | -                   |
| <b>Receipts</b>                    |                             |                     |
| Transfers from Revenue Fund        | 10,626,764                  |                     |
| Interest                           | <u>                    </u> |                     |
| <b>Total Receipts</b>              |                             | 10,626,764          |
| <b>Expenditures</b>                |                             |                     |
| Debt Service                       | <u>10,626,764</u>           |                     |
| <b>Total Expenditures</b>          |                             | <u>(10,626,764)</u> |
| <b>Fund Balance June 30, 2024</b>  |                             | <u>-</u>            |
| <b>Change in Available Balance</b> |                             | <u><u>-</u></u>     |

**FUND BALANCE STATEMENTS**

**GENERAL FUND**

|   |            |                            |
|---|------------|----------------------------|
| <b>Fund Balance July 1, 2023</b>                      |            | \$23,538,416               |
| <b>Receipts</b>                                       |            |                            |
| Transfer from Revenue fund                            | 8,624,917  |                            |
| Transfer from Construction Fund (Loan Proceeds)       | 13,328,692 |                            |
| Interest  | -          |                            |
| Assessments   | -          |                            |
| Grants and contributions                              | -          |                            |
|   |            |                            |
| <b>Total Receipts</b>                                 |            | <u>21,953,609</u>          |
| <b>Total Balance Before Expenditures</b>              |            | 45,492,025                 |
| <b>Expenditures</b>                                   |            |                            |
| Capital Equipment/Leases                              | 1,706,635  |                            |
| Project Resolutions                                   | 16,124,000 |                            |
| Transfer to Revenue Fund                              | -          |                            |
|   |            |                            |
| <b>Total Expenditures</b>                             |            | <u>(17,830,635)</u>        |
| <b>Fund Balance June 30, 2024</b>                     |            | <u><u>\$27,661,390</u></u> |
| <b>Allocation of Fund Balance June 30, 2024</b>       |            |                            |
| Project Funding                                       |            |                            |
| Capital Reserves                                      | 27,661,390 |                            |
|   |            |                            |
| <b>Total Allocation</b>                               |            | <u><u>\$27,661,390</u></u> |
| <b>Unallocated General Fund Balance June 30, 2024</b> |            | <u>-</u>                   |
| <b>Change in Available Balance</b>                    |            | <u><u>\$4,122,974</u></u>  |



## FUNDS FLOW STATEMENT

### Revenue Fund

|  |              |              |
|--|--------------|--------------|
| Operating Revenue  | \$48,163,381 |              |
| Customer Fees  | 1,031,306    |              |
| Interest Income  | 256,845      |              |
|  |              |              |
| Total Revenues   |              | 49,451,532   |
| Operating and Maintenance Expense                                | (30,199,851) |              |
| <b>Bond Service Fund</b> (transfers to)                          | (10,626,764) |              |
|  |              |              |
| Total Expenditures   |              | (40,826,615) |
| Excess operating revenue (to be transferred to the General Fund) |              | 8,624,917    |

### General Fund

|   |            |                     |
|---|------------|---------------------|
| Beginning Balance July 1, 2023                        | 23,538,416 |                     |
| Transfer from Revenue Fund                            | 8,624,917  |                     |
| Assessments   | -          |                     |
| Grants and Contributions                              | -          |                     |
|   |            |                     |
| Total General Fund Balance (available for allocation) |            | 32,163,333          |
| <b>Construction Fund - Loan Proceeds</b>              |            | 13,328,692          |
| Total General Fund and Loan Proceeds                  |            | 45,492,025          |
| Project Resolutions                                   | 16,124,000 |                     |
| Capital Equipment and Leases                          | 1,706,635  |                     |
|   |            |                     |
| Total General Fund Expenditures                       |            | 17,830,635          |
| General Fund Ending Balance June 30, 2024             |            | <u>\$27,661,390</u> |
| Project Resolutions                                   | -          |                     |
| Reserves  | 27,661,390 |                     |
|   |            |                     |
| Total Allocation of General Fund Balance              |            | <u>\$27,661,390</u> |

**PLANNED OPERATING EXPENDITURES**

**EXPENDITURES BY CATEGORY**

| <b>Category</b>           | <b>FY22<br/>Actual</b> | <b>FY23<br/>Budget</b> | <b>FY23<br/>Forecast</b> | <b>FY23<br/>Forecast<br/>to FY23<br/>Budget<br/>Variance</b> | <b>FY24<br/>Budget</b> | <b>FY24<br/>Budget to<br/>FY23<br/>Forecast<br/>Variance</b> |
|---------------------------|------------------------|------------------------|--------------------------|--|------------------------|--|
| Personnel                 | \$13,049,422           | \$14,210,148           | \$13,501,580             | -5.0%  | \$15,916,647           | 17.9%  |
| Chemicals                 | 2,594,646              | 3,337,617              | 3,821,095                | 14.5%  | 4,483,653              | 17.3%  |
| Materials & Supplies      | 804,225                | 847,498                | 898,757                  | 6.0%   | 957,669                | 6.6%   |
| Utilities                 | 1,295,665              | 1,675,725              | 1,517,853                | -9.4%  | 1,581,039              | 4.2%   |
| Maintenance               | 3,115,413              | 3,924,565              | 3,691,845                | -5.9%  | 4,448,183              | 20.5%  |
| Professional Services     | 1,669,262              | 2,001,595              | 1,971,089                | -1.5%  | 2,234,309              | 13.4%  |
| Communication             | 200,552                | 214,411                | 209,049                  | -2.5%  | 211,361                | 1.1%   |
| Printing & Reproduction   | 11,336                 | 27,400                 | 24,819                   | -9.4%  | 25,700                 | 3.5%   |
| Education and Development | 98,993                 | 203,930                | 146,801                  | -28.0%   | 235,185                | 60.2%  |
| Other                     | 303,203                | 446,027                | 400,998                  | -10.1%   | 440,087                | 9.7%   |
| <b>Total</b>              | <b>23,142,717</b>      | <b>26,888,916</b>      | <b>26,183,886</b>        | <b>-2.6%</b>   | <b>30,533,833</b>      | <b>16.6%</b>   |
| Construction Credits      | (350,933)              | (462,723)              | (318,166)                | -31.2%   | (333,982)              | 5.0%   |
| <b>Net Expense</b>        | <b>\$22,791,784</b>    | <b>\$26,426,193</b>    | <b>\$25,865,720</b>      | <b>-2.1%</b>   | <b>\$30,199,851</b>    | <b>16.8%</b>   |

**EXPENDITURES BY DIVISION  
FISCAL YEAR 2024**

|                                   | <b>General and<br/>Administrative</b> | <b>Operating<br/>Departments</b> | <b>Total<br/>Budget</b> |
|-----------------------------------|---------------------------------------|----------------------------------|-------------------------|
| Personnel                         | \$4,592,125                           | \$6,429,051                      | \$11,021,176            |
| Payroll Taxes & Employee Benefits | 2,083,680                             | 2,811,792                        | 4,895,472               |
| Chemicals                         |                                       | 4,483,653                        | 4,483,653               |
| Materials & Supplies              | 236,615                               | 721,054                          | 957,669                 |
| Utilities                         | 173,860                               | 1,407,179                        | 1,581,039               |
| Maintenance                       | 776,265                               | 3,671,918                        | 4,448,183               |
| Professional Services             | 2,021,597                             | 212,711                          | 2,234,308               |
| Communication                     | 206,921                               | 4,440                            | 211,361                 |
| Printing & Reproduction           | 23,700                                | 2,000                            | 25,700                  |
| Education and Development         | 114,720                               | 120,465                          | 235,185                 |
| Other                             | 199,353                               | 240,734                          | 440,087                 |
| <b>Total</b>                      | <b>\$10,428,836</b>                   | <b>\$20,104,997</b>              | <b>\$30,533,833</b>     |
| Construction Credits              | (146,982)                             | (187,000)                        | (333,982)               |
| <b>Net Expense</b>                | <b>\$10,281,854</b>                   | <b>\$19,917,997</b>              | <b>\$30,199,851</b>     |

**PLANNED OPERATING EXPENDITURES**

**GENERAL AND ADMINISTRATIVE**

| <b>Category</b>               | <b>FY22<br/>Actual</b> | <b>FY23<br/>Budget</b> | <b>FY23<br/>Forecast</b> | <b>FY23<br/>Forecast<br/>to FY23<br/>Budget<br/>Variance</b> | <b>FY24<br/>Budget</b> | <b>FY24<br/>Budget to<br/>FY23<br/>Forecast<br/>Variance</b> |
|-------------------------------|------------------------|------------------------|--------------------------|--|------------------------|--|
| <b>Executive Director</b>     |                        |                        |                          |  |                        |  |
| Personnel Costs               | \$934,679              | \$1,022,064            | \$996,661                | -2.5%  | \$918,079              | -7.9%  |
| Operating Expenditures        | 643,656                | 737,568                | 643,238                  | -12.8%   | 683,110                | 6.2%   |
| Total Expenditures            | 1,578,335              | 1,759,632              | 1,639,899                | -6.8%  | 1,601,189              | -2.4%  |
| <b>Customer Service</b>       |                        |                        |                          |  |                        |  |
| Personnel Costs               | 696,053                | 729,546                | 737,885                  | 1.1%   | 814,207                | 10.3%  |
| Operating Expenditures        | 142,077                | 162,820                | 162,847                  | 0.0%   | 170,320                | 4.6%   |
| Total Expenditures            | 838,130                | 892,366                | 900,732                  | 0.9%   | 984,527                | 9.3%   |
| <b>Engineering</b>            |                        |                        |                          |  |                        |  |
| Personnel Costs               | 1,916,085              | 2,178,112              | 2,005,846                | -7.9%  | 2,388,518              | 19.1%  |
| Operating Expenditures        | 158,699                | 365,893                | 249,710                  | -31.8%   | 592,458                | 137.3%   |
| Total Expenditures            | 2,074,784              | 2,544,005              | 2,255,556                | -11.3%   | 2,980,976              | 32.2%  |
| <b>Human Resources</b>        |                        |                        |                          |  |                        |  |
| Personnel Costs               | 697,455                | 794,651                | 782,115                  | -1.6%  | 930,288                | 18.9%  |
| Operating Expenditures        | 337,015                | 526,700                | 526,420                  | -0.1%  | 449,515                | -14.6%   |
| Total Expenditures            | 1,034,470              | 1,321,351              | 1,308,535                | -1.0%  | 1,379,803              | 5.4%   |
| <b>Finance</b>                |                        |                        |                          |  |                        |  |
| Personnel Costs               | 610,195                | 619,267                | 621,209                  | 0.3%   | 769,987                | 23.9%  |
| Operating Expenditures        | 483,850                | 373,151                | 534,934                  | 43.4%  | 492,633                | -7.9%  |
| Total Expenditures            | 1,094,045              | 992,418                | 1,156,143                | 16.5%  | 1,262,620              | 9.2%   |
| <b>Information Technology</b> |                        |                        |                          |  |                        |  |
| Personnel Costs               | 640,479                | 701,381                | 689,698                  | -1.7%  | 854,726                | 23.9%  |
| Operating Expenditures        | 985,629                | 1,212,194              | 1,157,607                | -4.5%  | 1,364,995              | 17.9%  |
| Total Expenditures            | 1,626,108              | 1,913,575              | 1,847,305                | -3.5%  | 2,219,721              | 20.2%  |
| <b>Total G&amp;A</b>          | 8,245,872              | 9,423,347              | 9,108,170                | -3.3%  | 10,428,836             | 14.5%  |
| Construction Credit           | (\$136,354)            | (\$203,640)            | (\$118,611)              | -41.8%   | (\$146,982)            | 23.9%  |
| <b>Net Expense</b>            | <b>\$8,109,518</b>     | <b>\$9,219,707</b>     | <b>\$8,989,559</b>       | <b>-2.5%</b>   | <b>\$10,281,854</b>    | <b>14.4%</b>   |

**PLANNED OPERATING EXPENDITURES**

**OPERATING DEPARTMENTS**

| <b>Category</b>                     | <b>FY22<br/>Actual</b> | <b>FY23<br/>Budget</b> | <b>FY23<br/>Forecast</b> | <b>FY23<br/>Forecast<br/>to FY23<br/>Budget<br/>Variance</b> | <b>FY24<br/>Budget</b> | <b>FY24<br/>Budget to<br/>FY23<br/>Forecast<br/>Variance</b> |
|-------------------------------------|------------------------|------------------------|--------------------------|--|------------------------|--|
| <b>Water Supply &amp; Treatment</b> |                        |                        |                          |  |                        |  |
| Personnel Costs                     | \$2,004,417            | \$2,282,464            | \$2,170,228              | -4.9%  | \$2,499,935            | 15.2%  |
| Operating Expenditures              | 2,938,102              | 3,774,739              | 4,083,692                | 8.2%   | 4,735,865              | 16.0%  |
| Total Expenditures                  | 4,942,519              | 6,057,203              | 6,253,920                | 3.2%   | 7,235,800              | 15.7%  |
| <b>Water Distribution</b>           |                        |                        |                          |  |                        |  |
| Personnel Costs                     | 2,447,123              | 2,717,293              | 2,323,067                | -14.5%   | 3,132,120              | 34.8%  |
| Operating Expenditures              | 804,724                | 1,138,112              | 996,858                  | -12.4%   | 1,163,119              | 16.7%  |
| Total Expenditures                  | 3,251,847              | 3,855,405              | 3,319,925                | -13.9%   | 4,295,239              | 29.4%  |
| <b>Wastewater Treatment</b>         |                        |                        |                          |  |                        |  |
| Personnel Costs                     | 2,292,493              |                        |                          |  |                        |  |
|                                     |                        | 2,291,288              | 2,274,761                | -0.7%  | 2,471,118              | 8.6%   |
| Operating Expenditures              | 2,893,807              | 3,726,586              | 3,774,496                | 1.3%   | 4,282,288              | 13.5%  |
| Total Expenditures                  | 5,186,300              | 6,017,874              | 6,049,257                | 0.5%   | 6,753,406              | 11.6%  |
| <b>Wastewater Collection</b>        |                        |                        |                          |  |                        |  |
| Personnel Costs                     | 810,443                | 874,085                | 900,110                  | 3.0%   | 1,137,671              | 26.4%  |
| Operating Expenditures              | 705,736                | 661,004                | 552,504                  | -16.4%   | 682,881                | 23.6%  |
| Total Expenditures                  | 1,516,179              | 1,535,089              | 1,452,614                | -5.4%  | 1,820,552              | 25.3%  |
| <b>Total Operating Departments</b>  |                        |                        |                          |  |                        |  |
|                                     | 14,896,845             | 17,465,571             | 17,075,716               | -2.2%  | 20,104,997             | 17.7%  |
| Construction Credit                 | (214,579)              | (259,083)              | (199,555)                | -23.0%   | (187,000)              | -6.3%  |
| <b>Net Expense</b>                  | <b>\$14,682,266</b>    | <b>\$17,206,488</b>    | <b>\$16,876,161</b>      | <b>-1.9%</b>   | <b>\$19,917,997</b>    | <b>18.0%</b>   |

**PLANNED CAPITAL EQUIPMENT EXPENDITURES**

**FISCAL YEAR 2024**

**Capital Equipment Summary**

|                               |                           |
|-------------------------------|---------------------------|
| Vehicles and heavy equipment  | \$1,259,135               |
| Computer equipment            | 346,000                   |
| Grounds maintenance equipment | 63,500                    |
| Laboratory equipment          | <u>38,000</u>             |
| Total                         | <u><u>\$1,706,635</u></u> |

**Definition of Capital Equipment Expenditures**

Expenditures budgeted to purchase or add to fixed assets with an estimated useful life greater than one year and costing \$5,000 or more.

**DEBT SERVICE FOR FISCAL YEARS 2024-2043**

**Schedule of Existing Long-term Bonds and Loans**

|                                       | <b>Issue Dates</b> | <b>Interest Rates<br/>(Avg.<br/>Coupon)</b> | <b>Outstanding at<br/>06/30/23</b> |
|---------------------------------------|--------------------|---|------------------------------------|
| Series 2014 Revenue Refunding Bonds   | 12/18/2014         | 4.488%                                      | 9,705,000                          |
| Series 2018 Revenue Refunding Bonds   | 5/1/2018           | 3.746%                                      | 15,315,000                         |
| Series 2019 Revenue Bonds             | 11/15/2019         | 4.265%                                      | 15,410,000                         |
| Series 2020 Revenue Refunding Bonds   | 4/7/2020           | 5.000%                                      | 4,865,000                          |
| Series 2021 Revenue Bonds             | 4/7/2020           | 3.611%                                      | 18,350,000                         |
| <b>Total Bonded Debt</b>              |                    |   | <b>\$63,645,000</b>                |
| <br>                                  |                    |   |                                    |
| Loan from the State of North Carolina | Various            | 0% to 1.53                                  | \$18,715,921                       |

**Schedule of Existing and Potential Annual Debt Service**

| <b>Fiscal Year<br/>Ending<br/>June 30</b> | <b>Existing Debt<br/>Service</b> | <b>Potential Debt<br/>Service<br/>(Estimated)</b> | <b>Total Existing and<br/>Potential Debt<br/>Service</b> |
|---|----------------------------------|---|--|
| 2024                                      | \$9,303,075                      | \$1,323,689                                       | \$10,626,764   |
| 2025                                      | 9,339,663                        | 1,528,497   | 10,868,160   |
| 2026                                      | 9,344,998                        | 5,035,340   | 14,380,338   |
| 2027                                      | 7,541,410                        | 5,035,340   | 12,576,750   |
| 2028                                      | 7,537,371                        | 8,675,151   | 16,212,522   |
| 2029                                      | 7,531,758                        | 8,675,151   | 16,206,909   |
| 2030                                      | 4,922,444                        | 13,651,233  | 18,573,677   |
| 2031                                      | 4,906,632                        | 13,651,233  | 18,557,865   |
| 2032                                      | 3,450,567                        | 16,596,721  | 20,047,288   |
| 2033                                      | 3,444,254                        | 16,596,721  | 20,040,975   |
| 2034                                      | 3,430,689                        | 17,915,622  | 21,346,311   |
| 2035                                      | 3,087,076                        | 17,915,622  | 21,002,698   |
| 2036                                      | 3,077,112                        | 18,892,812  | 21,969,924   |
| 2037                                      | 3,065,448                        | 18,892,832  | 21,958,280   |
| 2038                                      | 3,050,536                        | 19,552,153  | 22,602,689   |
| 2039                                      | 2,990,144                        | 19,552,153  | 22,542,297   |
| 2040                                      | 2,664,577                        | 19,552,153  | 22,216,730   |
| 2041                                      | 2,107,638                        | 19,552,153  | 21,659,791   |
| 2042                                      | 2,110,838                        | 19,552,153  | 21,662,991   |
| 2043                                      | 0                                | 19,552,153  | 19,552,153   |
| <b>Total</b>                              | <b>\$92,906,230</b>              | <b>\$281,698,882</b>                              | <b>\$374,605,112</b>                                     |

**Potential Debt**

Based on OWASA's long-range financial plan, there is a potential need for bond financing of capital improvements in future years. The "potential debt service" shown above relates to this need.

**Debt Coverage**

OWASA's Bond Order requires a minimum annual required Debt Service Coverage Ratio of 1.2. OWASA's Financial Management Policy states that the minimum annual debt service coverage ratio shall be 2.0; provided, however, that the minimum coverage ratio for any single year when severe weather anomalies or other unforeseen circumstances occur which negatively impact revenues and/or expenses shall not be less than 1.5 during the Fiscal

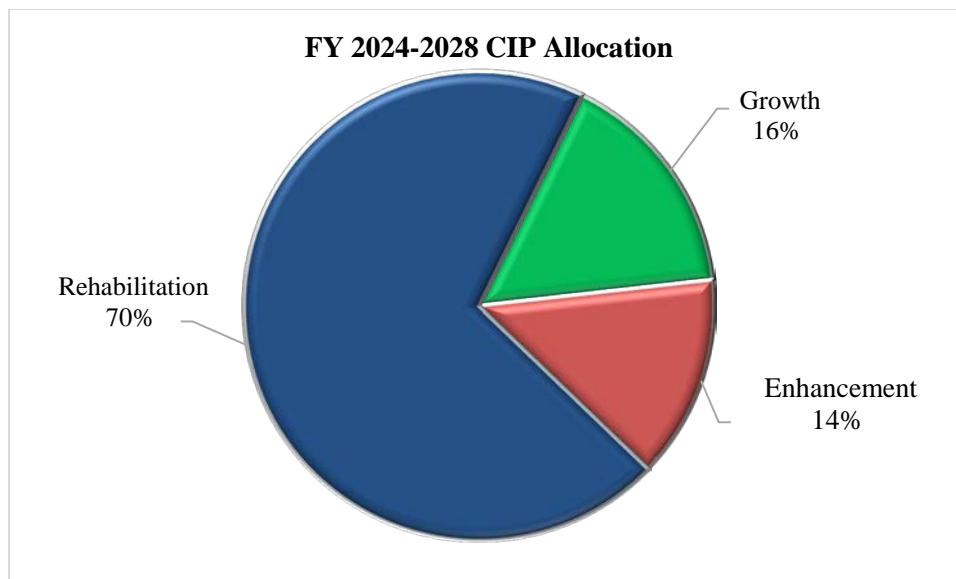
Year. The FY 2024 budget is designed achieve a debt service coverage ratio of 1.8. Since our financial management policy objectives for reserve balances, sufficiency of revenues above debt requirements, and cash financing of capital are all projected to be met, we decided not to burden rate payers with a higher rate increase simply to meet the debt service coverage ratio performance target. We are projecting to meet the debt service coverage ratio target in future years.

### **CAPITAL IMPROVEMENTS PROGRAM BUDGET**

Capital Improvements Program (CIP) expenditures are defined as those that pay for the addition, rehabilitation, and replacement of OWASA-owned water, wastewater, and reclaimed water system infrastructure and other depreciable assets. In general, CIP projects are identified as those projects that exceed \$10,000 in value and provide a system component that has an expected service life of at least five years. The five-year CIP is reviewed and updated annually.

CIP needs are identified by hydraulic models, risk/prioritization models, OWASA’s Energy Management Program, master planning studies, condition assessment, staff observations, regulatory or contractual requirements, repair and maintenance work order evaluation, community feedback, and strategic planning. After CIP projects are identified, a staff team prioritizes projects using a weighted criteria model. In addition to the results of this project prioritization, staff accounts for project interrelationships, coordination with other entities (Towns, Department of Transportation, etc.), project urgency, implementation considerations, and other external schedule constraints.

The FY 2024-2028 CIP budget totals about \$153.8 million. Most of the 5-year investments will be spent rehabilitating existing assets.



The Board has approved a CIP budget for FY 2024 for over 50 projects totaling \$16,124,000.

We are confident that the level of investment presented in this CIP leaves OWASA well-positioned to remain the sustainable, responsible, and environmentally focused organization that our community expects.

The projects listed below have been identified for funding in FY 2024.

**CAPITAL IMPROVEMENTS PROJECTS FUNDED IN FY 2024**

| <b>Project Description</b>  | <b>Purpose of Project</b>   | <b>Amount</b> |
|---|---|---------------|
| <b>Raw Water Supplies</b>   |   |               |
| Annual payment to preserve OWASA's Level II Jordan Lake storage allocation        | Our Jordan Lake storage allocation serves as insurance against future water shortages   | \$10,000      |
| Quarry Reservoir Development – annual contribution to a no-fault well repair fund | Required by Special Use Permit  | 95,000        |
| Cane Creek Pump Station Improvements  | Installation of new equipment to improve performance  | 25,000        |
| University Lake Permanganate Facility   | New chemical storage and feed facility to improve water treatment   | 1,000,000     |
| Cane Creek dam rehabilitation   | Spillway rehabilitation recommended by recent inspection  | 50,000        |
| Western Intake Partnership Projects   | Planning for intake, treatment and distribution facilities to ensure access to Jordan Lake storage allocation   | 500,000       |
| University Lake Dam Improvements  | Concrete repair   | 75,000        |
| Cane Creek Dam Diversion Tunnel Improvements                                      | Clean diversion ditch for bypass tunnel   | 50,000        |
| <b>Water Transmission and Distribution</b>  |   |               |
| Reimbursement for distribution system improvements                                | Reimbursements for water main upgrades constructed as part of external projects   | 115,000       |
| Water Distribution System Replacements  | Water main replacement projects constructed by OWASA crews.   | 1,009,000     |
| Water distribution system hydraulic model   | Analysis of the water distribution system hydraulic capacity  | 250,000       |
| Lead and copper rule revisions compliance   | Research to identify lead and copper services lines in the service area in compliance with rules issued by EPA  | 250,000       |
| Rogerson-Berkley Water Main Replacement   | Replacement due to age and condition  | 1,100,000     |
| West Rosemary 12” AC Water Main Replacement                                       | Replacement due to age and condition  | 200,000       |
| Distribution System Asset Management  |   | 30,000        |
| AC Water Line Replacements  | Replacement due to age and condition  | 50,000        |
| <b>Water Treatment and Supply</b>   |   |               |
| WTP electrical distribution improvements  | Convert the remainder of plant electrical distribution system to an updated voltage standard (a majority of the system already uses the updated standard) and to provide closed transition transfer capabilities for generators | 1,000,000     |
| WTP clearwell rehabilitation  | Concrete repairs as recommended by a comprehensive inspection   | 25,000        |



| <b>Project Description</b>   | <b>Purpose of Project</b>   | <b>Amount</b> |
|--|---|---------------|
| WTP belt filter press replacement  | Replacement due to age and condition  | 1,100,000     |
| WTP finished water pump #4 motor and pump replacement                        | Improvements to pumps, motors and electrical components   | 325,000       |
| Supervisory Control and Data Acquisition (SCADA) master plan recommendations | Replacement of critical process control equipment   | 800,000       |
| PFAS Removal Study, Design, and Treatment                                    | Improvements to remove PFAS compounds from drinking water   | 800,000       |
| Water Supply and Treatment Condition Assessments                             | Assess condition of prioritized areas of the WTP  | 100,000       |
| Highway 54 Pump Station Improvements   | Installation of new equipment to improve performance  | 75,000        |
| <b>Wastewater Collection, Treatment and Disposal</b>                         |   |               |
| Gravity Sewer Evaluation   | Assess condition of prioritized large gravity sewers  | 50,000        |
| Gravity sewer rehabilitation program   | Design and rehabilitation of deteriorated wastewater mains and manholes   | 1,125,000     |
| Bolinwood interceptor replacement  | Replacement due to age and condition  | 50,000        |
| Creek Crossing Access Improvements   | Improve ability to perform maintenance on creek crossings   | 115,000       |
| Rogerson Drive Force Main and Pump Station Program Services                  | Rehabilitation due to age and condition   | 100,000       |
| Morgan Creek interceptor replacement   | Rehabilitation due to age and condition   | 1,315,000     |
| Collection system asset management   | Temporary flow monitoring to further assess inflow/infiltration sources   | 40,000        |
| Collection system on-call modeling   | To improve the reliability of model used to analyze the collection system   | 20,000        |
| Chapel Hill North pump station rehabilitation                                | Replacement and conversion to submersible pump station  | 400,000       |
| Biogas Removal System Improvements   | Installation of new equipment   | 150,000       |
| WWTP facilities planning   | Assess long-term needs  | 150,000       |
| WWTP clarifier No. 4 conversion  | Improvements to the clarifier's effluent troughs to alleviate operational and maintenance concerns and increase its useful life | 560,000       |
| WWTP digester #3 and #4 stairwell safety improvements                        | Improve safety of accessing facilities  | 200,000       |
| Cobb Terrace Sewer Rehabilitation  | Rehabilitation due to age and condition   | 50,000        |
| Force Main Air Release Valve Replacements                                    | Rehabilitation due to age and condition   | 80,000        |
| Eastowne Generator Replacement   | Replacement due to age and condition  | 50,000        |

| <b>Project Description</b>                                   | <b>Purpose of Project</b>   | <b>Amount</b>       |
|--|---|---------------------|
| Piney Mountain Force Main Lining                             | Rehabilitation due to age and condition                                   | 15,000              |
| WWTP and Pump Station PLC Replacement                        | Replacement due to age and condition                                      | 650,000             |
| Wastewater Condition Assessments                             | Assess condition of prioritized areas of the WWTP                         | 40,000              |
| WWTP Morgan Creek Pump Station Ventilation and Coatings      | Design and installation of coating and ventilation improvements           | 25,000              |
| WWTP Gas Monitoring  | Installation of gas monitoring equipment in prioritized areas of the WWTP | 280,000             |
| WWTP Digester #3 and #4 Rehabilitation                       | Rehabilitation due to age and condition                                   | 400,000             |
| Reclaimed Water Quality Evaluation                           | Evaluation of conductivity issues and use of corrosion inhibitor          | 75,000              |
| <b>Administration Facilities</b>                             |   |                     |
| Administration Building IT Server Room HVAC                  | Replacement due to age and condition                                      | 150,000             |
| Facilities Improvements                                      | Rehabilitation and replacement due to age and condition                   | 1,000,000           |
| <b>Total Capital Improvements Projects Funded in FY 2024</b> |   | <b>\$16,124,000</b> |

**OWASA CAPITAL IMPROVEMENTS PROGRAM FIVE-YEAR OVERVIEW FOR FY 2024-2028**

| <b>Project Category:</b>                | <b>Annual Totals</b> |                     |                     |                     |                     | <b>5-Year Total</b>  |
|---|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
|   | <b>FY 2024</b>       | <b>FY 2025</b>      | <b>FY 2026</b>      | <b>FY 2027</b>      | <b>FY 2028</b>      | <b>FY 2024-28</b>    |
| Raw Water Supply Sources                | \$1,805,000          | \$1,842,000         | \$3,533,000         | \$1,492,000         | \$14,817,000        | \$23,489,000         |
| Raw Water Transmission                  |                      |                     |                     |                     |                     |                      |
| Water Treatment Facilities              | 4,225,000            | 12,020,000          | 13,855,000          | 20,714,000          | 16,736,000          | 67,550,000           |
| Finished Water Pumping                  |                      |                     |                     |                     |                     |                      |
| Finished Water Storage                  |                      |                     |                     |                     | 312,000             | 312,000              |
| Water Transmission and Distribution     | 3,004,000            | 1,460,000           | 7,236,000           | 3,197,000           | 2,003,000           | 16,900,000           |
| Wastewater Collection Lines             | 2,765,000            | 6,535,000           | 7,395,000           | 3,870,000           | 2,870,000           | 23,435,000           |
| Wastewater Pump Stations                | 670,000              | 440,000             | 710,000             | 800,000             | 940,000             | 3,560,000            |
| Wastewater Treatment and Disposal       | 2,430,000            | 4,505,000           | 2,672,000           | 3,310,000           | 250,000             | 13,167,000           |
| Reclaimed Water Facility Rehabilitation | 75,000               |                     |                     | 80,000              | 80,000              | 235,000              |
| Administrative Facilities               | 1,150,000            | 1,500,000           | 500,000             | 1,000,000           | 1,000,000           | 5,150,000            |
| <b>Totals</b>                           | <b>\$16,124,000</b>  | <b>\$28,302,000</b> | <b>\$35,901,000</b> | <b>\$34,463,000</b> | <b>\$39,008,000</b> | <b>\$153,798,000</b> |

**SECTION II**

**OVERVIEW OF OWASA DEPARTMENTS**

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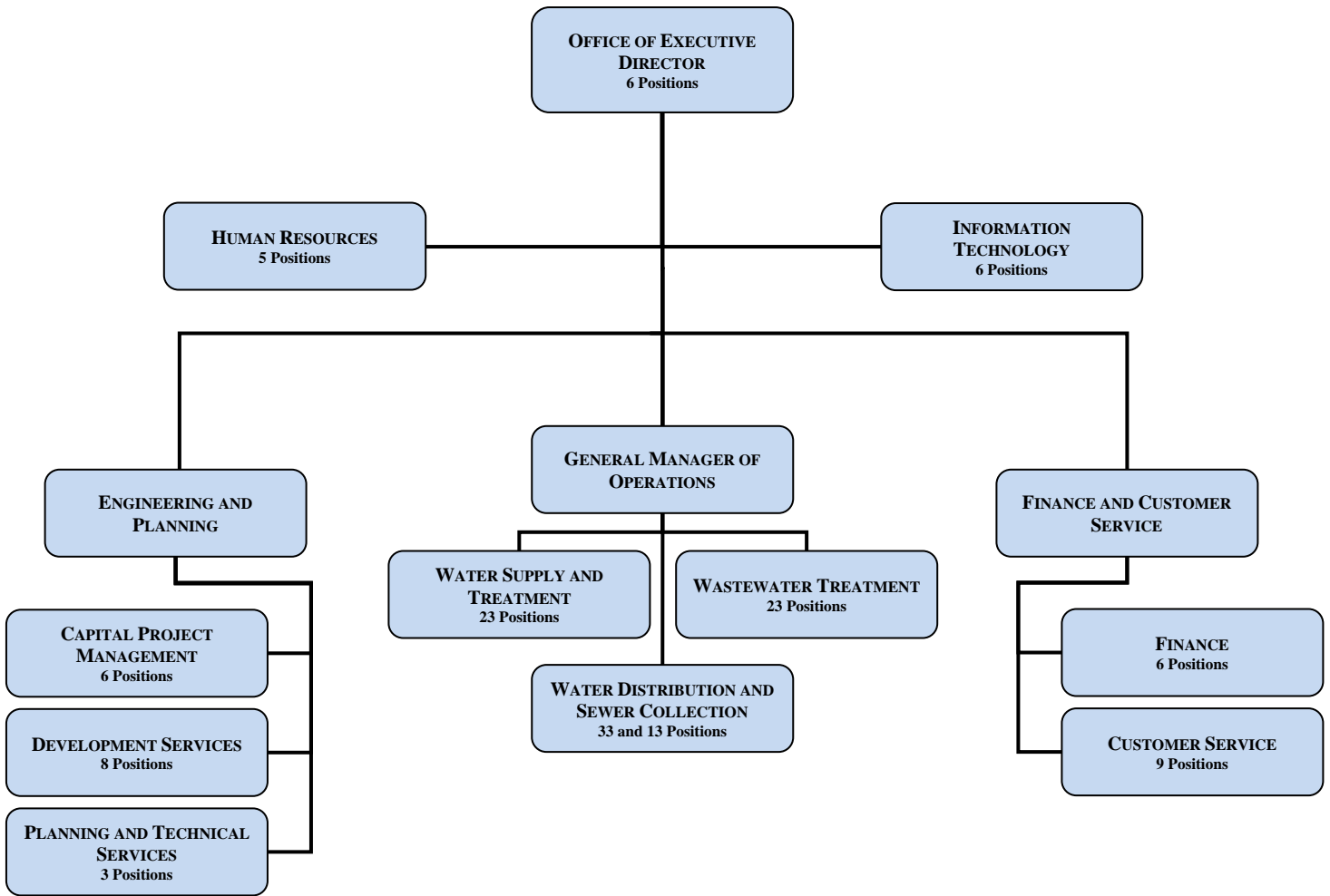
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**ORANGE WATER AND SEWER AUTHORITY STAFF - DEPARTMENT STRUCTURE**

(Number of Positions Funded for FY 2024 Shown)



**OFFICE OF EXECUTIVE DIRECTOR**

(General and Administrative)

**MISSION**

Administrative functions include the Board of Directors, Executive Director, and support personnel involved in the general management of OWASA.

The Board of Directors is responsible for policies relating to the management and operations of OWASA in accordance with authority derived from the North Carolina General Statutes, OWASA’s Bond Order, OWASA’s Bylaws, the 1976 Agreements of Sale and Purchase with the University of North Carolina at Chapel Hill, the Town of Carrboro, and the Town of Chapel Hill, and other legal and organizational documents. The Board sets the overall mission and policies of the organization, appoints the Executive Director, General Counsel, and auditors, and provides oversight and monitoring of OWASA’s activities.

The Executive Director is the Chief Administrative Officer responsible for the overall management and supervision of OWASA’s services. The Executive Director employs and organizes the staff, assigns responsibilities, and is responsible for carrying out the policies and directives of OWASA. A small support staff provides direct assistance to the Executive Director, including Strategy, Communications and Community Relations, Sustainability, and Administrative Support.

**SUMMARY OF ACTIVITIES**

- Provide leadership to ensure that the organization's mission is accomplished.
- Promote and maintain outstanding service and communications with OWASA’s customers.
- Provide the Board of Directors timely support and information.
- Ensure that all water, wastewater, and reclaimed water facilities and programs are operated in compliance with all applicable standards.
- Develop, implement, and maintain effective long-term financial, operational and environmental sustainability plans.
- Implement sound fiscal policies, budgets, and controls.
- Provide high-level technical and administrative direction and support for the sustainability and resource management activities throughout the organization.
- Maintain effective coordination, cooperation, and communication with local governments, the University of North Carolina at Chapel Hill, state and federal agencies, and continue involvement in civic, professional, and community activities.
- Promote continued innovation and creativity in providing services effectively, efficiently and sustainably.
- Promote training and development of employees to improve OWASA's services.
- Motivate employees and encourage teamwork throughout the organization.

**KEY FOCUS AREAS FOR FY 2024**

| <b>Strategic Initiative</b>                      | <b>Objective</b>  |
|--|---|
| Provide High Quality Services                    | <ul style="list-style-type: none"><li>• Implement a PFAS Management Strategy</li><li>• Implement Lead &amp; Copper Rule Revision compliance action plan</li></ul>   |
| Employee Recruitment, Retention, and Development | <ul style="list-style-type: none"><li>• Support the development of a recruitment strategy to address high employee turnover rate in certain positions</li><li>• Evaluate feasibility of implementing potential benefit changes from Pay and Classification Study</li><li>• Develop an action plan for OWASA’s Diversity and Inclusion Program</li></ul> |
| Equitable Services                               | <ul style="list-style-type: none"><li>• Evaluate the effectiveness of the customer assistance program and explore alternatives</li><li>• Identify if outside funding strategies are available to connect disadvantaged/underserved households</li></ul>   |
| Climate and Land Use Change Adaptation           | <ul style="list-style-type: none"><li>• Participate in the development of and Interlocal Agreement with the Jordan Lake Western Intake Partnership</li><li>• Develop a Climate Action Plan</li></ul>  |

| Strategic Initiative                   | Objective  |
|--|--|
| Community Engagement                   | <ul style="list-style-type: none"> <li>• Prepare for the development and implementation of a regularly conducted community survey</li> <li>• Finalize new financial and customer billing software</li> </ul>   |
| Emergency Management and Cybersecurity | <ul style="list-style-type: none"> <li>• Support the development of a Continuous Emergency Preparedness Model</li> <li>• Begin assessment of risk on wastewater collection and treatment system</li> </ul>   |
| Service Reliability and Resiliency     | <ul style="list-style-type: none"> <li>• Implement the Project Delivery Optimization Plan</li> <li>• Support the selection and implementation of a computerized maintenance management system</li> <li>• Support the implementation of the Supervisory Control and Data Acquisition (SCADA) Master Plan</li> <li>• Prepare for the development of a capital investment strategy</li> </ul> |

**OFFICE OF THE EXECUTIVE DIRECTOR**

**Three-year Comparison  
Fiscal Years 2022 - 2024**

|                                | FY 2022<br>Actual  | FY 2023<br>Budget  | FY23<br>Budget<br>to<br>FY22<br>Actual | FY 2023<br>Forecast | FY23<br>Forecast<br>to<br>FY23<br>Budget | FY 2024<br>Budget  | FY24<br>Budget<br>to FY23<br>Forecast |
|--------------------------------|--------------------|--------------------|--|---------------------|--|--------------------|---------------------------------------|
| <b>Personnel Costs</b>         |                    |                    |  |                     |  |                    |                                       |
| Salaries and Wages             | \$716,266          | \$776,501          |  | \$756,899           |  | \$661,879          |                                       |
| Taxes and Benefits             | <u>218,413</u>     | <u>245,563</u>     |  | <u>239,762</u>      |  | <u>256,200</u>     |                                       |
| Total Personnel Costs          | 934,679            | 1,022,064          | 9%                                     | 996,661             | -2%                                      | 918,079            | -8%                                   |
| <b>Other Operating Expense</b> |                    |                    |  |                     |  |                    |                                       |
| Materials and Supplies         | 4,263              | 4,210              |  | 4,831               |  | 4,885              |                                       |
| Utilities                      | 51,158             | 35,180             |  | 29,081              |  | 32,800             |                                       |
| Maintenance                    | 0                  | 0                  |  | 0                   |  | 0                  |                                       |
| Professional Services          | 520,759            | 584,758            |  | 497,976             |  | 532,689            |                                       |
| Communication                  | 20,415             | 28,671             |  | 26,682              |  | 28,921             |                                       |
| Printing and Reproduction      | 8,889              | 20,600             |  | 20,519              |  | 20,500             |                                       |
| Education and Development      | 12,313             | 25,500             |  | 25,500              |  | 25,500             |                                       |
| Other                          | <u>25,859</u>      | <u>38,649</u>      |  | <u>38,649</u>       |  | <u>37,815</u>      |                                       |
| Total Operating Expenditures   | 643,656            | 737,568            | 15%                                    | 643,238             | -13%                                     | 683,110            | 6%                                    |
| Total Expenditures             | <u>1,578,335</u>   | <u>1,759,632</u>   | 11%                                    | <u>1,639,899</u>    | -7%                                      | <u>1,601,189</u>   | -2%                                   |
| Construction Credit            | (136,354)          | (203,640)          |  | (118,611)           |  | (146,982)          |                                       |
| <b>Net Expense</b>             | <u>\$1,441,981</u> | <u>\$1,555,992</u> | 8%                                     | <u>\$1,521,288</u>  | -2%                                      | <u>\$1,454,207</u> | -4%                                   |

| <b>Personnel Summary</b> |         |         |         |
|--------------------------|---------|---------|---------|
|                          | FY 2022 | FY 2023 | FY 2024 |
| Positions funded         | 6       | 6       | 6       |

**CUSTOMER SERVICE**  
(General and Administrative)

**MISSION**

The Customer Service Department is responsible for establishing and promoting quality service for OWASA customers. Areas of responsibility include greeting callers and visitors; billing and collecting water, wastewater and reclaimed water accounts, septage accounts, and special assessments; accounting for accounts receivable; investigating water theft; responding to inquiries and requests from customers and others; investigating special circumstances that might account for high consumption or billing irregularities; and support of other departments with analyses and information.

**SUMMARY OF ACTIVITIES**

- Courteously greet all callers and visitors to OWASA, identifying their needs and providing service.
- Operate and maintain the customer billing system to produce accurate and timely bills.
- Collect and deposit customer and other payments.
- Develop, interpret and administer OWASA policies relating to customer service and billing and collecting accounts.
- Provide reports and technical assistance to the organization regarding sales, collections, accounts and other customer service information.
- Develop the knowledge and skills of employees.
- Enforce OWASA policies concerning customer service matters.
- Oversee OWASA’s participation in the North Carolina Debt Setoff Program.
- Promote the use of OWASA’s Agua Vista customer water use tracking portal.

**KEY FOCUS AREAS FOR FY 2024**

| <b>Strategic Initiative</b>   | <b>Objective</b>   |
|---|--|
| Continue to promote use of Agua Vista’s (OWASA’s automated metering infrastructure system) web portal | <ul style="list-style-type: none"> <li>• Educate customers about useful website features</li> <li>• Solicit customer feedback to enhance customer service and increase customer satisfaction.</li> <li>• Encourage customers to register on the portal, update contact details, and complete survey about household water use to improve accuracy of leak alerts.</li> </ul> |
| Support the Diversity and Inclusion Program   | <ul style="list-style-type: none"> <li>• Provide strategic support toward achieving a diverse workforce and inclusive environment.</li> </ul>  |
| Complete the implementation of SpryPoint, our new customer information and billing system.            | <ul style="list-style-type: none"> <li>• Conduct system testing</li> <li>• Provide information and expertise</li> <li>• Implement improvements to processes</li> <li>• Update bill format</li> <li>• Provide user training</li> <li>• Establish and implement communications plan</li> </ul>   |



**CUSTOMER SERVICE**

**Three-year Comparison  
Fiscal Years 2022 - 2024**

|                                | <b>FY 2022<br/>Actual</b> | <b>FY 2023<br/>Budget</b> | <b>FY23<br/>Budget<br/>to<br/>FY22<br/>Actual</b> | <b>FY 2023<br/>Forecast</b> | <b>FY23<br/>Forecast<br/>to<br/>FY23<br/>Budget</b> | <b>FY 2024<br/>Budget</b> | <b>FY24<br/>Budget<br/>to FY23<br/>Forecast</b> |
|--------------------------------|---------------------------|---------------------------|---|-----------------------------|---|---------------------------|---|
| <b>Personnel Costs</b>         |                           |                           |   |                             |   |                           |   |
| Salaries and Wages             | \$501,483                 | \$525,140                 |   | \$529,382                   |   | \$567,299                 |   |
| Taxes and Benefits             | <u>194,570</u>            | <u>204,406</u>            |   | <u>208,503</u>              |   | <u>246,908</u>            |   |
| Total Personnel Costs          | 696,053                   | 729,546                   | 5%  | 737,885                     | 1%  | 814,207                   | 10%   |
| <b>Other Operating Expense</b> |                           |                           |   |                             |   |                           |   |
| Materials and Supplies         | 1,100                     | 4,000                     |   | 5,095                       |   | 4,000                     |   |
| Utilities                      | 4,120                     | 4,320                     |   | 4,320                       |   | 4,320                     |   |
| Maintenance                    | 1,612                     | 0                         |   | 0                           |   | 0                         |   |
| Professional Services          | 22,106                    | 48,500                    |   | 47,836                      |   | 48,000                    |   |
| Communication                  | 79,531                    | 72,000                    |   | 71,892                      |   | 72,000                    |   |
| Printing and Reproduction      | 139                       | 0                         |   | 0                           |   | 0                         |   |
| Education and Development      | 386                       | 4,000                     |   | 4,085                       |   | 7,000                     |   |
| Other                          | <u>33,083</u>             | <u>30,000</u>             |   | <u>29,619</u>               |   | <u>35,000</u>             |   |
| Total Operating Expenditures   | 142,077                   | 162,820                   | 15%   | 162,847                     | 0%  | 170,320                   | 5%  |
| Total Expenditures             | <u>838,130</u>            | <u>892,366</u>            | 6%  | <u>900,732</u>              | 1%  | <u>984,527</u>            | 9%  |
| Construction Credit            | 0                         | 0                         |   | 0                           |   | 0                         |   |
| <b>Net Expense</b>             | <u><b>\$838,130</b></u>   | <u><b>\$892,366</b></u>   | 6%  | <u><b>\$900,732</b></u>     | 1%  | <u><b>\$984,527</b></u>   | 9%  |

| <b>Personnel Summary</b> |                |                |                |
|--------------------------|----------------|----------------|----------------|
|                          | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
| Positions funded         | 9              | 9              | 9              |

| <b>Key Performance Measurements</b>                   |             |                |                |                |
|---|-------------|----------------|----------------|----------------|
|   | <b>Goal</b> | <b>FY 2021</b> | <b>FY 2022</b> | <b>FY 2023</b> |
| <b>Workload</b>                                       |             |                |                |                |
| Customer accounts                                     | N/A         | 21,921         | 21,987         | 22,039         |
| Number of calls received                              | N/A         | 21,944         | 19,390         | 14,397         |
| <b>Effectiveness</b>                                  |             |                |                |                |
| Bill accuracy   | 100%        | 99.9%          | 99.8%          | 99.7%          |
| Call handle ratio (calls answered vs. calls received) | 90%         | 96%            | 96%            | 96%            |

## ENGINEERING AND PLANNING

(General and Administrative)

### MISSION

The Engineering and Planning Department is responsible for four primary functions:

1. Management of system development projects, which includes the review of construction plans and inspection of construction to ensure that water and wastewater work accomplished by outside entities (private developers, etc.) is accomplished in accordance with OWASA's Standards and Specifications prior to OWASA taking ownership and assuming operations/maintenance responsibility for these systems;
2. Management of the Capital Improvements Program, which includes execution of design and construction for large-scale repair, renovation, replacement and upgrade projects as necessary to maintain the reliability and efficient operations of OWASA's water, wastewater and reclaimed water infrastructure;
3. Asset management, which includes assessing and prioritizing infrastructure improvements needed to achieve desired customer and environmental service levels, minimizing asset failure, and ensuring long-term viability of water, wastewater and reclaimed water facilities and systems; and
4. Planning, which includes long-range and strategic master planning functions such as demand forecasting, land management and the use of various modeling tools that guide policy and capital investment decisions to ensure OWASA remains capable of meeting the community's current and future utility needs. Planning functions also include the ongoing management and improvement of OWASA's Geographic Information System (GIS) data, including the location and attribute details of underground water, wastewater and reclaimed water infrastructure.

### SUMMARY OF ACTIVITIES

- Review construction drawings and inspect construction work performed by third party entities.
- Provide regular updates and revisions of OWASA's standard engineering specifications and procedures.
- Maintain as-built and record drawings for water, wastewater and reclaimed water facilities, support facilities, and utility work accomplished in the service area.
- Produce small-scale in-house designs.
- Complete studies and modeling efforts to determine the engineering and economic feasibility of various approaches to repairing and upgrading OWASA's infrastructure.
- Manage and direct consultant efforts for developing project designs and biddable contract documents and management of contract administrative requirements.
- Develop the five-year Capital Improvements Program.
- Maintain and update the Long-Range Water Supply Plan to ensure a reliable and high-quality supply of water for the community for the next 50 years.
- Direct land management issues including acquisition of utility easements, forestry management and watershed protection.
- Provide engineering support for the operation and maintenance of system infrastructure.
- Maintain the Asset Management Program to assess and prioritize water, wastewater, reclaimed water and support facility infrastructure improvements using system models, renewal/replacement model and prioritization tools.
- Manage and maintain OWASA's GIS that integrates GIS technology with the many operating and business functions of the organization.

### KEY FOCUS AREAS FOR FY 2024

| Strategic Initiative   | Objective  |
|--|--|
| Provide reliable and high-quality supply of water for the next 50 years                        | <ul style="list-style-type: none"><li>• Implement the selected Jordan Lake alternative from the adopted Long-Range Water Supply Plan</li></ul>   |
| Maintain water, wastewater, and reclaimed water systems to ensure service levels are sustained | <ul style="list-style-type: none"><li>• Execute capital improvements program</li></ul>   |
| Service Reliability and Resiliency   | <ul style="list-style-type: none"><li>• Update of the Asset Management Plan</li><li>• Support the execution of the SCADA Master Plan</li><li>• Development a Capital Investment Strategy</li></ul> |

**ENGINEERING AND PLANNING**

**Three-year Comparison  
Fiscal Years 2022 - 2024**

|                                | <b>FY 2022<br/>Actual</b> | <b>FY 2023<br/>Budget</b> | <b>FY23<br/>Budget<br/>to<br/>FY22<br/>Actual</b> | <b>FY 2023<br/>Forecast</b> | <b>FY23<br/>Forecast<br/>to<br/>FY23<br/>Budget</b> | <b>FY 2024<br/>Budget</b> | <b>FY24<br/>Budget<br/>to FY23<br/>Forecast</b> |
|--------------------------------|---------------------------|---------------------------|---|-----------------------------|---|---------------------------|---|
| <b>Personnel Costs</b>         |                           |                           |   |                             |   |                           |   |
| Salaries and Wages             | \$1,446,265               | \$1,614,708               |   | \$1,466,390                 |   | \$1,736,123               |   |
| Taxes and Benefits             | <u>469,820</u>            | <u>563,404</u>            |   | <u>539,456</u>              |   | <u>652,395</u>            |   |
| Total Personnel Costs          | 1,916,085                 | 2,178,112                 | 14%   | 2,005,846                   | -8%   | 2,388,518                 | 19%   |
| <b>Other Operating Expense</b> |                           |                           |   |                             |   |                           |   |
| Materials and Supplies         | 13,789                    | 17,693                    |   | 20,959                      |   | 22,930                    |   |
| Utilities                      | 7,200                     | 8,160                     |   | 7,720                       |   | 8,160                     |   |
| Maintenance                    | 2,076                     | 2,000                     |   | 1,603                       |   | 0                         |   |
| Professional Services          | 106,761                   | 298,000                   |   | 193,141                     |   | 518,000                   |   |
| Communication                  | 80                        | 500                       |   | 119                         |   | 0                         |   |
| Printing and Reproduction      | 762                       | 1,200                     |   | 834                         |   | 900                       |   |
| Education and Development      | 25,736                    | 25,175                    |   | 17,749                      |   | 24,500                    |   |
| Other                          | <u>2,295</u>              | <u>13,165</u>             |   | <u>7,585</u>                |   | <u>17,968</u>             |   |
| Total Operating Expenditures   | 158,699                   | 365,893                   | 131%  | 249,710                     | -32%  | 592,458                   | 137%  |
| Total Expenditures             | <u>2,074,784</u>          | <u>2,544,005</u>          | 23%   | <u>2,255,556</u>            | -11%  | <u>2,980,976</u>          | 32%   |
| Construction Credit            | 0                         | 0                         |   | 0                           |   | 0                         |   |
| <b>Net Expense</b>             | <u>\$2,074,784</u>        | <u>\$2,544,005</u>        | 23%   | <u>\$2,255,556</u>          | -11%  | <u>\$2,980,976</u>        | 32%   |

| <b>Personnel Summary</b> |                |                |                |
|--------------------------|----------------|----------------|----------------|
|                          | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
| Positions funded         | 16             | 17             | 17             |

| <b>Key Performance Measurements</b>  |             |                |                |                |
|--|-------------|----------------|----------------|----------------|
|  | <b>Goal</b> | <b>FY 2021</b> | <b>FY 2022</b> | <b>FY 2023</b> |
| Actual capital project expenditures as a percentage of budget  | >90%        | 78%            | 53%            | 83%            |
| Average plan review time (working days)  | <15.0       | 5.2            | 9.1            | 9.0            |
| Capital projects communication plans' effectiveness rating (on a scale of 1 to 5 with 5 the highest) | >4.0        | 3.8            | 4.4            | 2.5            |

**HUMAN RESOURCES**  
(General and Administrative)

**MISSION**

The Human Resources Department is responsible for managing, creating and administering human resources and safety initiatives. This includes recruiting and selecting new hires; policy compliance and development; benefits administration; compensation and classification policies; employee discipline and rewards; workers' compensation; employee insurance management; and employee records management.

The Human Resources Department monitors changes in state and federal human resource and safety regulations and laws to assure the timely updates and compliance of OWASA's Human Resource and Safety policies and practices. The Department reviews and proposes revisions to employee benefits, classification and pay plans to assure that OWASA remains competitive in the labor market.

The role of the Department is to assure both management and employees that human resource matters are being handled both fairly, equitably, and without discrimination in accordance with good human resource practices and applicable policies, regulations, and laws.

**SUMMARY OF ACTIVITIES**

- Promote responsive and courteous customer service in all activities.
- Administer the Compensation and Classification Plan for the organization and ensure the compensation and benefits package is competitive.
- Provide a safety program to enhance safety awareness, prevent worker injuries, and promote safe work practices. Manage the workers' compensation and return to work programs.
- Manage the recruitment and selection process to ensure capable candidates for vacant positions.
- Process employee benefit and insurance plans tasks in a timely and appropriate manner.
- Review employee training and development programs.
- Review human resource policies and practices and make recommendations for revisions.
- Encourage uniformity and timeliness in processing performance appraisals.
- Actively promote equal employment/affirmative action objectives.
- Promote good employee relations and a positive working environment.
- Promote the general well-being of the work force through counseling, special personal needs assistance, and advice to employees and managers through available resources.
- Ensure that job applicants are evaluated in accordance with equal opportunity laws and the Americans with Disabilities Act.

**KEY FOCUS AREAS FOR FY 2024**

| <b>Strategic Initiative</b>   | <b>Objective</b>  |
|---|---|
| Ensure compliance with Human Resource and Safety applicable federal, state and local laws and ordinances. | <ul style="list-style-type: none"> <li>• Maintain written policies, procedures, and files.</li> </ul>   |
| Conduct pay and classification study  | <ul style="list-style-type: none"> <li>• Implemented in July 2023.</li> <li>• Continue working on Job Descriptions and Performance Review training for all staff.</li> </ul>  |
| Apprenticeship Program  | <ul style="list-style-type: none"> <li>• Complete recruitment of two new apprentices with goal of hiring by September 2023.</li> </ul>  |
| Lead Diversity and Inclusion program  | <ul style="list-style-type: none"> <li>• Develop action plan for Diversity and Inclusion Program</li> </ul>   |
| Workforce Development   | <ul style="list-style-type: none"> <li>• Evaluate workforce development opportunities for staff</li> <li>• Support the development of a recruitment strategy for entry-level and high-turnover positions</li> </ul> |

**HUMAN RESOURCES**

**Three-year Comparison  
Fiscal Years 2022 - 2024**

|                                | <b>FY 2022<br/>Actual</b> | <b>FY 2023<br/>Budget</b> | <b>FY23<br/>Budget<br/>to<br/>FY22<br/>Actual</b> | <b>FY 2023<br/>Forecast</b> | <b>FY23<br/>Forecast<br/>to<br/>FY23<br/>Budget</b> | <b>FY 2024<br/>Budget</b> | <b>FY24<br/>Budget<br/>to FY23<br/>Forecast</b> |
|--------------------------------|---------------------------|---------------------------|---|-----------------------------|---|---------------------------|---|
| <b>Personnel Costs</b>         |                           |                           |   |                             |   |                           |   |
| Salaries and Wages             | \$317,693                 | \$367,589                 |   | \$355,667                   |   | \$446,717                 |   |
| Taxes and Benefits             | <u>379,762</u>            | <u>427,061</u>            |   | <u>426,448</u>              |   | <u>483,571</u>            |   |
| Total Personnel Costs          | 697,455                   | 794,650                   | 14%   | 782,115                     | -2%   | 930,288                   | 19%   |
| <b>Other Operating Expense</b> |                           |                           |   |                             |   |                           |   |
| Materials and Supplies         | 6,075                     | 17,801                    |   | 17,800                      |   | 21,300                    |   |
| Utilities                      | 1,680                     | 2,400                     |   | 2,120                       |   | 2,400                     |   |
| Maintenance                    | 90                        | 400                       |   | 400                         |   | 400                       |   |
| Professional Services          | 186,196                   | 332,000                   |   | 332,000                     |   | 246,115                   |   |
| Communication                  | 93,591                    | 104,000                   |   | 104,000                     |   | 104,000                   |   |
| Printing and Reproduction      | 267                       | 1,000                     |   | 1,000                       |   | 1,000                     |   |
| Education and Development      | 6,288                     | 16,600                    |   | 16,600                      |   | 16,500                    |   |
| Other                          | <u>42,828</u>             | <u>52,500</u>             |   | <u>52,500</u>               |   | <u>57,800</u>             |   |
| Total Operating Expenditures   | 337,015                   | 526,701                   | 56%   | 526,420                     | 0%  | 449,515                   | -15%  |
| Total Expenditures             | <u>1,034,470</u>          | <u>1,321,351</u>          | 28%   | <u>1,308,535</u>            | -1%   | <u>1,379,803</u>          | 5%  |
| Construction Credit            | 0                         | 0                         |   | 0                           |   | 0                         |   |
| <b>Net Expense</b>             | <u>\$1,034,470</u>        | <u>\$1,321,351</u>        | 28%   | <u>\$1,308,535</u>          | -1%   | <u>\$1,379,803</u>        | 5%  |

| <b>Personnel Summary</b> |                |                |                |
|--------------------------|----------------|----------------|----------------|
|                          | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
| Positions funded         | 4              | 5              | 5              |

| <b>Key Performance Measurements</b>  |             |                |                |                |
|--|-------------|----------------|----------------|----------------|
|  | <b>Goal</b> | <b>FY 2021</b> | <b>FY 2022</b> | <b>FY 2023</b> |
| Vacancies as a percentage of total authorized positions  | <8.0%       | 11.9%          | 12.6%          | 15.4%          |
| At fault EEOC complaints   | 0           | 0              | 0              | 0              |
| Diversity percentages  |             |                |                |                |
| Racial minorities  | 25-30%      | 26%            | 28%            | 29%            |
| Female   | 25-30%      | 25%            | 23%            | 21%            |
| Number of injuries, illnesses or lost workdays compared to a common exposure base of 100 full-time workers | <3.5        | 2.28           | 2.27           | 6.78           |

**FINANCE**

(General and Administrative)

**MISSION**

The Finance Department is responsible for maintaining the fiscal affairs of OWASA consistent with generally accepted accounting principles and statutory requirements. Areas of responsibility include accounts payable, accounts receivable, general ledger, asset records, investments, payroll, cost accounting, purchasing, budget development, revenue and expenditure forecasting, grants management, and financial reporting. The Finance Department is also responsible for oversight and coordination of studies of rates and fees, and the issuance of revenue bonds.

Data recorded and maintained by the Finance Department provides decision-support for the Board of Directors, Executive Director, and department managers.

**SUMMARY OF ACTIVITIES**

- Promote responsive and courteous customer service in all activities.
- Manage OWASA’s cash and investments to optimize return while maintaining adequate liquidity to pay expenditures timely.
- Process invoices timely and accurately taking advantage of discounts for payments and maintaining effective relationships with vendors.
- Process payroll accurately and timely.
- Provide prompt and accurate management reports.
- Maintain OWASA’s 15-year financial plan.
- Develop annual budget.
- Monitor budget performance.
- Maintain general ledger and related subsidiary ledgers.
- Maintain a reliable and timely cost accounting system.
- Administer the *Financial Management Policy*.
- Review adequacy of rates and fees to generate necessary revenues to support a fiscally sound organization.

**KEY FOCUS AREAS FOR FY 2024**

| <b>Strategic Initiative</b>   | <b>Objective</b>  |
|---|---|
| Issue revenue and/or secure low-interest loans from the state of North Carolina | <ul style="list-style-type: none"><li>• Fund capital improvements program</li></ul>   |
| Financial Management  | <ul style="list-style-type: none"><li>• Ensure the organization meets financial management goals as budgeted</li></ul>  |
| Support the Diversity and Inclusion Program                                     | <ul style="list-style-type: none"><li>• Make improvements in service excellence, achieving a diverse workforce and providing an inclusive environment</li></ul> |
| Service Reliability and Resiliency  | <ul style="list-style-type: none"><li>• Support the development of a Capital Investment Strategy</li></ul>  |
| Improve finance and accounting system   | <ul style="list-style-type: none"><li>• Research and select a new finance and accounting system to be implemented in FY 2025</li></ul>                          |

**FINANCE**

**Three-year Comparison  
Fiscal Years 2022 - 2024**

|                                | <b>FY 2022<br/>Actual</b> | <b>FY 2023<br/>Budget</b> | <b>FY23<br/>Budget<br/>to<br/>FY22<br/>Actual</b> | <b>FY 2023<br/>Forecast</b> | <b>FY23<br/>Forecast<br/>to<br/>FY23<br/>Budget</b> | <b>FY 2024<br/>Budget</b> | <b>FY24<br/>Budget<br/>to FY23<br/>Forecast</b> |
|--------------------------------|---------------------------|---------------------------|---|-----------------------------|---|---------------------------|---|
| <b>Personnel Costs</b>         |                           |                           |   |                             |   |                           |   |
| Salaries and Wages             | \$464,492                 | \$460,958                 |   | \$462,817                   |   | \$558,344                 |   |
| Taxes and Benefits             | <u>145,703</u>            | <u>158,309</u>            |   | <u>158,391</u>              |   | <u>211,643</u>            |   |
| Total Personnel Costs          | 610,195                   | 619,267                   | 1%  | 621,208                     | 0%  | 769,987                   | 24%   |
| <b>Other Operating Expense</b> |                           |                           |   |                             |   |                           |   |
| Materials and Supplies         | 7,972                     | 5,000                     |   | 4,506                       |   | 2,400                     |   |
| Utilities                      | 4,895                     | 4,900                     |   | 3,858                       |   | 4,000                     |   |
| Maintenance                    | 0                         | 0                         |   | 0                           |   | 0                         |   |
| Professional Services          | 458,588                   | 348,811                   |   | 513,700                     |   | 475,393                   |   |
| Communication                  | 2,389                     | 2,000                     |   | 1,936                       |   | 2,000                     |   |
| Printing and Reproduction      | 1,209                     | 1,600                     |   | 1,216                       |   | 1,300                     |   |
| Education and Development      | 4,853                     | 5,070                     |   | 4,813                       |   | 4,770                     |   |
| Other                          | <u>3,944</u>              | <u>5,770</u>              |   | <u>4,905</u>                |   | <u>2,770</u>              |   |
| Total Operating Expenditures   | 483,850                   | 373,151                   | -23%  | 534,934                     | 43%   | 492,633                   | -8%   |
| Total Expenditures             | <u>1,094,045</u>          | <u>992,418</u>            | -9%   | <u>1,156,142</u>            | 16%   | <u>1,262,620</u>          | 9%  |
| Construction Credit            | 0                         | 0                         |   | 0                           |   | 0                         |   |
| <b>Net Expense</b>             | <u>\$1,094,045</u>        | <u>\$992,418</u>          | -9%   | <u>\$1,156,142</u>          | 16%   | <u>\$1,262,620</u>        | 9%  |

| <b>Personnel Summary</b> |                |                |                |
|--------------------------|----------------|----------------|----------------|
|                          | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
| Positions funded         | 5              | 5              | 6              |

| <b>Key Performance Measurements</b> |                          |                |                |                |
|-------------------------------------|--------------------------|----------------|----------------|----------------|
|                                     | <b>Goal for<br/>FY23</b> | <b>FY 2021</b> | <b>FY 2022</b> | <b>FY 2023</b> |
| Working capital reserve             | \$15.2M                  | \$22.7M        | \$26.5M        | \$13.5M        |
| Debt service coverage ratio         | 1.6                      | 2.0            | 2.0            | 1.8            |
| Debt to asset value                 | ≤50%                     | 29%            | 28%            | 28%            |
| Service affordability               | 1.5                      | 1.3            | 1.3            | 1.4            |

M = million

**INFORMATION TECHNOLOGY**

(General and Administrative)

**MISSION**

The Information Technology (IT) Department is responsible for developing and supporting OWASA's computer, telecommunications, and office systems through high quality service to internal and external customers; improved coordination, productivity, and efficiency among OWASA departments and work groups; and reliable access to high quality information that supports decision-making at all levels of the organization.

**SUMMARY OF ACTIVITIES**

- Promote responsive and courteous customer service in all activities.
- IT functions are carried out through planning, procurement, installation, maintenance, and staff training in the following areas: Local Area Network (LAN) management, office and business process automation, personal computing, data transmission, radio communication, telephone, voicemail, mobile phones, office equipment (fax, copiers, and printers).
- Develop, maintain, and implement a long-range plan for the effective and efficient use of technology for information systems throughout the organization.
- IT serves as OWASA's clearinghouse for assessing organization-wide information service needs and priorities, and allocates technology resources accordingly through the acquisition, modification, and/or re-assignment of hardware and software, and through recommendations for staff training. IT establishes appropriate technology standards, specifications, security levels, and procedures for OWASA's information system.

**KEY FOCUS AREAS FOR FY 2024**

| <b>Strategic Initiative</b>  | <b>Objective</b>  |
|------------------------------|---|
| Business process improvement | <ul style="list-style-type: none"><li>• Complete implementation of the new Customer Information System and Utility Billing Software</li><li>• Evaluate and install a new Computerized Maintenance Management System (CMMS)</li><li>• Improve the Audio and Visual capabilities in our Meeting Rooms</li></ul> |
| Cybersecurity                | <ul style="list-style-type: none"><li>• Implement Multifactor Authentication (MFA) &amp; Single Sign On (SSO)</li><li>• Implement additional Microsoft cybersecurity tools</li><li>• Implement active cybersecurity training</li><li>• Conduct SCADA and Payment Card Industry security assessments</li></ul> |
| IT Infrastructure Updates    | <ul style="list-style-type: none"><li>• Replace wireless network infrastructure</li><li>• Improve SCADA network reliability</li><li>• Replace physical access control system and selected cameras</li></ul>   |
| Cloud-based storage          | <ul style="list-style-type: none"><li>• Implement Azure SQL</li></ul>   |



**INFORMATION TECHNOLOGY**

**Three-year Comparison  
Fiscal Years 2022 - 2024**

|                                | <b>FY 2022</b>     | <b>FY 2023</b>     | <b>FY23<br/>Budget<br/>to<br/>FY22<br/>Actual</b> | <b>FY 2023<br/>Forecast</b> | <b>FY23<br/>Forecast<br/>to<br/>FY23<br/>Budget</b> | <b>FY 2024<br/>Budget</b> | <b>FY24<br/>Budget<br/>to FY23<br/>Forecast</b> |
|--------------------------------|--------------------|--------------------|---|-----------------------------|---|---------------------------|---|
| <b>Personnel Costs</b>         |                    |                    |   |                             |   |                           |   |
| Salaries and Wages             | \$483,846          | \$520,589          |   | \$512,324                   |   | \$621,762                 |   |
| Taxes and Benefits             | <u>156,633</u>     | <u>180,792</u>     |   | <u>177,374</u>              |   | <u>232,963</u>            |   |
| Total Personnel Costs          | 640,479            | 701,381            | 10%   | 689,698                     | -2%   | 854,725                   | 24%   |
| <b>Other Operating Expense</b> |                    |                    |   |                             |   |                           |   |
| Materials and Supplies         | 119,440            | 139,400            |   | 138,900                     |   | 179,500                   |   |
| Utilities                      | 123,560            | 118,380            |   | 92,448                      |   | 123,780                   |   |
| Maintenance                    | 519,156            | 667,864            |   | 654,864                     |   | 775,865                   |   |
| Professional Services          | 201,862            | 201,400            |   | 201,400                     |   | 201,400                   |   |
| Communication                  | 0                  | 0                  |   | 0                           |   | 0                         |   |
| Printing and Reproduction      | 0                  | 0                  |   | 0                           |   | 0                         |   |
| Education and Development      | 10,462             | 24,950             |   | 24,597                      |   | 36,450                    |   |
| Other                          | <u>11,149</u>      | <u>60,200</u>      |   | <u>45,398</u>               |   | <u>48,000</u>             |   |
| Total Operating Expenditures   | 985,629            | 1,212,194          | 23%   | 1,157,607                   | -5%   | 1,364,995                 | 18%   |
| Total Expenditures             | <u>1,626,108</u>   | <u>1,913,575</u>   | 18%   | <u>1,847,305</u>            | -3%   | <u>2,219,720</u>          | 20%   |
| Construction Credit            | 0                  | 0                  |   | 0                           |   | 0                         |   |
| <b>Net Expense</b>             | <u>\$1,626,108</u> | <u>\$1,913,575</u> | 18%   | <u>\$1,847,305</u>          | -3%   | <u>\$2,219,720</u>        | 20%   |

| <b>Personnel Summary</b> |                |                |                |
|--------------------------|----------------|----------------|----------------|
|                          | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
| Positions funded         | 5              | 6              | 6              |

## WATER SUPPLY AND TREATMENT

(Operating)

### MISSION

The Water Supply and Treatment Department is responsible for providing high quality drinking water to OWASA customers. Departmental functions include operation and maintenance of three water supply reservoirs, public recreation facilities at two lakes, the Jones Ferry Road Water Treatment Plant, water treatment solids processing and recycling facilities, and five elevated storage tanks. The department also administers watershed protection programs.

### SUMMARY OF ACTIVITIES

- Efficiently and effectively operate the water treatment, laboratory, and maintenance programs in compliance with federal and state regulations and requirements while providing high quality drinking water to OWASA customers.
- Provide timely analytical monitoring data for process control and regulatory reporting.
- Maintain a computerized maintenance management program to facilitate work scheduling, track equipment history and reliability, and maintain a database of suppliers and parts for equipment to support asset management.
- Respond to weekend and after-hours water and wastewater emergency calls from OWASA customers courteously and timely and dispatch appropriate personnel to resolve customer problems.
- Provide responsive and courteous service to address water quality concerns raised by customers.
- Enhance customer awareness of watershed protection and water treatment by conducting facility tours and providing general information relating to water quality and treatment.
- Operate and maintain the recreational facilities at University Lake and Cane Creek Reservoir in a courteous and friendly manner.
- Reinforce the teamwork approach required to accomplish the Department's objectives.
- Oversee and manage OWASA-owned land and conservation easements in the University Lake and Cane Creek watersheds.

### KEY FOCUS AREAS FOR FY 2024

| Strategic Initiative                        | Objective   |
|---|---|
| Provide High Quality Services               | <ul style="list-style-type: none"><li>• Maintain Partnership for Safe Water Phase IV objectives</li><li>• Continue emphasis on the development and training of employees to improve knowledge, skills, and abilities</li><li>• Maintain continuous compliance with state and federal drinking water standards</li><li>• Continue execution of the SCADA Master Plan</li><li>• Identify and implement treatment solutions for PFAS removal</li><li>• Update laboratory compliance sampling plans, monitoring and reporting procedures to ensure compliance with LCRR</li><li>• Assist in the search and implementation of a new Computerized Maintenance Management System</li></ul> |
| Forest Management                           | <ul style="list-style-type: none"><li>• Effectively manage forest assets to fulfill OWASA's mission</li></ul>   |
| Support the Diversity and Inclusion Program | <ul style="list-style-type: none"><li>• Continue to improve the diversity, foster inclusion, and ensuring a sense of belonging in our workforce</li></ul>   |

**WATER SUPPLY AND TREATMENT**

**Three-year Comparison  
Fiscal Years 2022 - 2024**

|                                | <b>FY 2022<br/>Actual</b> | <b>FY 2023<br/>Budget</b> | <b>FY23<br/>Budget<br/>to<br/>FY22<br/>Actual</b> | <b>FY 2023<br/>Forecast</b> | <b>FY23<br/>Forecast<br/>to<br/>FY23<br/>Budget</b> | <b>FY 2024<br/>Budget</b> | <b>FY24<br/>Budget<br/>to FY23<br/>Forecast</b> |
|--------------------------------|---------------------------|---------------------------|---|-----------------------------|---|---------------------------|---|
| <b>Personnel Costs</b>         |                           |                           |   |                             |   |                           |   |
| Salaries and Wages             | \$1,420,219               | \$1,614,444               |   | \$1,529,228                 |   | \$1,755,152               |   |
| Taxes and Benefits             | <u>584,198</u>            | <u>668,020</u>            |   | <u>640,999</u>              |   | <u>744,782</u>            |   |
| Total Personnel Costs          | 2,004,417                 | 2,282,464                 | 14%   | 2,170,227                   | -5%   | 2,499,934                 | 15%   |
| <b>Other Operating Expense</b> |                           |                           |   |                             |   |                           |   |
| Materials and Supplies         | 159,137                   | 187,714                   |   | 202,914                     |   | 220,459                   |   |
| Chemicals                      | 1,419,843                 | 1,893,797                 |   | 2,195,669                   |   | 2,706,988                 |   |
| Utilities                      | 295,368                   | 450,948                   |   | 439,127                     |   | 318,427                   |   |
| Maintenance                    | 865,997                   | 1,022,547                 |   | 1,023,692                   |   | 1,235,648                 |   |
| Professional Services          | 96,291                    | 81,055                    |   | 83,316                      |   | 102,345                   |   |
| Communication                  | 484                       | 1,000                     |   | 1,000                       |   | 1,000                     |   |
| Printing and Reproduction      | 0                         | 0                         |   | 0                           |   | 0                         |   |
| Education and Development      | 5,009                     | 11,660                    |   | 11,783                      |   | 18,490                    |   |
| Other                          | <u>95,973</u>             | <u>126,018</u>            |   | <u>126,191</u>              |   | <u>132,509</u>            |   |
| Total Operating Expenditures   | 2,938,102                 | 3,774,739                 | 28%   | 4,083,692                   | 8%  | 4,735,866                 | 16%   |
| <b>Total Expenditures</b>      | <u>4,942,519</u>          | <u>6,057,203</u>          | 23%   | <u>6,253,919</u>            | 3%  | <u>7,235,800</u>          | 16%   |
| Construction Credits           | 0                         | 0                         |   | 0                           |   | 0                         |   |
| <b>Net Expense</b>             | <u>\$4,942,519</u>        | <u>\$6,057,203</u>        | 23%   | <u>\$6,253,919</u>          | 3%  | <u>\$7,235,800</u>        | 16%   |

| <b>Personnel Summary</b> |                |                |                |
|--------------------------|----------------|----------------|----------------|
|                          | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
| Positions funded         | 23             | 23             | 23             |

| <b>Key Performance Measurements</b>  |             |                |                |                |
|--|-------------|----------------|----------------|----------------|
|  | <b>Goal</b> | <b>FY 2021</b> | <b>FY 2022</b> | <b>FY 2023</b> |
| <b>Workload</b>  |             |                |                |                |
| Finished water pumped to the distribution system                                 | N/A         | 2.3B           | 2.4B           | 2.4B           |
| Percent of solids removed from treatment process and recycled for beneficial use | 100%        | 100%           | 100%           | 100%           |
| <b>Effectiveness</b>   |             |                |                |                |
| Primary drinking water standards non-compliances                                 | 0           | 0              | 0              | 0              |
| Secondary drinking water standards non-compliances                               | 0           | 0              | 0              | 0              |
| Average finished water turbidity (Nephelometric Turbidity Units)                 | <0.10       | 0.02           | 0.02           | 0.02           |

B = billion

## WATER DISTRIBUTION

(Operating)

### MISSION

The Water Distribution Department is responsible for maintaining the drinking water distribution system from the water treatment plant to the meters at customers' premises with the exception of the system's storage tanks and booster pumping stations. The Department also develops and implements efficient and effective measures for maintaining and repairing components of the water distribution infrastructure and is responsible for accurately and efficiently reading meters and replacing certain water mains to maintain the integrity and capacity of the system.

### SUMMARY OF ACTIVITIES

- Provide responsive and courteous customer service in all activities.
- Conduct regular flushing of water mains to ensure water quality throughout the distribution system.
- Maintain ongoing valve and fire hydrant maintenance and repair programs to help ensure reliable operation of the distribution system.
- Accurately and efficiently read water meters to ensure correct consumption is billed to customers.
- Investigate distribution system for sources of unaccounted water (water pumped to system but not metered or billed).
- Administer a backflow prevention program to ensure water quality.
- Coordinate repairing and replacing water meters.
- Maintain integrity of water distribution lines by continuing rehabilitation program.
- Install service connections.
- Repair and replace water mains and appurtenances.

### KEY FOCUS AREAS FOR FY 2024

| Strategic Initiative  | Objective   |
|---|---|
| Promote education and training  | <ul style="list-style-type: none"><li>• Ensure employee training and development in new methods of maintenance of water lines and use of related equipment</li><li>• Implement and promote hands-on training for trenching, excavation, and confined space</li><li>• Focus on continuous improvement and professional development of Distribution team through industry conferences and trade shows</li></ul> |
| Valve Maintenance   | <ul style="list-style-type: none"><li>• Inspect and operate/exercise critical valve infrastructure</li><li>• Continue to inspect and maintain 25% of the non-critical valve infrastructure</li><li>• Repair and replace damaged/inoperable valve materials</li></ul>  |
| Conduct routine flushing and sampling   | <ul style="list-style-type: none"><li>• Maintain high quality drinking water throughout the system</li><li>• Install new sampling stations</li></ul>  |
| Implement Backflow/Cross-Connection Program   | <ul style="list-style-type: none"><li>• Identify all backflows throughout the distribution system</li><li>• Ensure devices are in compliance and tested annually</li><li>• Identify, track, organize, and enforce compliance</li></ul>  |
| Maintain standards to continue to qualify for the President's Award for Distribution System Operation from the Partnership for Safe Water | <ul style="list-style-type: none"><li>• Continue to meet or exceed the requirements to achieve the President's Award</li><li>• Work towards achieving the award's next level</li><li>• Update, analyze, and maintain system pressure data quarterly</li></ul>   |
| Support the Diversity and Inclusion Program   | <ul style="list-style-type: none"><li>• Make improvements in service excellence, achieving a diverse workforce and providing an inclusive environment</li></ul>   |

**WATER DISTRIBUTION**

**Three-year Comparison  
Fiscal Years 2022 - 2024**

|                                | <b>FY 2022<br/>Actual</b> | <b>FY 2023<br/>Budget</b> | <b>FY23<br/>Budget<br/>to<br/>FY22<br/>Actual</b> | <b>FY 2023<br/>Forecast</b> | <b>FY23<br/>Forecast<br/>to<br/>FY23<br/>Budget</b> | <b>FY 2024<br/>Budget</b> | <b>FY24<br/>Budget<br/>to FY23<br/>Forecast</b> |
|--------------------------------|---------------------------|---------------------------|---|-----------------------------|---|---------------------------|---|
| <b>Personnel Costs</b>         |                           |                           |   |                             |   |                           |   |
| Salaries and Wages             | \$1,725,464               | \$1,873,127               |   | \$1,524,180                 |   | \$2,147,916               |   |
| Taxes and Benefits             | <u>721,659</u>            | <u>844,166</u>            |   | <u>798,888</u>              |   | <u>984,204</u>            |   |
| Total Personnel Costs          | 2,447,123                 | 2,717,293                 | 11%   | 2,323,068                   | -15%  | 3,132,120                 | 35%   |
| <b>Other Operating Expense</b> |                           |                           |   |                             |   |                           |   |
| Materials and Supplies         | 119,429                   | 103,499                   |   | 118,833                     |   | 131,189                   |   |
| Utilities                      | 145,506                   | 244,475                   |   | 207,336                     |   | 220,852                   |   |
| Maintenance                    | 519,148                   | 752,634                   |   | 655,705                     |   | 776,700                   |   |
| Professional Services          | 5,075                     | 6,404                     |   | 5,846                       |   | 6,678                     |   |
| Communication                  | 3,018                     | 5,000                     |   | 2,354                       |   | 2,500                     |   |
| Printing and Reproduction      | 49                        | 1,500                     |   | 750                         |   | 1,500                     |   |
| Education and Development      | 7,347                     | 21,100                    |   | 1,776                       |   | 20,200                    |   |
| Other                          | <u>5,152</u>              | <u>3,500</u>              |   | <u>4,257</u>                |   | <u>3,500</u>              |   |
| Total Operating Expenditures   | 804,724                   | 1,138,112                 | 41%   | 996,857                     | -12%  | 1,163,119                 | 17%   |
| Total Expenditures             | <u>3,251,847</u>          | <u>3,855,405</u>          | 19%   | <u>3,319,925</u>            | -14%  | <u>4,295,239</u>          | 29%   |
| Construction Credits           | (201,498)                 | (259,083)                 |   | (199,555)                   |   | (187,000)                 |   |
| <b>Net Expense</b>             | <u>\$3,050,349</u>        | <u>\$3,596,322</u>        | 18%   | <u>\$3,120,370</u>          | -13%  | <u>\$4,108,239</u>        | 32%   |

| <b>Personnel Summary</b> |                |                |                |
|--------------------------|----------------|----------------|----------------|
|                          | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
| Positions funded         | 35             | 35             | 33             |

| <b>Key Performance Measurements</b>                    |             |                |                |                |
|--|-------------|----------------|----------------|----------------|
|  | <b>Goal</b> | <b>FY 2021</b> | <b>FY 2022</b> | <b>FY 2023</b> |
| <b>Workload</b>  |             |                |                |                |
| Miles of finished water pipe maintained                | N/A         | 384            | 385            | 391            |
| <b>Effectiveness</b>                                   |             |                |                |                |
| Volume of water billed vs. volume pumped to the system | 90.0%       | 90.1%          | 91.8%          | 90.5%          |
| Number of main breaks per 100 miles of pipe            | <7.00       | 9.4            | 6.5            | 9.4            |

## WASTEWATER TREATMENT AND BIOSOLIDS RECYCLING

(Operating)

### MISSION

The Mason Farm Wastewater Treatment Plant (WWTP) is responsible for reliably providing efficient and effective treatment of wastewater, reclaimed water, and the resulting biosolids. The Department complies with various local, state, and federal regulations that pertain to discharges from OWASA's facilities, plus the general operation requirements to meet applicable standards. These include National Pollutant Discharge Elimination System (NPDES) Permit, Land Application Permit (Water Quality, Non-Discharge), Stormwater Discharge Permit, and Reclaimed Water Permit.

### SUMMARY OF ACTIVITIES

- Provide responsive and courteous customer service in all activities.
- Maintain plant, maintenance, and laboratory programs to ensure that discharges are in compliance with their operating permits.
- Operate plant, laboratory, and maintenance areas in compliance with applicable state and federal requirements.
- Eliminate offsite odors and provide prompt response to public inquires.
- Maintain all equipment necessary to provide reliable pumping of wastewater without spillage or overflow.
- Provide timely analytical monitoring data for process control and regulatory reporting.
- Maintain a computerized maintenance management program to facilitate work scheduling, track equipment history and reliability, and maintain a database of suppliers and parts for equipment to support asset management.
- Manage all programs in an environmentally and operationally sound manner.

### KEY FOCUS AREAS FOR FY 2024

| Strategic Initiative   | Objective   |
|--|---|
| Continue work on action items identified in the Phase 3 Assessment of American Water Works Association's Partnership for Clean Water program for Mason Farm WWTP | <ul style="list-style-type: none"><li>• Improve water quality, operational efficiency, reliability, and resiliency. Key focus on community outreach/communication and data (collection, optimization and utilization.)</li></ul>  |
| Complete key preventative maintenance projects at Mason Farm WWTP  | <ul style="list-style-type: none"><li>• The purpose of these projects is to assess the condition of some of our critical equipment/systems to be able to make more informed decisions regarding our operation and maintenance practices and investments in our equipment/infrastructure</li></ul> |
| Continue to improve denitrification performance at the Mason Farm WWTP   | <ul style="list-style-type: none"><li>• With the new Jordan Lake Nutrient rules in-place, staff will continue to work to optimize the wastewater treatment process to improve total nitrogen removal</li></ul>  |
| Continued focus on training and development of employees   | <ul style="list-style-type: none"><li>• Provide training opportunities to enhance staff knowledge of job-specific skills to improve performance in current roles and focus on developing skills for employee growth and increase operational reliability</li></ul>                                |
| Continue to support the Diversity and Inclusion Program  | <ul style="list-style-type: none"><li>• Make improvements in service excellence, achieving a diverse workforce and providing an inclusive environment</li></ul>   |

## WASTEWATER TREATMENT

### Three-year Comparison Fiscal Years 2022 - 2024

|                                | FY 2022<br>Actual  | FY 2023<br>Budget  | FY23<br>Budget<br>to<br>FY22<br>Actual | FY 2023<br>Forecast | FY23<br>Forecast<br>to<br>FY23<br>Budget | FY 2024<br>Budget  | FY24<br>Budget<br>to FY23<br>Forecast |
|--------------------------------|--------------------|--------------------|--|---------------------|--|--------------------|---------------------------------------|
| <b>Personnel Costs</b>         |                    |                    |  |                     |  |                    |                                       |
| Salaries and Wages             | \$1,678,872        | \$1,667,124        |  | \$1,641,309         |  | \$1,764,040        |                                       |
| Taxes and Benefits             | <u>613,621</u>     | <u>624,165</u>     |  | <u>633,451</u>      |  | <u>707,077</u>     |                                       |
| Total Personnel Costs          | 2,292,493          | 2,291,289          | 0%                                     | 2,274,760           | -1%                                      | 2,471,117          | 9%                                    |
| <b>Other Operating Expense</b> |                    |                    |  |                     |  |                    |                                       |
| Materials and Supplies         | 325,507            | 300,123            |  | 320,142             |  | 299,895            |                                       |
| Chemicals                      | 943,864            | 1,213,821          |  | 1,470,158           |  | 1,601,665          |                                       |
| Utilities                      | 554,078            | 670,218            |  | 600,901             |  | 728,058            |                                       |
| Maintenance                    | 900,223            | 1,281,120          |  | 1,170,891           |  | 1,398,420          |                                       |
| Professional Services          | 65,418             | 94,263             |  | 89,899              |  | 97,011             |                                       |
| Communication                  | 636                | 740                |  | 618                 |  | 440                |                                       |
| Printing and Reproduction      | 0                  | 0                  |  | 0                   |  | 0                  |                                       |
| Education and Development      | 23,588             | 56,075             |  | 32,635              |  | 57,575             |                                       |
| Other                          | <u>80,493</u>      | <u>110,225</u>     |  | <u>89,253</u>       |  | <u>99,225</u>      |                                       |
| Total Operating Expenditures   | 2,893,807          | 3,726,585          | 29%                                    | 3,774,497           | 1%                                       | 4,282,289          | 13%                                   |
| <b>Total Expenditures</b>      | <u>5,186,300</u>   | <u>6,017,874</u>   | 16%                                    | <u>6,049,257</u>    | 1%                                       | <u>6,753,406</u>   | 12%                                   |
| Construction Credits           | 0                  | 0                  |  | 0                   |  | 0                  |                                       |
| <b>Net Expense</b>             | <u>\$5,186,300</u> | <u>\$6,017,874</u> | 16%                                    | <u>\$6,049,257</u>  | 1%                                       | <u>\$6,753,406</u> | 12%                                   |

| Personnel Summary |         |         |         |
|-------------------|---------|---------|---------|
|                   | FY 2022 | FY 2023 | FY 2024 |
| Positions funded  | 23      | 23      | 23      |

| Key Performance Measurements            |      |         |         |         |
|---|------|---------|---------|---------|
|   | Goal | FY 2021 | FY 2022 | FY 2023 |
| <b>Workload</b>                         |      |         |         |         |
| Number of gallons of wastewater treated | N/A  | 2.7B    | 2.6B    | 2.7B    |
| <b>Effectiveness</b>                    |      |         |         |         |
| Events of permit noncompliance          | 0    | 0       | 0       | 2       |
| Wastewater overflows                    | 0    | 1       | 1       | 1       |
| Odor events                             | 0    | 0       | 1       | 0       |

B = billion

## WASTEWATER COLLECTION

(Operating)

### MISSION

The Wastewater Collection Department is responsible for maintaining the public wastewater collection system (except for pumping stations) which carries wastewater to the Mason Farm Wastewater Treatment Plant. The Department uses systematic approaches to minimize and prevent overflows of wastewater to local creeks and streams. The Department also operates ongoing programs to clear and mow easements and inspect and clean wastewater mains.

### SUMMARY OF ACTIVITIES

- Provide responsive and courteous customer service in all activities.
- Manage an efficient and effective predictive, preventive, and corrective maintenance program for the wastewater collection infrastructure.
- Maintain an ongoing program to reduce inflow/infiltration into the wastewater collections system.
- Regularly mow and clear easements and clean wastewater mains.
- Maintain a computerized maintenance management program for the Department's operation.
- Ensure proper employee training and development in new methods of maintaining wastewater lines and using related equipment. Enhance knowledge and skills of employees to increase proficiency through participation in education and training workshops and in-house programs.
- Administer fats, oils and grease monitoring program.

### KEY FOCUS AREAS FOR FY 2024

| Strategic Initiative                                 | Objective   |
|--|---|
| Promote education and training                       | <ul style="list-style-type: none"><li>• Ensure employee training and development in new methods of maintenance of water lines and use of related equipment</li><li>• Implement and promote hands-on training for trenching, excavation, and confined space</li><li>• Focus on continuous improvement and professional development of Collection team through industry conferences and trade shows</li></ul> |
| Reduce Sanitary Sewer Overflows                      | <ul style="list-style-type: none"><li>• Perform preventative maintenance: sewer cleaning, CCTV inspections, and upgrade system through point repairs and push patching</li><li>• Improve and update root treatment program to focus on problem areas and maintain warranty</li><li>• Implement quick response sewer bypass equipment to minimize the environmental impacts of SSOs</li></ul>                |
| Easements and Encroachments                          | <ul style="list-style-type: none"><li>• Maintain and inspect easements and outfalls</li><li>• Inspect manholes and aerial crossing infrastructure</li><li>• Monitor and address easement encroachment issues in effort to minimize encroachments</li></ul>  |
| Improve and expand preventative maintenance program. | <ul style="list-style-type: none"><li>• Video-inspect at least ten miles of wastewater lines</li><li>• Clean at least 20% of wastewater system</li><li>• Revisit Smoke Testing program to update goals and objectives</li></ul>   |
| Fats, oils and grease (FOG) Program                  | <ul style="list-style-type: none"><li>• Identify all grease interceptors and oil-sand separators throughout the collection system</li><li>• Inspect, maintain, and enforce grease interceptors throughout the collection system</li><li>• Maintain and expand compliance tracking</li></ul>   |
| Support the Diversity and Inclusion Program          | <ul style="list-style-type: none"><li>• Make improvements in service excellence, achieving a diverse workforce and providing an inclusive environment</li></ul>   |



**WASTEWATER COLLECTION**

**Three-year Comparison  
Fiscal Years 2022 - 2024**

|                                | <b>FY 2022<br/>Actual</b> | <b>FY 2023<br/>Budget</b> | <b>FY23<br/>Budget<br/>to<br/>FY22<br/>Actual</b> | <b>FY 2023<br/>Forecast</b> | <b>FY23<br/>Forecast<br/>to<br/>FY23<br/>Budget</b> | <b>FY 2024<br/>Budget</b> | <b>FY24<br/>Budget<br/>to FY23<br/>Forecast</b> |
|--------------------------------|---------------------------|---------------------------|---|-----------------------------|---|---------------------------|---|
| <b>Personnel Costs</b>         |                           |                           |   |                             |   |                           |   |
| Salaries and Wages             | \$546,659                 | \$587,548                 |   | \$606,913                   |   | \$761,943                 |   |
| Taxes and Benefits             | <u>263,784</u>            | <u>286,536</u>            |   | <u>293,197</u>              |   | <u>375,728</u>            |   |
| Total Personnel Costs          | 810,443                   | 874,084                   | 8%  | 900,110                     | 3%  | 1,137,671                 | 26%   |
| <b>Other Operating Expense</b> |                           |                           |   |                             |   |                           |   |
| Materials and Supplies         | 47,513                    | 68,055                    |   | 64,780                      |   | 69,511                    |   |
| Chemicals                      | 230,939                   | 230,000                   |   | 155,268                     |   | 175,000                   |   |
| Utilities                      | 108,100                   | 136,745                   |   | 130,942                     |   | 139,842                   |   |
| Maintenance                    | 307,111                   | 198,000                   |   | 184,690                     |   | 261,150                   |   |
| Professional Services          | 6,206                     | 6,404                     |   | 5,973                       |   | 6,678                     |   |
| Communication                  | 408                       | 500                       |   | 448                         |   | 500                       |   |
| Printing and Reproduction      | 21                        | 1,500                     |   | 500                         |   | 500                       |   |
| Education and Development      | 3,011                     | 13,800                    |   | 7,263                       |   | 24,200                    |   |
| Other                          | <u>2,427</u>              | <u>6,000</u>              |   | <u>2,640</u>                |   | <u>5,500</u>              |   |
| Total Operating Expenditures   | 705,736                   | 661,004                   | -6%   | 552,504                     | -16%  | 682,881                   | 24%   |
| <b>Total Expenditures</b>      | <u>1,516,179</u>          | <u>1,535,088</u>          | 1%  | <u>1,452,614</u>            | -5%   | <u>1,820,552</u>          | 25%   |
| Construction Credits           | (13,081)                  | 0                         |   | 0                           |   | 0                         |   |
| <b>Net Expense</b>             | <u>\$1,503,098</u>        | <u>\$1,535,088</u>        | 2%  | <u>\$1,452,614</u>          | -5%   | <u>\$1,820,552</u>        | 25%   |

| <b>Personnel Summary</b> |                |                |                |
|--------------------------|----------------|----------------|----------------|
|                          | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
| Positions funded         | 11             | 12             | 13             |

| <b>Key Performance Measurements</b>                                   |             |                |                |                |
|---|-------------|----------------|----------------|----------------|
|   | <b>Goal</b> | <b>FY 2021</b> | <b>FY 2022</b> | <b>FY 2023</b> |
| <b>Workload</b>   |             |                |                |                |
| Miles of gravity wastewater collection piping maintained              | N/A         | 349            | 349            | 350            |
| <b>Effectiveness</b>  |             |                |                |                |
| Number of reportable wastewater overflows                             | 0           | 4              | 11             | 5              |
| Total number of reportable overflows per 100 miles of wastewater pipe | 0.0         | 0.9            | 2.0            | 1.1            |

**Section III**

**SUPPLEMENTAL INFORMATION**

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**Resolution Adopting the Annual Budget For  
Orange Water and Sewer Authority (OWASA) for the Fiscal Year  
July 1, 2023 Through June 30, 2024**

**Whereas**, North Carolina G.S. Chapter 159 and Section 7.05 of the Bond Order require that on or before the first day of July in each fiscal year OWASA will adopt a Budget for the ensuing fiscal year;

**Whereas**, such Budget is to include estimates of revenues of the water, sewer and reclaimed water systems, current operations expenses, interest income, debt service costs, and disbursements from the general fund for capital improvements and equipment purchases; and

**Whereas**, during the preparation of the Fiscal Year (FY) 2024 Budget, and after holding public hearings on May 11, 2023, concerning the FY 2024 Budget, the Board of Directors determined that it is necessary to increase the rates OWASA charges for monthly water and sewer services by 9% in order to provide sufficient revenues to fund ongoing operations, debt service and the Capital Improvements Program; and;

**Now, Therefore, Be It Resolved:**

1. That pursuant to the provisions of North Carolina G.S. Chapter 159-13 the attached pages marked 2 through 6 be, and they hereby are, adopted as the official budget of Orange Water and Sewer Authority for the Fiscal Year beginning July 1, 2023, through June 30, 2024.
2. That the appropriations for departments, functions, and projects as shown in the attached budget for the respective purposes and in the respective amounts therein specified are hereby made.
3. That the Executive Director shall administer the budget and is hereby authorized to expend the funds for the purposes set forth therein.

Adopted this 8th day of June 2023.

  
\_\_\_\_\_  
Bruce Boehm, Chair

ATTEST:

  
Raymond E. DuBose, P.E., Secretary

**BUDGET RESOLUTION AND ORDINANCE**

**ORANGE WATER AND SEWER AUTHORITY  
STATEMENT OF INCOME, EXPENSE AND DEBT SERVICE  
(OPERATING)**

|                                     | <b>FY 2024</b>                    |
|-------------------------------------|-----------------------------------|
|                                     | <b><u>Annual Budget</u></b>       |
| <b>Operating Revenue</b>            |                                   |
| Water                               | \$24,345,351                      |
| Sewer                               | 22,822,446                        |
| Reclaimed Water                     | 441,300                           |
| Service Initiation Fee              | 14,720                            |
| Other                               | 673,576                           |
| Refunds and Adjustments             | <u>(134,012)</u>                  |
| <b>Total Operating Revenue</b>      | <b>\$48,163,381</b>               |
| <b>Operating Expense</b>            |                                   |
| General and Administrative          | 10,281,853                        |
| Operations                          | <u>19,917,998</u>                 |
| <b>Total Operating Expense</b>      | <b><u>30,199,851</u></b>          |
| <b>Net Operating Income</b>         | <b>17,963,530</b>                 |
| <b>Non-operating Revenue</b>        |                                   |
| System Development Fees             | 1,031,306                         |
| Interest                            | <u>256,845</u>                    |
| <b>Total Net Income</b>             | <b><u><u>\$19,251,681</u></u></b> |
| <b>Debt Service</b>                 | <b>10,626,764</b>                 |
| <b>Net Income Less Debt Service</b> | <b><u><u>\$8,624,917</u></u></b>  |
| <b>Debt Coverage Ratio</b>          | <b>1.81</b>                       |

**BUDGET RESOLUTION AND ORDINANCE**

**ORANGE WATER AND SEWER AUTHORITY  
STATEMENT OF INCOME AND EXPENSE  
(CAPITAL/NON-OPERATING)**

|  | <b>FY 2024</b>              |
|--|-----------------------------|
|  | <b><u>Annual Budget</u></b> |
| <b>General Fund</b>                        |                             |
| Resources                                  |                             |
| Transfer From Revenue                      | <u>\$8,624,917</u>          |
| <b>Annual Income Available for Capital</b> | <b>8,624,917</b>            |
| Transfer from Construction Fund            | <u>13,328,692</u>           |
| <b>Total Available for Capital</b>         | <b><u>21,953,609</u></b>    |
| <b>Capital Expenditures</b>                |                             |
| Project ordinances                         |                             |
| General Fund Contribution                  | 8,624,917                   |
| Funded by Bond Proceeds                    | <u>7,499,083</u>            |
| Total Project Resolutions                  | <b>16,124,000</b>           |
| Capital Equipment                          | <u>1,706,635</u>            |
| <b>Total Capital Outlay</b>                | <b><u>17,830,635</u></b>    |
| <b>Annual General Fund Balance</b>         | <b>4,122,974</b>            |
| <b>General Fund Beginning Balance</b>      | <u>23,538,416</u>           |
| <b>General Fund Ending Balance</b>         | <b>27,661,390</b>           |
| Project Funding                            |                             |
| Reserves                                   |                             |
| Rate/Revenue Stabilization                 | 2,100,000                   |
| Capital Improvements                       | 5,828,190                   |
| Working Capital                            | <u>19,733,200</u>           |
| <b>Unallocated General Fund Balance</b>    | <u><u>\$0</u></u>           |

**BUDGET RESOLUTION AND ORDINANCE**

|                                    | <u>Water</u>       | <u>Sewer</u>       | <u>Total</u>        |
|------------------------------------|--------------------|--------------------|---------------------|
| <b>Fund Balance July 1, 2023</b>   |                    |                    | -                   |
| <b>Receipts</b>                    |                    |                    |                     |
| <b>Operating Revenue</b>           |                    |                    |                     |
| Customer Billings                  | 24,345,351         | 22,822,446         | 47,167,797          |
| Reclaimed Water                    | 441,300            | -                  | 441,300             |
| Service Initiation Fee             | 7,360              | 7,360              | 14,720              |
| Other                              | 336,788            | 336,788            | 673,576             |
| Refunds and Adjustments            | <u>(67,006)</u>    | <u>(67,006)</u>    | <u>(134,012)</u>    |
| <b>Total Operating Revenue</b>     | 25,063,793         | 23,099,588         | 48,163,381          |
| <b>Non-operating Revenue</b>       |                    |                    |                     |
| System Development Fees            | 520,534            | 510,772            | 1,031,306           |
| Interest and Other Income          | <u>128,423</u>     | <u>128,422</u>     | <u>256,845</u>      |
| Total Non-operating Revenue        | 648,957            | 639,194            | 1,288,151           |
| <b>Total Receipts</b>              | 25,712,750         | 23,738,782         | 49,451,532          |
| <b>Expenditures</b>                |                    |                    |                     |
| Current Expense                    | (16,484,966)       | (13,714,885)       | (30,199,851)        |
| Debt Service                       | <u>(5,555,433)</u> | <u>(5,071,331)</u> | <u>(10,626,764)</u> |
| <b>Total Expenditures</b>          | (22,040,399)       | (18,786,216)       | (40,826,615)        |
| <b>Net Revenue</b>                 |                    |                    | 8,624,917           |
| <b>To General Fund</b>             |                    |                    | (8,624,917)         |
| <b>Fund Balance June 30, 2024</b>  |                    |                    | <u>-</u>            |
| <b>Change in Available Balance</b> |                    |                    | <u><u>-</u></u>     |

**BUDGET RESOLUTION AND ORDINANCE**

**BOND SERVICE FUND**

|                                    |                             |                     |
|------------------------------------|-----------------------------|---------------------|
| <b>Fund Balance July 1, 2023</b>   |                             | -                   |
| <b>Receipts</b>                    |                             |                     |
| Transfers from Revenue Fund        | 10,626,764                  |                     |
| Interest                           | <u>                    </u> |                     |
| <b>Total Receipts</b>              |                             | 10,626,764          |
| <b>Expenditures</b>                |                             |                     |
| Debt Service                       | <u>10,626,764</u>           |                     |
| <b>Total Expenditures</b>          |                             | <u>(10,626,764)</u> |
| <b>Fund Balance June 30, 2024</b>  |                             | <u>-</u>            |
| <b>Change in Available Balance</b> |                             | <u><u>-</u></u>     |

**BUDGET RESOLUTION AND ORDINANCE**

**GENERAL FUND**

|   |                   |                            |
|---|-------------------|----------------------------|
| <b>Fund Balance July 1, 2023</b>                      |                   | \$23,538,416               |
| <b>Receipts</b>                                       |                   |                            |
| Transfer from Revenue fund                            | 8,624,917         |                            |
| Transfer from Construction Fund                       | 13,328,692        |                            |
| Bond proceeds   |                   |                            |
| Grants and contributions                              | <u>-</u>          |                            |
| <b>Total Receipts</b>                                 |                   | <u>21,953,609</u>          |
| <b>Total Balance Before Expenditures</b>              |                   | 45,492,025                 |
| <b>Expenditures</b>                                   |                   |                            |
| Capital Equipment                                     | 1,706,635         |                            |
| Project Resolutions                                   | <u>16,124,000</u> |                            |
| <b>Total Expenditures</b>                             |                   | <u>(17,830,635)</u>        |
| <b>Fund Balance June 30, 2024</b>                     |                   | <u><u>\$27,661,390</u></u> |
| <b>Allocation of Fund Balance June 30, 2024</b>       |                   |                            |
| Project Funding                                       | 0                 |                            |
| Capital Reserves                                      | <u>27,661,390</u> |                            |
| <b>Total Allocation</b>                               |                   | <u><u>\$27,661,390</u></u> |
| <b>Unallocated General Fund Balance June 30, 2024</b> |                   | <u>-</u>                   |
| <b>Change in Available Balance</b>                    |                   | <u><u>\$4,122,974</u></u>  |



**PERSONNEL AUTHORIZATIONS BY DEPARTMENT**

| <b>Office of the Executive Director</b>       | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
|---|----------------|----------------|----------------|
| Executive Director                            | 1              | 1              | 1              |
| General Manager of Operations                 | 1              | 1              | 1              |
| Strategic Initiatives Manager                 | 1              | 1              | 0              |
| Director of Administration                    | 0              | 0              | 1              |
| Executive Assistant/Clerk to the Board        | 1              | 1              | 1              |
| Public Information Officer                    | 0              | 0              | 1              |
| Administrative Assistant                      | 2              | 2              | 2              |
| Communications Specialist                     | 1              | 1              | 1              |
| Communication and Community Relations Officer | 1              | 1              | 0              |
| <b>Total</b>                                  | <b>8</b>       | <b>8</b>       | <b>8</b>       |

| <b>Customer Service</b>                | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
|--|----------------|----------------|----------------|
| Customer Service Manager               | 1              | 1              | 1              |
| Billing Supervisor                     | 1              | 1              | 1              |
| Senior Customer Service Representative | 1              | 1              | 1              |
| Customer Service Representative        | 5              | 5              | 5              |
| Administrative Assistant               | 1              | 1              | 1              |
| <b>Total</b>                           | <b>9</b>       | <b>9</b>       | <b>9</b>       |

| <b>Engineering and Planning</b>            | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
|--|----------------|----------------|----------------|
| Director of Engineering and Planning       | 1              | 1              | 1              |
| Planning and Development Manager           | 1              | 1              | 1              |
| Engineering Manager                        | 2              | 2              | 2              |
| Utilities Engineer                         | 4              | 4              | 4              |
| Geographic Information Systems Coordinator | 1              | 1              | 1              |
| Construction Inspector                     | 2              | 2              | 2              |
| Engineering Associate                      | 2              | 3              | 3              |
| Engineering Technician                     | 2              | 2              | 2              |
| Asset Management and Facilities Engineer   | 1              | 1              | 1              |
| <b>Total</b>                               | <b>16</b>      | <b>17</b>      | <b>17</b>      |

| <b>Human Resources</b>                 | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
|--|----------------|----------------|----------------|
| Director of Human Resources and Safety | 1              | 1              | 1              |
| Safety and Risk Manager                | 1              | 1              | 1              |
| Human Resources Generalist             | 1              | 1              | 1              |
| Diversity and Inclusion Specialist     | 0              | 1              | 1              |
| Administrative Assistant               | 1              | 1              | 1              |
| <b>Total</b>                           | <b>4</b>       | <b>5</b>       | <b>5</b>       |

**PERSONNEL AUTHORIZATIONS BY DEPARTMENT**

| <b>Finance</b>                  | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
|---------------------------------|----------------|----------------|----------------|
| Director of Finance             | 1              | 1              | 1              |
| Finance and Procurement Manager | 1              | 1              | 1              |
| Financial Analyst               | 1              | 1              | 1              |
| Procurement Coordinator         | 0              | 0              | 1              |
| Accounting Technician           | 2              | 2              | 2              |
| <b>Total</b>                    | <b>5</b>       | <b>5</b>       | <b>6</b>       |

| <b>Information Technology</b>                    | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
|--|----------------|----------------|----------------|
| Director of Information Technology               | 1              | 1              | 1              |
| Network/Database Administrator                   | 2              | 2              | 2              |
| Business Systems Analyst                         | 1              | 1              | 1              |
| Supervisory Control and Data Acquisition Manager | 0              | 1              | 1              |
| Information Services Technical Specialist        | 1              | 1              | 1              |
| <b>Total</b>                                     | <b>5</b>       | <b>6</b>       | <b>6</b>       |

| <b>Water Supply and Treatment</b>       | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
|---|----------------|----------------|----------------|
| Water Supply and Treatment Manager      | 1              | 1              | 1              |
| Operations Supervisor                   | 1              | 1              | 1              |
| Treatment Plant Operator                | 8              | 8              | 8              |
| Lake Warden                             | 1              | 1              | 1              |
| Reservoir and Land Resources Supervisor | 1              | 1              | 1              |
| Assistant Lake Warden                   | 2              | 2              | 2              |
| Maintenance Supervisor                  | 1              | 1              | 1              |
| Senior Maintenance Mechanic             | 1              | 1              | 1              |
| Maintenance Coordinator                 | 1              | 1              | 1              |
| Maintenance Mechanic                    | 2              | 2              | 2              |
| Laboratory Supervisor                   | 1              | 1              | 1              |
| Laboratory Analyst                      | 3              | 3              | 3              |
| <b>Total</b>                            | <b>23</b>      | <b>23</b>      | <b>23</b>      |

| <b>Water Distribution</b>                            | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
|--|----------------|----------------|----------------|
| Distribution and Collection System Manager           | 1              | 1              | 1              |
| Assistant Distribution and Collection System Manager | 1              | 1              | 1              |
| Crew Supervisor                                      | 4              | 4              | 4              |
| Utility Technician                                   | 25             | 25             | 25             |
| Vehicle and Equipment Maintenance Mechanic           | 2              | 2              | 2              |
| Distribution and Collection System Coordinator       | 1              | 1              | 1              |
| Warehouse/Cross Connection Coordinator               | 1              | 1              | 1              |
| <b>Total</b>   | <b>35</b>      | <b>35</b>      | <b>35</b>      |

**PERSONNEL AUTHORIZATIONS BY DEPARTMENT**

| <b>Wastewater Treatment and Biosolids Recycling</b>  | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
|--|----------------|----------------|----------------|
| Wastewater Treatment and Biosolids Recycling Manager | 1              | 1              | 1              |
| Operations Supervisor                                | 1              | 1              | 1              |
| Treatment Plant Operator                             | 8              | 8              | 8              |
| Biosolids Recycling Supervisor                       | 1              | 1              | 1              |
| Biosolids Recycling Technician                       | 3              | 3              | 3              |
| Maintenance Supervisor                               | 1              | 1              | 1              |
| Senior Maintenance Mechanic                          | 4              | 4              | 4              |
| Laboratory Supervisor                                | 1              | 1              | 1              |
| Laboratory Analyst                                   | 3              | 3              | 3              |
| <b>Total</b>   | <b>23</b>      | <b>23</b>      | <b>23</b>      |

| <b>Wastewater Collection</b> | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
|------------------------------|----------------|----------------|----------------|
| Crew Supervisor              | 2              | 2              | 2              |
| Utility Technician           | 12             | 12             | 12             |
| <b>Total</b>                 | <b>14</b>      | <b>14</b>      | <b>14</b>      |

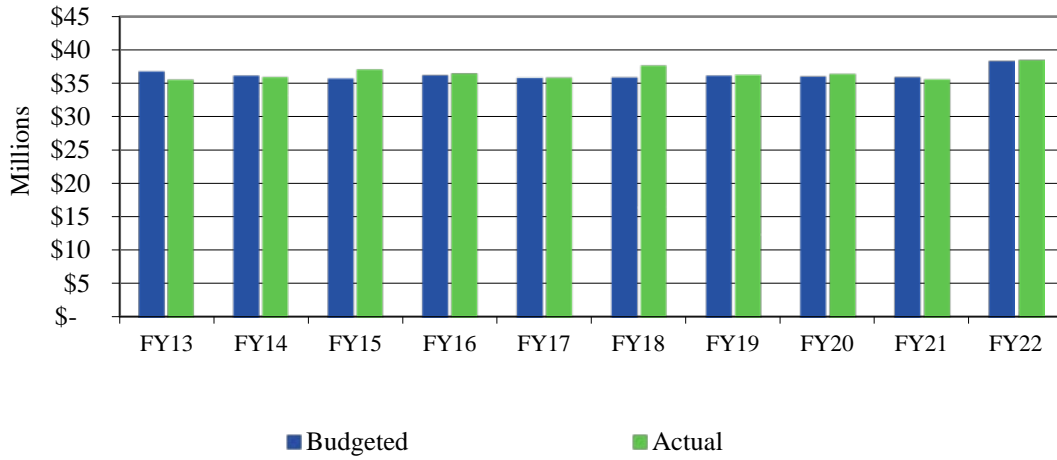
|                        |            |            |            |
|------------------------|------------|------------|------------|
| <b>Total Positions</b> | <b>142</b> | <b>145</b> | <b>146</b> |
|------------------------|------------|------------|------------|

For FY 2024, the following personnel changes have been made:

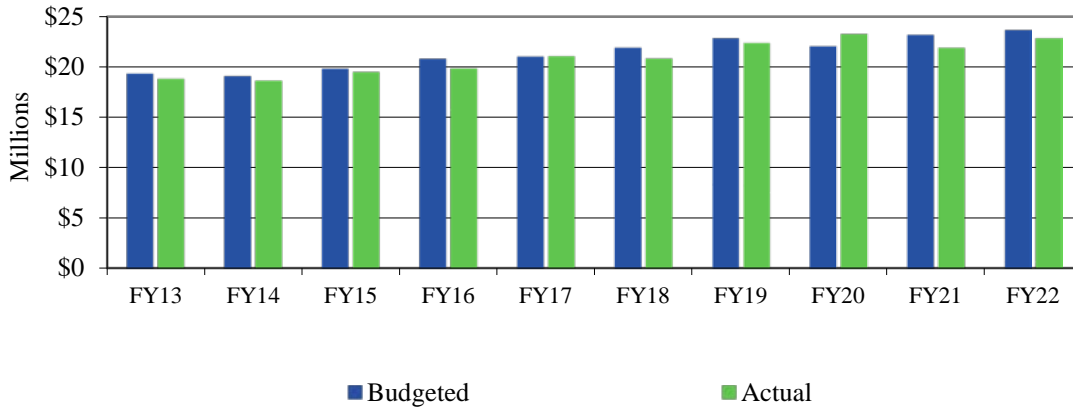
- The Strategic Initiatives Manager has been reclassified to Director of Administration.
- The Communication and Community Relations Officer has been reclassified to Public Information Officer.
- A new position, Procurement Coordinator, has been added to the Finance Department to assist with purchasing activities.

**10-YEAR HISTORICAL PERFORMANCE**

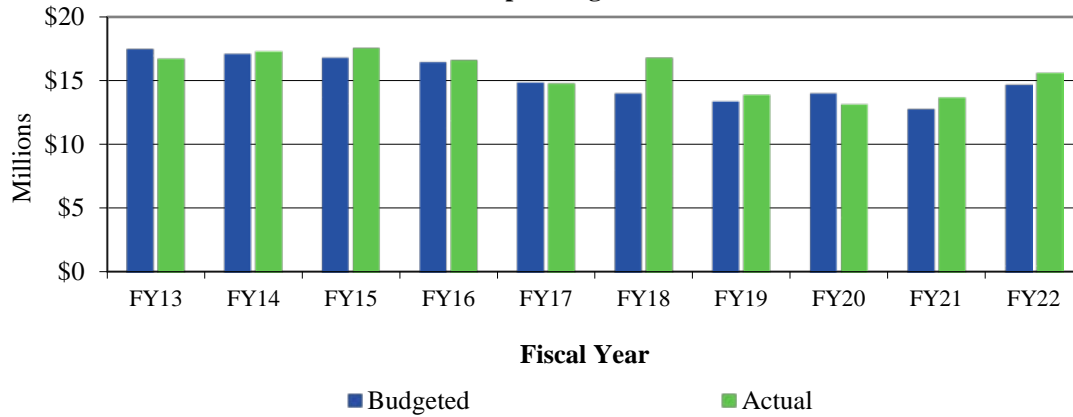
**10-Year Operating Revenue Variance**



**10-Year Operating Expense Variance**



**10-Year Net Operating Income Variance**

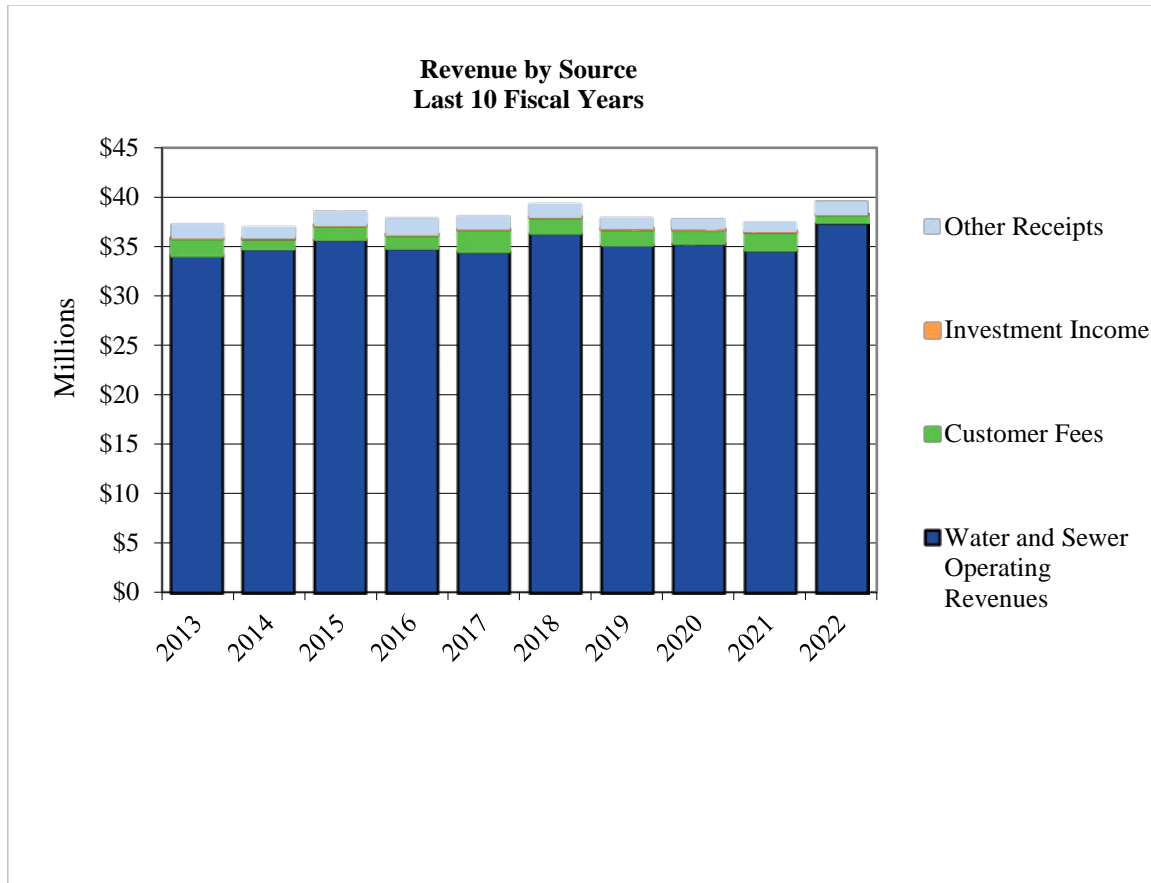


**10-YEAR HISTORICAL PERFORMANCE**

**ORANGE WATER AND SEWER AUTHORITY**

**Revenues by Source  
Last 10 Fiscal Years**

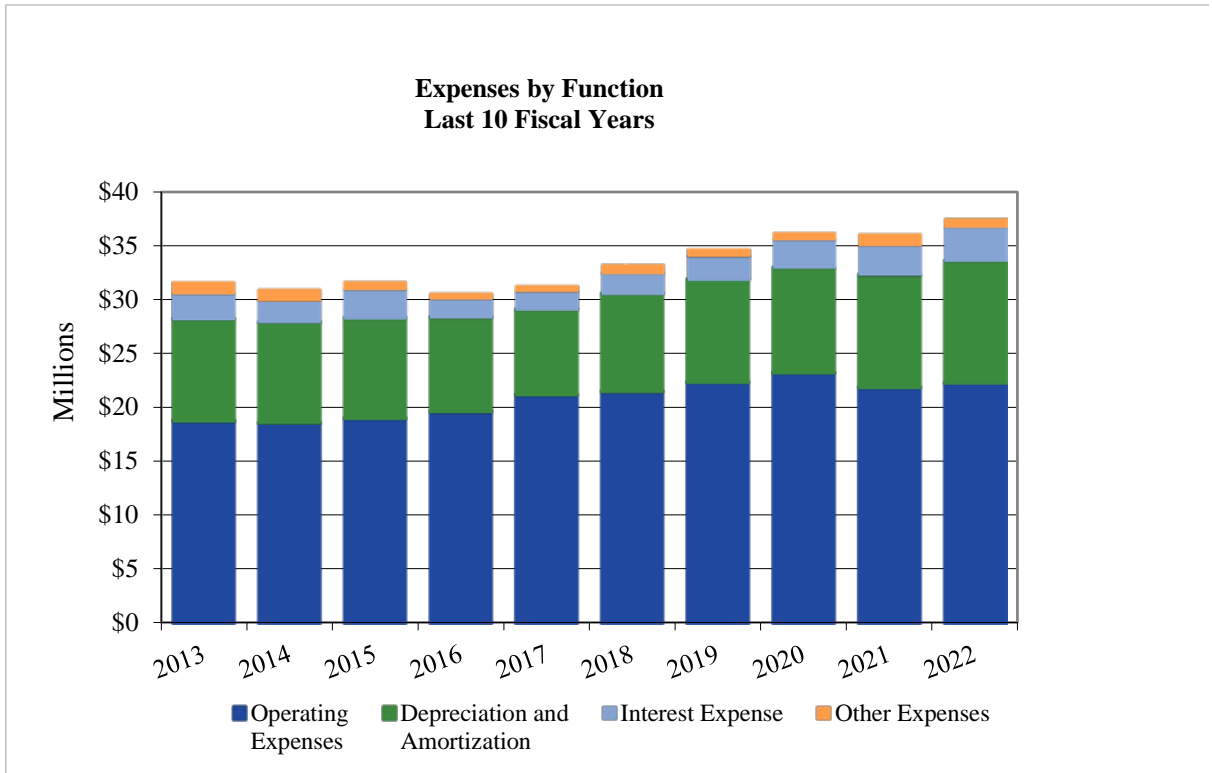
| <b>Fiscal Year</b> | <b>Water and Sewer Operating Revenues</b> | <b>System Development Fees</b> | <b>Investment Income</b> | <b>Other Receipts</b> | <b>Total</b> |
|--------------------|---|--------------------------------|--------------------------|-----------------------|--------------|
| 2013               | 34,133,521                                | 1,769,883                      | 15,664                   | 1,324,092             | 37,243,160   |
| 2014               | 34,789,219                                | 1,069,551                      | 14,756                   | 1,076,285             | 36,949,811   |
| 2015               | 35,705,629                                | 1,429,242                      | 15,133                   | 1,351,139             | 38,501,143   |
| 2016               | 34,852,086                                | 1,397,652                      | 20,663                   | 1,517,284             | 37,787,685   |
| 2017               | 34,532,508                                | 2,219,227                      | 32,802                   | 1,207,886             | 37,992,423   |
| 2018               | 36,323,113                                | 1,599,382                      | 56,524                   | 1,220,130             | 39,199,149   |
| 2019               | 35,181,219                                | 1,593,210                      | 64,842                   | 1,004,621             | 37,843,892   |
| 2020               | 35,323,134                                | 1,393,871                      | 63,207                   | 983,060               | 37,763,272   |
| 2021               | 34,683,028                                | 1,860,926                      | 1,291                    | 831,793               | 37,377,038   |
| 2022               | 37,374,625                                | 801,021                        | 17,689                   | 1,261,350             | 39,454,685   |



**10-YEAR HISTORICAL PERFORMANCE**

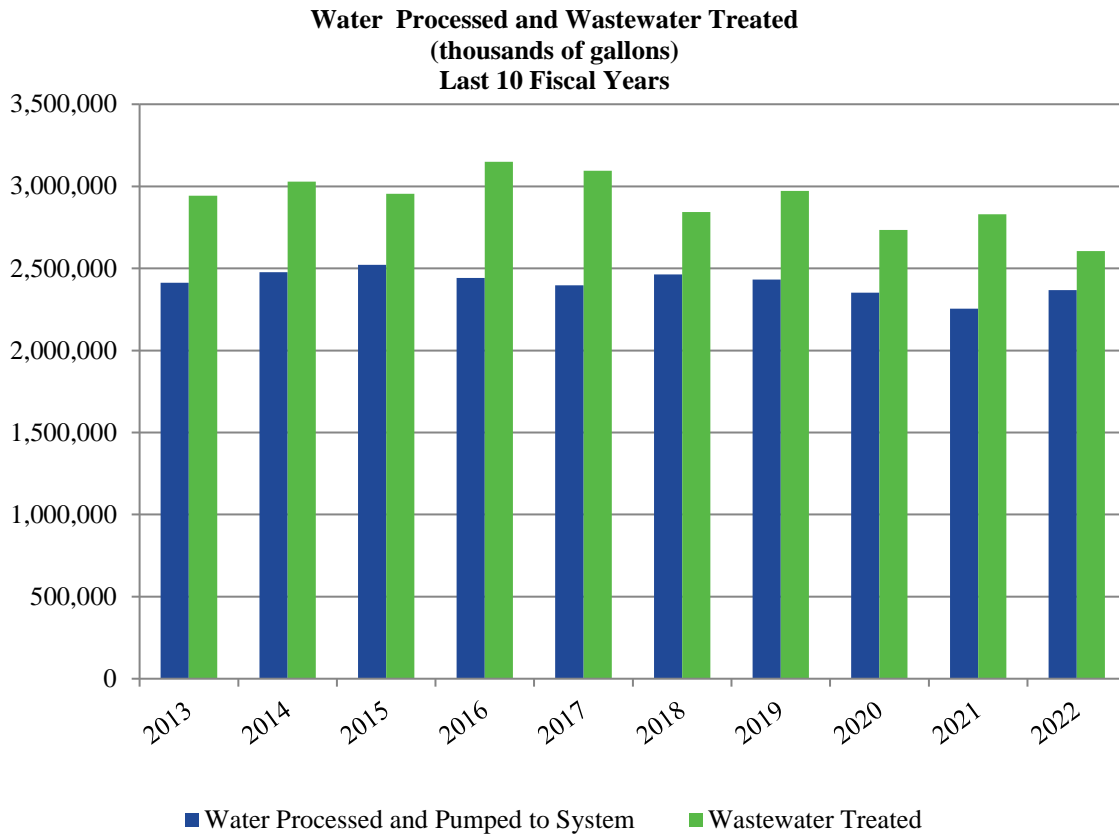
**ORANGE WATER AND SEWER AUTHORITY  
Expenses by Function  
Last 10 Fiscal Years**

| <b>Fiscal Year</b> | <b>Operating Expenses</b> | <b>Depreciation and Amortization</b> | <b>Interest Expense</b> | <b>Other Expenses</b> | <b>Total</b> |
|--------------------|---------------------------|--------------------------------------|-------------------------|-----------------------|--------------|
| 2013               | 18,781,423                | 9,514,909                            | 2,334,944               | 1,033,149             | 31,664,425   |
| 2014               | 18,597,655                | 9,393,739                            | 1,979,647               | 1,012,532             | 30,983,573   |
| 2015               | 18,999,642                | 9,384,310                            | 2,637,681               | 695,287               | 31,716,920   |
| 2016               | 19,624,902                | 8,798,343                            | 1,729,871               | 466,573               | 30,619,689   |
| 2017               | 21,173,235                | 7,994,438                            | 1,668,138               | 493,193               | 31,329,004   |
| 2018               | 21,485,454                | 9,123,415                            | 1,863,061               | 765,944               | 33,237,874   |
| 2019               | 22,339,711                | 9,558,087                            | 2,161,022               | 613,772               | 34,672,592   |
| 2020               | 23,208,744                | 9,780,753                            | 2,565,779               | 602,645               | 36,157,921   |
| 2021               | 21,858,958                | 10,476,244                           | 2,708,475               | 986,707               | 36,030,384   |
| 2022               | 22,281,269                | 11,336,214                           | 3,121,647               | 691,545               | 37,430,675   |



**10-YEAR HISTORICAL PERFORMANCE**

| <b>ORANGE WATER AND SEWER AUTHORITY</b>       |   |                           |
|---|---|---------------------------|
| <b>Water Processed and Wastewater Treated</b> |   |                           |
| <b>(thousands of gallons)</b>                 |   |                           |
| <b>Last 10 Fiscal Years</b>                   |   |                           |
| <b>Fiscal Year</b>                            | <b>Water Processed and Pumped to System</b> | <b>Wastewater Treated</b> |
| 2013  | 2,412,966                                   | 2,942,331                 |
| 2014  | 2,476,834                                   | 3,027,879                 |
| 2015  | 2,522,099                                   | 2,954,345                 |
| 2016  | 2,440,937                                   | 3,149,225                 |
| 2017  | 2,397,093                                   | 3,094,963                 |
| 2018  | 2,463,021                                   | 2,843,422                 |
| 2019  | 2,432,215                                   | 2,971,517                 |
| 2020  | 2,352,007                                   | 2,734,725                 |
| 2021  | 2,254,895                                   | 2,830,202                 |
| 2022  | 2,367,625                                   | 2,604,900                 |



**10-YEAR HISTORICAL PERFORMANCE**

**ORANGE WATER AND SEWER AUTHORITY**

**Mason Farm Wastewater Treatment Plant  
Plant Loading and Performance  
Last 10 Years**

| Fiscal Year | Average Daily Flow (million gallons) | Influent Measurements |     |       |     | Effluent Measurements |      |       |     |
|-------------|--------------------------------------|-----------------------|-----|-------|-----|-----------------------|------|-------|-----|
|             |                                      | CBOD                  | TSS | NH3-N | TP  | CBOD                  | TSS  | NH3-N | TP  |
|             |                                      | (Milligram per Liter) |     |       |     | (Milligram per Liter) |      |       |     |
| 2013        | 8.1                                  | 226                   | 272 | 30.9  | 6.5 | <2.0                  | 0    | 0.1   | 0.2 |
| 2014        | 8.3                                  | 206                   | 233 | 30.1  | 6.0 | <2.0                  | 0    | 0.1   | 0.4 |
| 2015        | 8.1                                  | 241                   | 283 | 30.3  | 6.0 | <2.0                  | 0    | 0.1   | 0.3 |
| 2016        | 8.6                                  | 232                   | 272 | 28.5  | 6.0 | <2.0                  | <2.5 | 0.1   | 0.4 |
| 2017        | 8.5                                  | 240                   | 274 | 29.3  | 6.2 | <2.0                  | <2.5 | 0.0   | 0.5 |
| 2018        | 7.8                                  | 244                   | 274 | 31.9  | 6.4 | <2.0                  | <2.5 | 0.1   | 0.3 |
| 2019        | 8.2                                  | 211                   | 226 | 27.5  | 5.3 | <2.0                  | <2.5 | 0.1   | 0.2 |
| 2020        | 7.5                                  | 209                   | 250 | 32.8  | 6.7 | <2.0                  | <2.5 | 0.1   | 0.2 |
| 2021        | 7.8                                  | 213                   | 247 | 28.4  | 5.7 | <2.0                  | <2.5 | 0.2   | 0.1 |
| 2022        | 7.4                                  | 201                   | 369 | 32.9  | 7.1 | <2.0                  | <2.5 | 0.3   | 0.2 |

Effluent Maximum Limits Set in NPDES Permit

|  | Winter<br>(Nov. - March) | Summer<br>(April - Oct.) |
|--|--------------------------|--------------------------|
| CBOD5 (Carbonaceous Biochemical Oxygen Demand) | 8 mg/l                   | 4 mg/l                   |
| TSS (Total Suspended Solids)                   | 30 mg/l                  | 30 mg/l                  |
| NH3-N (Ammonia Nitrogen)                       | 2.0 mg/l                 | 1.0 mg/l                 |
| TP (Total Phosphorus - Mass Load Limit)        | 10,188 pounds per year   |                          |

mg/l=Milligrams per Liter



**CHAPEL HILL STATISTICAL DATA**

**Town of Chapel Hill  
Property Tax Levies and Collections  
Last 10 Fiscal Years**

| Fiscal Year | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy |                             | Collections in Subsequent Years | Total Collections to Date |                             | Outstanding Delinquent Taxes |
|-------------|----------------------------------|--|-----------------------------|---------------------------------|---------------------------|-----------------------------|------------------------------|
|             |                                  | Amount                                       | Percentage of Original Levy |                                 | Amount                    | Percentage of Adjusted Levy |                              |
| 2013        | 36,084,217                       | 35,809,148                                   | 99.24%                      | -                               | 35,809,148                | 99.24%                      | 275,069                      |
| 2014        | 38,361,125                       | 38,115,148                                   | 99.36%                      | -                               | 38,115,148                | 99.36%                      | 245,977                      |
| 2015        | 39,009,200                       | 38,849,950                                   | 99.59%                      | -                               | 38,849,550                | 99.59%                      | 159,250                      |
| 2016        | 39,789,825                       | 39,638,269                                   | 99.62%                      | -                               | 39,638,269                | 99.62%                      | 151,556                      |
| 2017        | 39,471,449                       | 39,314,757                                   | 99.60%                      | -                               | 39,314,757                | 99.60%                      | 156,692                      |
| 2018        | 40,816,019                       | 40,679,175                                   | 99.66%                      | -                               | 40,679,175                | 99.66%                      | 136,844                      |
| 2019        | 43,418,983                       | 43,206,984                                   | 99.51%                      | -                               | 43,206,984                | 99.51%                      | 211,999                      |
| 2020        | 45,060,958                       | 44,871,448                                   | 99.58%                      | -                               | 44,871,448                | 99.58%                      | 189,510                      |
| 2021        | 46,050,771                       | 45,882,304                                   | 99.63%                      | -                               | 45,882,304                | 99.63%                      | 168,467                      |
| 2022        | 48,621,356                       | 48,492,226                                   | 99.71%                      | -                               | 48,492,226                | 99.71%                      | 140,130                      |

**CHAPEL HILL STATISTICAL DATA**

**Town of Chapel Hill  
Assessed Value and Actual Value of Taxable Property  
Last 10 Fiscal Years**

| Fiscal Year | Residential Property | Commercial Property | Combined Real Property | Personal Property | Public Service Companies | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Ratio of Assessed Value to Estimated Actual Value |
|-------------|----------------------|---------------------|------------------------|-------------------|--------------------------|------------------------------|-----------------------|--------------------------------|---|
|             |                      |                     |                        |                   | (2)                      |                              | (3)                   | (4)                            | (5)   |
| 2013        | *                    | *                   | 6,701,285,738          | 536,958,587       | 66,253,143               | 7,304,497,468                | 0.494                 | 7,583,529,271                  | 103.82%   |
| 2014        | *                    | *                   | 6,823,181,920          | 573,309,679       | 66,762,306               | 7,463,253,905                | 0.514                 | 7,188,606,161                  | 96.32%  |
| 2015        | *                    | *                   | 6,862,387,124          | 519,383,543       | 65,246,662               | 7,447,017,329                | 0.524                 | 7,290,629,965                  | 97.90%  |
| 2016        | *                    | *                   | 6,913,283,131          | 541,047,846       | 85,443,691               | 7,539,774,668                | 0.524                 | 7,599,047,236                  | 99.22%  |
| 2017        | *                    | *                   | 6,902,832,865          | 546,117,755       | 83,768,622               | 7,532,719,242                | 0.524                 | 7,532,719,242                  | 100.00%   |
| 2018        | (1) *                | *                   | 7,399,771,971          | 550,409,864       | 84,467,574               | 8,034,649,409                | 0.508                 | 8,062,060,414                  | 99.66%  |
| 2019        | *                    | *                   | 7,529,444,369          | 613,170,831       | 80,677,065               | 8,223,292,265                | 0.528                 | 8,263,784,811                  | 99.51%  |
| 2020        | *                    | *                   | 7,601,209,365          | 598,051,765       | 84,003,208               | 8,283,264,338                | 0.544                 | 8,318,200,781                  | 99.58%  |
| 2021        | *                    | *                   | 7,805,662,760          | 576,246,878       | 83,305,619               | 8,465,215,257                | 0.544                 | 8,496,652,873                  | 99.63%  |
| 2022        | *                    | *                   | 8,754,178,419          | 618,604,665       | 88,764,776               | 9,461,547,860                | 0.514                 | 9,489,066,152                  | 99.71%  |

\* The breakdown between residential and commercial property is not available for fiscal years after 2011.

(1) Revaluation year.

(2) Public service companies' valuations are provided by the North Carolina Department of Revenue. These amounts include both real and personal property.

(3) Per \$100 of value. Includes taxes for general fund, debt service fund, and transit fund.

(4) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the NC Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year.

(5) Source is the Property Tax Division of the North Carolina Department of Revenue.

**CHAPEL HILL STATISTICAL DATA**

**Town of Chapel Hill  
NC Demographic and Economic Statistics  
Last 10 Fiscal Years**

| Calendar Year | Population (1) | Personal Income (in thousands) (2) | Per Capita Personal Income (3) | Median Age (3) | Education Level in Years of Schooling (4) | School Enrollment (4) | Unemployment Rate % (5) |
|---------------|----------------|------------------------------------|--------------------------------|----------------|---|-----------------------|-------------------------|
| 2013          | 58,424         | 6,608,945                          | 48,683                         | 25.6           | 15.82                                     | 41,402                | 5.6                     |
| 2014          | 59,271         | 7,131,776                          | 51,702                         | 25.3           | 15.82                                     | 41,242                | 4.4                     |
| 2015          | 59,653         | 7,345,876                          | 52,339                         | 25.3           | 15.82                                     | 41,176                | 4.9                     |
| 2016          | 59,753         | 7,440,708                          | 52,989                         | 25.8           | 15.82                                     | 41,490                | 5.2                     |
| 2017          | 59,569         | 7,822,299                          | 55,338                         | 25.7           | 15.82                                     | 41,199                | 4.9                     |
| 2018          | 59,903         | 8,286,315                          | 58,438                         | 26.2           | 15.82                                     | 42,038                | 4.3                     |
| 2019          | 63,178         | 9,015,914                          | 62,202                         | 26.4           | 15.82                                     | 42,138                | 3.9                     |
| 2020          | 64,051         | 9,840,004                          | 67,385                         | 26.2           | 15.82                                     | 42,295                | 4.5                     |
| 2021          | 63,634         | 9,678,411                          | 65,185                         | 25.8           | 15.82                                     | 41,824                | 4.5                     |
| 2022          | 61,912         | 10,001,400                         | 67,089                         | 25.2           | 15.82                                     | 42,925                | 3.2                     |

- (1) Town of Chapel Hill Department of Planning, Office of State Budget and Management.
- (2) U.S. Department of Commerce, Bureau of Economic Analysis. Data available for Orange County only. Most recent available census data.
- (3) U.S. Department of Commerce, most recent available census data.
- (4) Chapel Hill-Carrboro City Schools and the University of North Carolina at Chapel Hill.
- (5) N.C. Employment Security Commission, Local Area Unemployment Statistics.

## FINANCIAL MANAGEMENT POLICY

### ORANGE WATER AND SEWER AUTHORITY

#### SUMMARY

*The purpose of this document is to describe a comprehensive and systematic approach to strategic financial planning, related policy decisions, and measurements of financial performance that collectively guide Orange Water and Sewer Authority (OWASA) in its ongoing efforts to provide its customers with high quality water, wastewater and reclaimed water services through responsible, sustainable and creative stewardship of the resources and assets it manages.*

The following excerpt from OWASA's *Mission Statement* provides the framework for development of this approach and related policies.

- *Efficiency and Value - we will perform all services in a financially sound and responsible manner with sufficient revenues to properly operate and fully maintain the water and wastewater system. As OWASA relies solely on user fees, we will continue to be guided by cost-of-service principles with regards to our rates, fees, and charges, and operate the water and sewer system at the lowest rates consistent with our obligation to provide proper and efficient services, now and in the future. We remain committed to continuous improvement in all of our services and will provide high value to our customers.*
- *Sustainability - we will proactively plan, construct, operate, maintain, and finance the water and wastewater system in a manner consistent with the principles of environmental, social and economic sustainability.*

| <b>FINANCIAL PERFORMANCE OBJECTIVES</b>         |  |                |
|---|--|----------------|
| <b>Measurement</b>                              | <b>Objective</b>   | <b>Section</b> |
| Working Capital Reserves                        | The greater of 4 months of operating budget or 20% of the succeeding 3 years of CIP budget | A.1            |
| Capital Improvements Reserve Fund               | Minimum fund balance target of 2% of annual depreciated capital costs                      | B.1            |
| Debt Service Coverage Ratio                     | ≥ 2.0  | D.1            |
| Debt Burden to Asset Value                      | ≤ 50%  | D.2            |
| Sufficiency of Revenues Above Debt Requirements | Annual Debt service shall not exceed 35% of annual gross revenues                          | D.3            |
| Credit Ratings                                  | Aa2 – Moody's; AA+ – Standard & Poor's; AA+ – Fitch  | D.4            |
| Cash Financing of Capital                       | Annual revenues and cash reserves shall provide not less than 30% of CIP funding           | E.1            |
| Rate/Revenue Stabilization Fund                 | Minimum fund balance target of 5% of projected water and sewer revenue                     | E.2            |
| Service Affordability                           | Average annual residential bill divided by real median household income shall be ≤ 1.5%.   | F.2            |

In recognition of the dynamic environment in which OWASA operates, the desired results of policy decisions identified in the *Financial Management Policy* may not always be achievable within short-term operating cycles. These policy decisions should be viewed as guidance for long-term sustainable fiscal performance, with success measured against the entire planning horizon rather than to individual reporting periods.

Although not necessarily explicitly expressed in this document, the *Financial Management Policy* recognizes OWASA's major legal requirements and obligations arising from State laws and regulations, contractual agreements with bondholders and other stakeholders and OWASA's Sale and Purchase Agreements under which the organization was formed. If not specifically addressed herein, adherence to such requirements is mandated elsewhere.

This document categorizes policy considerations for sound, sustainable financial policies into the categories of general financial; asset management; investment management; debt management; rates, fees and charges; customer care; and annual budgeting process.

#### **SECTION A. GENERAL FINANCIAL POLICIES**

- A.1. ***Working Capital Reserves:*** OWASA shall maintain a fund balance at a level to sufficiently provide cash flow for daily financial needs in addition to adequate reserves to counter revenue instability and unanticipated expenses. The budgeted minimum reserve balance shall be equal to the larger of the following: a) 33% (four months) of the Operating Budget, or b) 20% of the total estimated cost of the Capital Improvements Program (CIP) identified for the succeeding three years.
- A.2. OWASA shall make conservative, but reasonable estimates of revenues and costs.
- A.3. To the extent practical, the cost of system expansion shall be recovered from parties responsible for the expansion (“growth should pay for growth”).
- A.4. If the Executive Director deems it necessary at any time to submit any Budget or other proposal to the Board that does not comply with the parameters set forth in this document, he/she shall seek specific approval from the Board for such a proposal.

#### **SECTION B. ASSET MANAGEMENT POLICIES**

- B.1. ***Capital Improvements Reserve Fund:*** OWASA shall maintain a Capital Improvements Reserve Fund with a minimum fund balance target of 2% of the annual depreciated capital costs. The Capital Improvements Reserve Fund shall be an unrestricted reserve that is a component of the General Fund balance. The purpose of this reserve fund is to: ensure more sustainable funding for rehabilitation and replacement of the water and sewer systems and capital equipment; cover major unplanned increases in capital project costs; pay for previously unplanned capital needs; and provide funding flexibility needed in the Annual Budget to adjust for CIP costs carry-over adjustments.
- B.2. The annual budget shall provide 100% funding for maintenance activities required to ensure the operational integrity and safety of facilities and facility components.
- B.3. OWASA shall use a comprehensive approach to properly maintain all capital facilities, equipment, vehicles, etc.
- B.4. An amortization schedule shall be established for each physical asset to reflect the reasonable useful life of the asset.
- B.5. The costs of this comprehensive maintenance and rehabilitation program shall be reflected in OWASA’s annual budget and five-year CIP budget.

#### **SECTION C. INVESTMENT MANAGEMENT POLICIES**

- C.1. Cash management and treasury activities shall be managed in a manner that reflects efficient use of interest rates and maximizes fund performance balanced against investment risk and cash flow needs.
- C.2. OWASA shall attempt to reduce investment risk and maximize return on investments by participating in a variety of authorized investment instruments and financial institutions.
- C.3. Investment of OWASA funds shall not expose the assets to undue or unreasonable risk.

#### **SECTION D. DEBT MANAGEMENT POLICIES**

- D.1. ***Debt Service Coverage Ratio:*** OWASA’s Bond Order requires a minimum annual required Debt Service Coverage Ratio of 1.2. The minimum annual debt service coverage ratio shall be 2.0; provided, however,

that the minimum coverage ratio for any single year when severe weather anomalies or other unforeseen circumstances occur which negatively impact revenues and/or expenses shall not be less than 1.5 during the Fiscal Year.

- D.2. **Debt Burden to Asset Value:** The comparison of outstanding debt to infrastructure value is a reasonable indicator of debt capacity. OWASA's debt to plant ratio (outstanding debt divided by the book value of fixed assets) shall not exceed 0.5 (50%).
- D.3. **Sufficiency of Revenues above Debt Requirements:** OWASA shall maintain debt service as a percent of revenue at or below 35% of revenues.
- D.4. **Credit Ratings:** OWASA shall maintain Credit Ratings of at least Aa2, AA+ and AA+ from Moody's, Standard & Poor's and Fitch, respectively.
- D.5. Debt issuance shall be limited to financing the costs of capital asset project planning and design, land acquisition, buildings, permanent structures, attached fixtures and equipment, and the cost of debt issuance and capital reserves as may be required by creditors.
- D.6. The repayment of debt shall be structured in such a manner that the repayment period does not exceed the expected useful life of the assets acquired with the debt proceeds.

#### **SECTION E. RATES, FEES AND CHARGES POLICIES**

- E.1. **Cash Financing of Capital:** Annual revenues and cash reserves shall provide not less than 30% of the funds required for OWASA's CIP.
- E.2. **Rate/Revenue Stabilization Fund:** OWASA shall maintain a Rate/Revenue Stabilization Fund with a minimum fund balance target of 5% of the projected water and sewer revenue for the applicable year. The Rate/Revenue Stabilization Fund shall be an unrestricted reserve that is a component of the General Fund balance. The purpose of this reserve fund is to provide sufficient funding for the cost of maintaining, repairing and operating the water, wastewater and reclaimed water systems during extended periods when expenditures are higher and/or revenues are lower than budgeted while offsetting the need for rate increases and spending changes during the fiscal year.
- E.3. OWASA shall maintain a system of rates, fees and charges that effectively recovers allocated costs to customers and customer classes in reasonable proportion to their differing service requirements and their responsibility for the costs incurred by the utility. Adherence to the cost-of-service principle (benefiting party pays) as mandated by the Sale and Purchase Agreements and Bond Order shall be a primary guiding philosophy.
- E.4. OWASA's rates, fees, and charges shall be reviewed on an annual basis, and adjusted as necessary, to ensure that rate and revenue levels are adequately funding OWASA's financial, capital and operational goals, objectives and requirements.
- E.5. Rates shall be sufficient to generate income necessary to meet OWASA's revenue requirements. Revenue recovery from rates shall ensure financial stability as measured by adequate fund balance, operating reserves, debt service ratio, specified reserves and other measures established by OWASA.
- E.6. Rates should provide incentives for cost-effective use of facilities, conservation of water and efficient use and reuse of water resources, including rate surcharges during periods of water shortage.
- E.7. When OWASA determines that a rate increase is required, OWASA will strive to have such an increase be no higher than the general rate of inflation. However, OWASA shall set rates so that revenues will be sufficient at all times to provide for the cost of maintaining, repairing and operating the water, wastewater and reclaimed water systems, to pay the principal and interest on all issued or assumed debt, and to ensure the organization remains fiscally sound and financially sustainable.

- E.8. Although at times, operational or fiscal constraints may necessitate more aggressive or accelerated rate adjustments, rate levels and structures should be implemented through gradual programmed implementation of rate adjustments if possible.
- E.9. OWASA shall consider using the services of a qualified independent consultant to conduct a comprehensive rate study at approximately five-year intervals.

**SECTION F. CUSTOMER CARE**

- F.1. OWASA shall operate the water and sewer system at the lowest rates consistent with its obligation to provide proper and efficient services, now and in the future.
- F.2. *Service Affordability* is an important consideration for OWASA. The target for average annual residential water and sewer bill divided by real median household income is  $\leq 1.5\%$ .
- F.3. When setting rates and evaluating rate structures, OWASA will carefully consider the impact such rates and rate structures will have on low-income customers, while ensuring that cost-of-service principles are met.
- F.4. OWASA endorses and will promote the Care to Share customer assistance program. Donations made to the program by OWASA customers shall be provided to the Inter-Faith Council to help customers in need to pay their OWASA bill.
- F.5. Customers, citizens, and elected officials shall be provided timely, clear and understandable information and opportunities for constructive citizen participation in OWASA’s rate decisions.

**SECTION G. ANNUAL BUDGETING PROCESS**

The preparation of the following documents on an annual basis is a key component of OWASA’s annual budgeting and rate setting process. Those documents followed by an asterisk (\*) shall be presented for Board of Directors adoption.

**Budget Calendar**: The budget calendar shall include the proposed dates of all Board meetings and work sessions at which budget matters are to be discussed and shall list the dates by which major budget tasks have been or are to be completed by staff.

**Statement of Strategic Issues and Policies (SIP)**: The SIP shall identify the major issues, policies, and concerns that should be addressed in the upcoming annual budget and capital improvements deliberations.

**Financial Planning Assumptions and Background Information Document**: This document lists the major assumptions upon which the financial plans and budgets are to be based.

**Five-Year CIP\***: The CIP provides for the orderly repair and replacement of existing facilities, helps identify lead time for project planning, regulatory approvals, land acquisition, design, and construction, and provides a framework for strategically analyzing a wider range of acceptable alternatives, and for identifying, ranking, and executing projects.

**15-Year Financial Planning Report**: The planning report provides a long-term perspective for assessing the adequacy of rates and fees and the timing and amount of anticipated debt financing. It also provides a means of evaluating the economic feasibility of implementing the long-range CIP.

**Annual Budget\***: The annual budget provides the appropriation necessary to operate during the ensuing fiscal year.

The specific process and timeline for completing key components of OWASA’s annual budgeting and rate setting process will vary from year-to-year; however, the following table sets forth guidelines to which OWASA should generally adhere.

| Task   | Time Frame        | Rationale  |
|--|-------------------|--|
| Review Strategic Issues, Policies and Economic Assumptions | November/December | Staff, the Finance Committee and Board shall review strategic issues, policies, and economic assumptions that are expected to impact and the preparation of budgets (operating and CIP) and rates. The identification of these key issues will help shape the annual budgeting process.  |
| Capital Improvements Program Review                        | February/March    | The CIP provides for the orderly repair and replacement of existing facilities, lead time for project planning, regulatory approvals, land acquisition, design and construction, a framework for strategically analyzing a wider range of acceptable alternatives, and a framework for identifying, ranking, and executing projects. The Finance Committee and Board will review and comment on the draft CIP. |
| Operating Budget Review                                    | February/March    | The operating budget provides funding for properly operating and maintaining OWASA's services and programs. The Finance Committee and Board will review the draft operating budget to include cost containment and / or efficiency opportunities that may impact the operating and CIP budgets.  |
| Financial Planning and Rate Review                         | April             | Upon completion of CIP and operating budgets, this information and other planning assumptions shall inform OWASA's 15-year financial plan. Staff will review the financial plan with the Board and recommend increases or decreases in rates.  |
| Conduct Public Hearings                                    | May               | The OWASA Board shall hold public hearings on the draft operating budget; CIP budget; and proposed rates, fees and charges for the coming year.  |
| Adopt Budgets and Rates                                    | June              | The OWASA Board shall adopt the operating budget, CIP budget and rate schedule for the coming year.  |



## GLOSSARY

**ACCRAUAL BASIS OF ACCOUNTING** – A basis of accounting under which increases and decreases in economic resources are recognized as soon as the underlying event or transaction occurs. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

**ALLOCATE** – To set apart portions of budgeted expenditures which are specifically designated for special purposes.

**ANNUAL BUDGET** – A budget covering a single fiscal year (July 1 - June 30).

**APPROPRIATION** – A legal authorization to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and the time it may be expended.

**APPROPRIATION RESOLUTION** – A resolution through which appropriations are given legal effect.

**AUTHORITY** – A public agency which performs a specified range of services that are usually financed from fees or service charges.

**BALANCED BUDGET** – A budget in which the sum of net revenues and appropriated fund balance is equal to appropriations.

**BOND** – A written promise to pay a specific amount of money with interest within a specific time period, usually long-term.

**BUDGET** – A financial plan containing projected expenditures and resources for a specified number of years.

**BUDGET DOCUMENT** – A formal document containing the organization's financial plan for a fiscal year. The budget document is divided into two major parts - the budget message and an operating budget. The operating budget section contains summaries of expenditures and resources. The budget document is presented in two phases, preliminary and final.

**BUDGET MESSAGE** – An overview of the proposed budget which discusses the major budget items and the organization's present and future financial condition.

**BUDGETARY CONTROL** – The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

**CAPITAL IMPROVEMENT PROGRAM (CIP)** – Capital projects that include construction, equipment purchases, major renovation of buildings, water and sewer lines, or other structures.

**CAPITAL OUTLAYS** – Expenditures budgeted to purchase or add to fixed assets with an estimated useful life greater than one year and costing \$5,000 or more.

**CAPITAL PROJECT** – A project expected to have a useful life of at least five years and an estimated total cost of \$10,000 or more. Capital projects include the construction, purchase, or major renovation of buildings, water and sewer lines, or other structures.

**DEBT SERVICE** – The payment of principal and interest on long-term debt.

**DEBT SERVICE RATIO** – A ratio that expresses the relationship of total net revenue to debt service.

**DEFICIT** – An excess of expenditures over revenues or expense over income.

**DEPRECIATION** – The allocation of the cost of a tangible asset over its useful life.

**ENTERPRISE FUND** – An accounting entity for reporting financial activity where a fee is charged to external customers for goods and services. Reporting of activities through an enterprise fund is required when the reporting entity's debt is backed solely by fees, or if a legal or policy requirement exists to recover costs through fees.

**EXPENSE** – Costs that occur as part of the organization's operating activities during a specified accounting period.

**FINANCIAL MANAGEMENT POLICY** – A Board adopted policy document describing a comprehensive and systematic approach to strategic financial planning, related policy decisions, and measurements of financial performance.

**FISCAL YEAR** – A 12-month period (July 1 - June 30) to which the annual operating budget applies and at the end of which an assessment is made of the organization's financial condition and performance of its operations.

**FUND** – An accounting entity created to record the financial activity for a selected financial grouping. A fund is set up to carry out a special function or attain certain objectives in accordance with set laws and regulations.

**FUND BALANCE** – An amount of resources set aside within a fund to provide adequate cash flow and reserves.

**FUND TYPE** – Any one of seven categories into which all funds are classified in governmental accounting. The seven fund types include general, special revenue, debt service, capital projects, enterprise, internal service, and trust and agency.

**GENERAL FUND** – A fund which provides for the accounting of all financial resources except those designated to other funds.

**GRANTS** – A contribution or gift in cash or other assets from another government to be used for a specified purpose.

**LONG-TERM DEBT** – Debt with a maturity of more than one year after the date of issuance.

**MGD** – Millions of gallons per day. Used in measuring volume of water and wastewater flow. One (1) MGD = 1.5 cubic feet per second.

**MODIFIED ACCRUAL BASIS OF ACCOUNTING** – A basis of accounting under which increases and decreases in financial resources are recognized only to the extent that they reflect near-term inflows and outflows of cash. Revenues are recognized only if available to finance expenditures during the accounting period, and expenses are recognized when due and paid.

**NONOPERATING EXPENSES** – Expenses which are not directly related to the organization's primary activities.

**NPDES** – National Pollution Discharge Elimination System. Regulations that protect effluent receiving water (e.g., Morgan Creek) for swimming and fishing by limiting the number of oxygen-consuming pollutants, primarily carbon and nitrogen, which can be discharged into the stream.

**PUMP STATION** – Structure containing pumps and accessory piping, valves and other mechanical and electrical equipment for pumping water, wastewater or other liquids. A pump station is used to pump wastewater from a sewer of lower elevation to a sewer of higher elevation.

**PURCHASE AND SALE AGREEMENT** – An agreement between the State of North Carolina on behalf of the University of North Carolina and the Orange Water and Sewer Authority that conveyed the water and wastewater treatment facilities previously owned by UNC to OWASA as of February 15, 1977. Similar and separate agreements were also executed with the Towns of Chapel Hill and Carrboro.

**OPERATING BUDGET** – A budget that applies to all outlays other than capital outlays and debt service.

**OPERATING EXPENSE** – Expenses which are directly related to the organization's primary activities other than capital outlays and debt service.

**PERFORMANCE MEASURE** – A measurement unit produced as a result of the activities carried out by a program (i.e., miles of pipe inspected, feet of water and sewer lines rehabilitated).

**PROGRAM BUDGET** – A plan whereby expenditures are budgeted by programs of work and grouped into specific service areas.

**PROGRAM PERFORMANCE MEASURE** – An indicator that reflects how effectively and efficiently a program is being carried out.

**PROGRAM OBJECTIVE** – A specific statement about what is to be accomplished or achieved (result) for a particular program during the fiscal year.

**RECLAIMED WATER** – wastewater that has gone through advanced treatment, such as occurs at OWASA's Mason Farm Wastewater Treatment Plant (WWTP), so that the water can be recycled back into the natural environment or used for allowable non-drinking purposes.

**RESERVE** – An account designated for a portion of the fund balance which is to be used for a specific purpose (e.g., maintenance reserve).

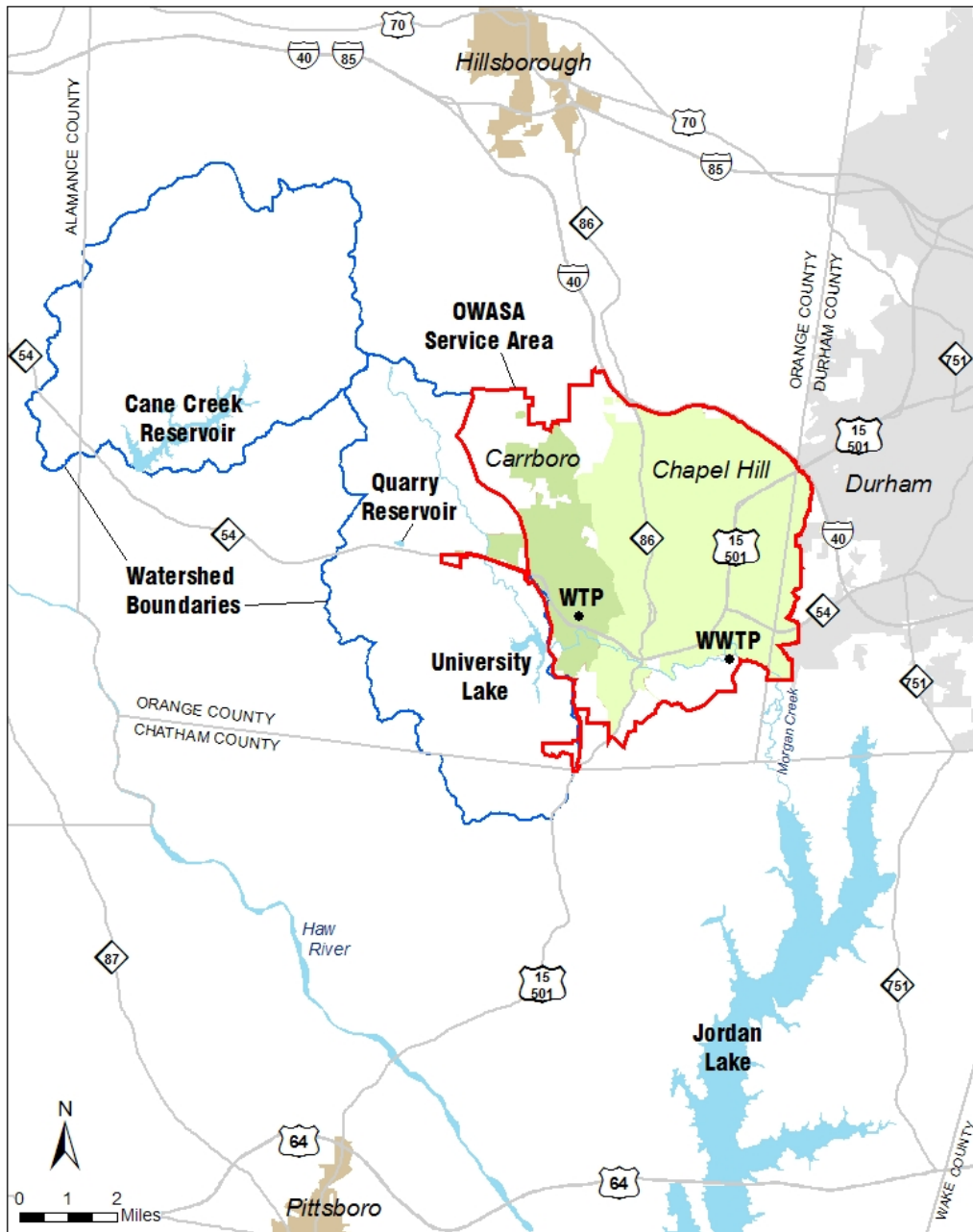
**REVENUE BONDS** – The primary method used by OWASA for long-term debt; they are repaid from user fees over the life of the assets. In general, these bonds have no claim on money derived from property taxes or special assessments.

**REVENUES** – Financial resources other than from bond issue proceeds.

**SPECIAL ASSESSMENT** – A levy on certain properties to defray part or all of the costs associated with improvements or services which will benefit those properties. For instance, a special assessment would be levied on property benefitting from the construction of water and sewer lines to serve a particular area.

**SPECIAL REVENUE FUND** – A fund used to account for the revenues from specific sources which are to be used for legally specified expenditures.

**WORKING CAPITAL** – The ratio of current assets to current liabilities. A measure of an organization's efficiency and short-term financial health.



## ORANGE WATER AND SEWER AUTHORITY

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