

Annual Budget

FISCAL YEAR 2027

ORANGE WATER AND SEWER AUTHORITY
NORTH CAROLINA

Our community's trusted partner for clean water and environmental protection.

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Orange Water and Sewer Authority
North Carolina

For the Fiscal Year Beginning

July 01, 2025

Christopher P. Morrill

Executive Director

BUDGET MESSAGE

To the Board of Directors

The Annual Budget for the fiscal year beginning July 1, 2026, and ending June 30, 2027 (FY 2027) 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 10-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 volume sales for FY 2027 is projected to average 6.3 million gallons per day (MGD). The budget includes a 4% increase in the rates charged for monthly water and wastewater services.

The proposed rate increase is necessary to advance the most vital and timely investments in infrastructure, operations, and people and to ensure a resilient and sustainable future for our community's utilities. The proposed budget includes projects that will advance ambitious goals for water treatment, including replacing the Clearwell at the Water Treatment Plant, a critical structure in the water treatment process, which has reached the end of its useful life, is in danger of failing, and must be replaced. Additionally, the budget includes funds to continue treating drinking water for PFAS compounds. Through the use of powdered activated carbon, we are currently meeting the EPAs limits for PFAS in drinking water which are scheduled to go into effect in FY 2029, at the earliest.

We continue to pursue outside funding to relieve some project costs, including federal and state funding and participation in a multi-jurisdiction lawsuit against PFAS manufacturers; to date, we have received about $2 million in federal grants and settlement payments from the lawsuit of about $2.9 million.

Other critical investments included in the budget include:

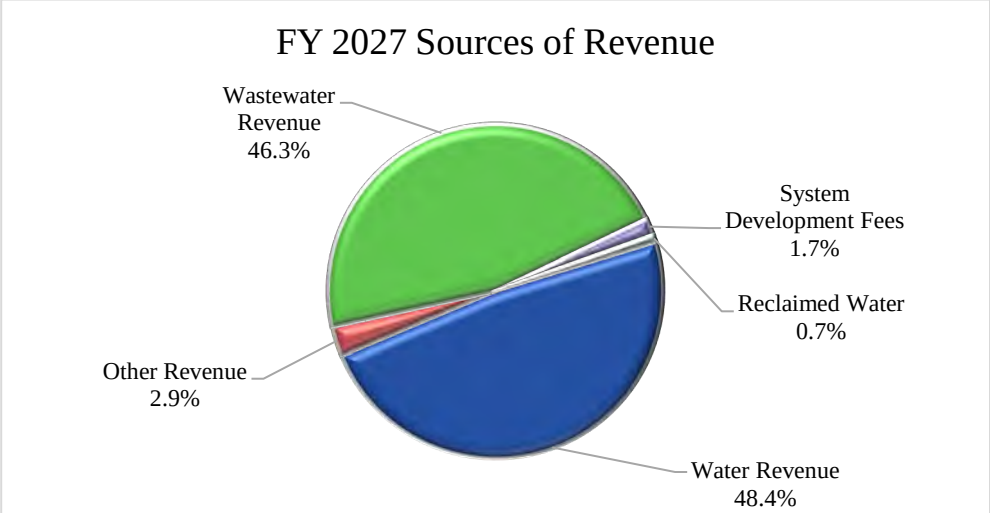
- Average of 2.3 miles per year of water line replacement.
- Average of 3.3 miles per year of sewer line rehabilitation. For the 10-year period, a total of about 3 miles of pipe will be replaced and 30 miles will be rehabilitated through our Gravity Sewer Rehab Program.
- Projects to improve service reliability and resiliency, such as generator replacements, a new elevated water tank, and continued supervisory control and data acquisition (SCADA) system improvements.
- Studies to guide future improvements, such as the Collections System Hydraulic Model Update, Wastewater Treatment Plant (WWTP) Hydraulic and Treatment Process Evaluation, and the Biosolids Management Plan.
- Design, construction and installation of a system to enhance PFAS removal from drinking water (beginning in FY 2032).

We are projecting that drinking water sales volume for FY 2027 and the next few years will average just over 6.3 million gallons per day (MGD). This is about the same volume of drinking water used by the community in the early 1990s, 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 which provides many benefits to OWASA and 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.

The FY 2027 budget includes funding for strategic initiatives such as our climate adaptation plan; workforce development program; ensuring we recruit and retain a high-performing workforce; and updating technology.

OWASA's Finance Management Policy identifies nine financial management objectives for the organization. The FY 2027 budget is designed to achieve all of these objectives.

The budget consists of projected revenues of $63.5 million, capital project costs of $41.7 million, operating expenses of $36.9 million, debt service payments of $12.5 million, and capital equipment purchases of $1.4 million.



Highlights of the Budget

Key elements of the budget include:

- 4% 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 $0.01439 per gallon of water consumed during the warmer peak water demand months of May through September 2027. The water commodity charge during the cooler, lower demand months of October 2026 through April 2027 will be $0.00758 per gallon.
- Irrigation-only meters are charged a year-round water commodity rate of $0.01548 per gallon.
- Multi-family master-metered customers are charged a uniform year-round water commodity rate of $0.01031 per gallon. 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.

	Monthly Volume of Use in Gallons	Rate per Gallon
Block 1	0 to 2,000	$0.00479
Block 2	2,001 to 5,000	$0.01162
Block 3	5,001 to 10,000	$0.01425
Block 4	10,001 to 15,000	$0.01991
Block 5	All use 15,001 and up	$0.03602

For an individually metered residential customer using the median amount of water consumption of 3,000 gallons per month, the monthly water and wastewater bill will be $105.14.

- An annual operating budget of $36.9 million which includes funding for 148 personnel positions.
- The budget includes an average combined cost of labor and merit increase of 4.7% 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 2026.
- Capital improvement spending of $41.7 million for FY 2027, as identified in the 10-year CIP. For the 10-year period FY 2027-36, we plan to invest $488.0 million capital spending. Two projects comprise about 34% of the 10-year budget: enhanced PFAS removal and a new Clearwell.
- 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 myriads 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 have identified three hard-to-fill, high turnover positions and have implemented recruitment and on-boarding strategies for them. Our tactics include intern and apprentice programs.
Achieve and maintain competitive compensation	Conduct and implement a Pay and Class Study	FY 2023 study recommendations have been implemented. We plan to conduct another study in FY 2028.
Ensure staff are prepared, informed, and engaged to lead OWASA into the future	Develop and institute an Employee Development Plan	We have developed guiding principles and objectives, surveyed employees, and expect to begin implementing plan in FY 2027.

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
Increase adequacy and accessibility of customer assistance funding	Evaluate and update our customer assistance program (Care to Share)	We have transitioned administration of the program to OWASA's Customer Service Department which has increased the number of customers to which the program provides assistance.

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.)	We have deferred investment in the facilities until closer to the time we will need water from Jordan Lake. We are continuing to work with regional partners and have executed an interlocal agreement that will facilitate our future participation.
Prepare for organizational impacts of climate and land use change	Develop a Climate Adaptation Plan	A draft plan has been developed and we plan to engage with the community to gather additional feedback and input.

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 redundancies in the system.

Goals	Initiatives	Status
Increase capital project execution	Develop and pursue Project Delivery Optimization Plan	We have implemented strategies and contract documents for collaborative delivery arrangements with contractors.
Reduce downtime of critical infrastructure and equipment	Update and execute Asset Management Plan	We have implemented a new computerized maintenance management system which is helping us enhance program benchmarking, refine organizational levels of service and key performance indicators, map asset- and enterprise-level risk, and optimize capital improvement plan prioritization.
Improve the collection and use of real-time data to inform and drive decision-making	Execute SCADA system Master Plan	Upgrades to the Water Treatment Plant (WTP) and Wastewater Treatment Plant (WWTP) SCADA System are underway. Work at the WWTP is focused on improvements and disaster recovery planning.
Establish and pursue capital investment goals	Establish and implement Capital Investment Strategy	We have selected a consultant to assist in developing a capital investment strategy and are working with them to define the scope of the project.

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	Emergency preparedness training continues. In FY 2026, we conducted tabletop and functional exercises to enhance readiness.
Reduce risk exposure	Assess risk on collection and wastewater system and implement high priority risk mitigation actions for entire system	We continue to implement high priority risk mitigation action items identified in the America's Water Infrastructure Act (AWIA). We plan to complete a comprehensive risk mitigation plan in FY 2027.

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	Customer survey was completed in FY 2025. Feedback from the community was extremely positive. We conducted focus groups of owners and property managers of multifamily, master metered residences in FY 2026. Additional focus groups will be conducted in FY 2027
Streamline customer account experience	Integrate online billing and water use portals	This initiative has been completed.

The strategic plan is guiding the investment of OWASA's time and resources through FY 2028 and helping to ensure that we advance the priorities of our community and prepare 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 10-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 June 11, 2026, and the budget and rate schedule were adopted by the Board on June 25, 2026.

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 divisional 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.

- 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.

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 with reliable and adequate wastewater services to meet its needs.

- 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 2027 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 2027 budget is $12.3 million.

    - 20% of planned capital improvements for FY 2028 through FY 2030 is $32.0 million.

    - The General Fund ending balance for FY 2027 is projected to be $42.3 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 29% cash funding of capital projects during fiscal years 2027 through 2031.

- Debt service coverage ratio of 2.1. OWASA's Financial Management Policy stipulates that our debt service coverage ratio goal is 2.0.

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

	Projected Rate Increases	
FY 2028	4% Water	4% Wastewater
FY 2029	7% Water	7% Wastewater
FY 2030	7% Water	7% Wastewater
FY 2031	7% Water	7% Wastewater

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

The Need for Future Rate Increases

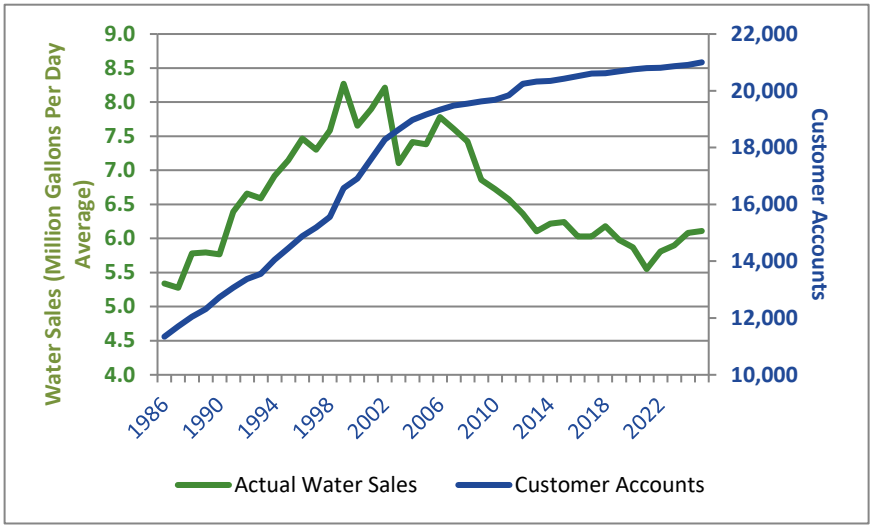
The projected rate increases are necessary for providing the funding required to meet the community's water and wastewater needs.

- 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

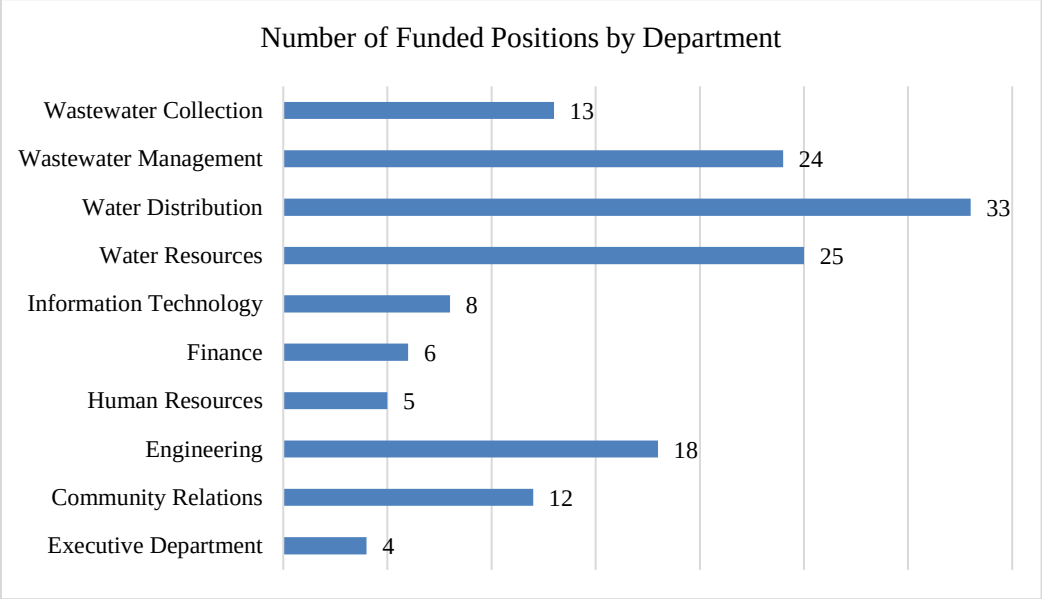
Over the last 25-plus years, drinking water demand in OWASA's service area has declined substantially even as the number of customers served has increased (see chart below). Projected water demand for FY 2027 is about the same as it was in the early 1990s while the number of customers served has increased by over 70% 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 2027 projections for drinking water demand and new connections are affected by several factors.
  - We are projecting average daily drinking water demand in FY 2027 to be approximately 6.3 million gallons per day (MGD).
  - Reclaimed water (RCW) sales are budgeted to be approximately the same as recent years. Estimated RCW use during FY 2027 is 0.7 MGD.
- Based on the development plans in OWASA's service area, we expect to install about 300 new 5/8" meter equivalents for the year.
- A construction cost inflation rate of 5.0% is assumed for FY 2028 and beyond.

Staffing Summary 148 positions are funded for FY 2027 plus three apprentice positions. Funded staffing levels (full-time equivalents) are allocated by department as follows:



Summarized Annual Income and Expenses (Revenue Fund)

Description	Resources	Expenses	Balance
Total Operating Revenue	$60,946,017		
Operating Expenses			
Net Expenses, General and Administrative		$13,333,919	
Net Expenses, Operating		23,569,710	
Net Total Operating Expenses		36,903,629	
Net Operating Income			$24,042,388
System Development Fees and Interest Earned	2,507,034		
Total Net Income			26,549,422
Total Debt Service		12,487,811	
Debt Coverage Ratio			2.1

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

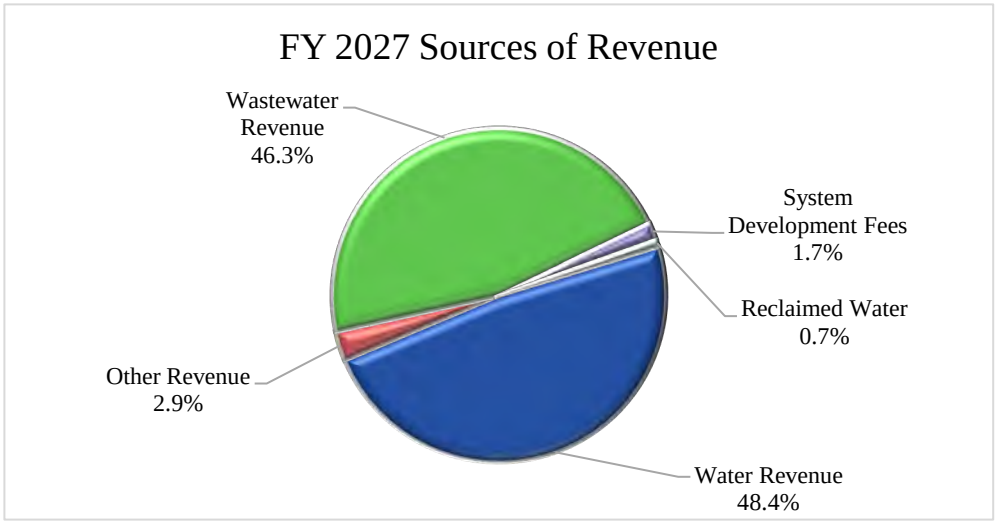
Description	Resources	Expenses	Balance
General Fund Beginning Balance (7/1/26)			$34,872,024
Transfer from Revenue	14,061,611		
Loan and bond proceeds and transfer from construction fund	34,872,024		
Funds Available for Expenditures			85,447,468
Total Estimated Capital Expenditures		$43,179,600	
General Fund Ending Balance (6/30/2027)			$42,267,868

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 gallon of drinking water or reclaimed water used or wastewater processed. As depicted in the following graph, in FY 2027, 49.1% of total budgeted revenue is anticipated from water and reclaimed water services while wastewater services are expected to generate 46.3%. System development (new connection) fees, plan review and construction observation fees, rents, royalties, administrative fees, and interest income contribute the remaining 4.6% of total projected revenues.



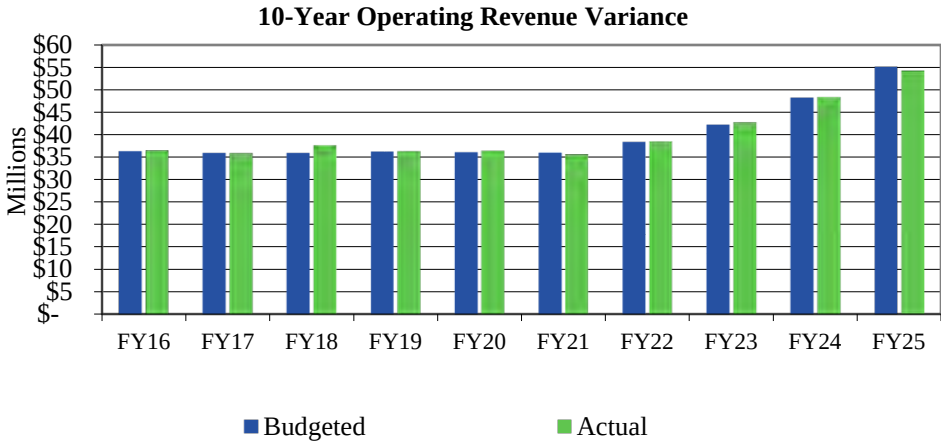
OWASA collects fees for delivery of reclaimed water services through a reclaimed water utility. The system primarily serves UNC for non-drinking purposes such as irrigation and cooling tower make-up water on campus.

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, wastewater 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.
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 2027 is approximately 300, 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 Agua Vista, our advanced metering infrastructure system, in most circumstances we do not 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 xii, 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

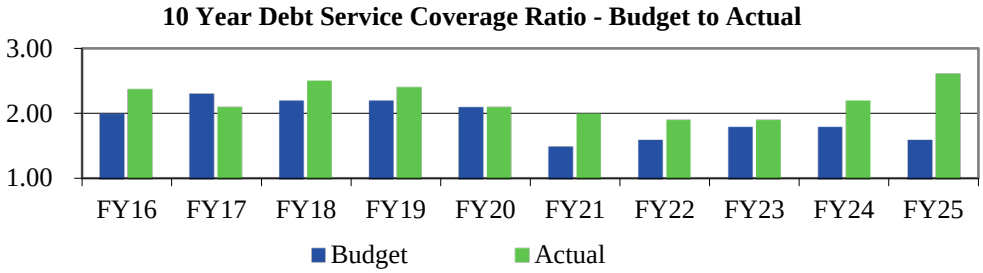
Revenue bonds and low-interest loans from the State of North Carolina have been used to finance a significant portion of OWASA's capital improvements. The remainder has been funded with annual revenues, grants and fund balance.

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 2025, 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 $88.3 million as of June 30, 2026. The debt outstanding for each bond issue or loan is: Series 2014 refunding bonds - $7.6 million, Series 2018 refunding bonds - $9.5 million, Series 2019 revenue bonds - $14.0 million, Series 2021 revenue bonds - $16.7, Series 2024 - $13.8, and low-interest and interest-free loans from the state of North Carolina - $26.7 million. Principal and interest payments on these balances will be approximately $12.5 million in FY 2027.

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.



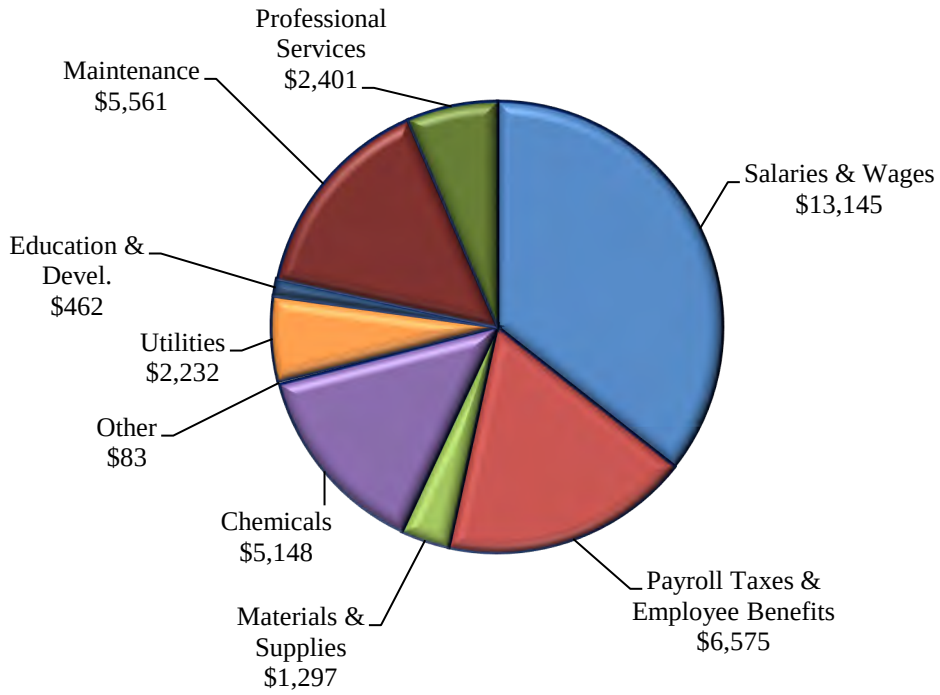
Planned Operating Expenses Summary

The chart below shows the planned operating expenses for FY 2027. 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 2027 Budget

	General and Administrative	Operating Departments	Total Budget
Salaries & Wages	$5,738,399	$7,407,032	$12,533,890
Payroll Taxes & Employee Benefits	2,969,134	3,605,794	6,054,073
Chemicals	0	5,148,211	5,103,534
Materials & Supplies	297,540	999,707	1,243,297
Utilities	206,490	2,025,082	1,919,590
Maintenance	1,480,158	4,080,418	5,245,455
Professional Services	2,157,523	242,280	2,518,972
Education & Development	290,054	172,425	290,913
Other	466,100	410,000	486,253
Total	**$13,605,398**	**$24,090,949**	**$35,662,440**
Construction Credits	(271,479)	(521,239)	(600,000)
Total After Construction Credits	**$13,333,919**	**$23,569,710**	**$35,062,440**

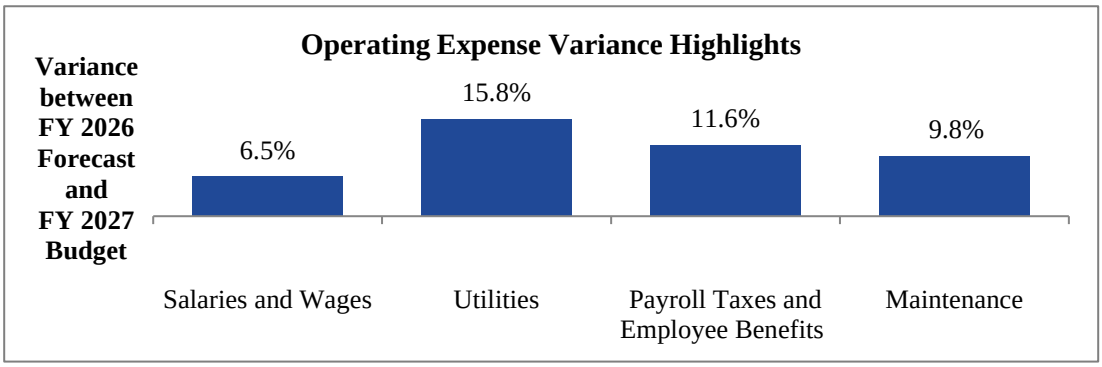
Operating Expenses
(numbers in thousands)



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 2027 Budget and FY 2026 Forecast.



Salaries and Wages
The budget for salaries and wages is approximately $802,000 or 6.5% higher than the amount forecasted for FY 2026. The increase in salaries and wages expense is due to two factors:

- A projected average combined cost of labor and merit increase of 4.7%.
- Vacancies resulted in lower-than-expected expense in FY 2026.

Utilities
The FY 2027 budget for utilities is approximately $312,000 or 15.8% greater than the FY 2026 forecast. We are using powdered activated carbon to reduce PFAS levels in drinking water. Most of the increase is due to an expected increase in the cost of disposing solids created in the drinking and wastewater treatment processes.

Payroll Taxes and Employee Benefits
The FY 2027 budget for payroll taxes and employee benefits expense is approximately $521,000 or 11.6% greater than the FY 2026 forecast. The cost of employee health insurance will increase by 20% 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 $315,000 or 9.8% greater than the forecast for FY 2026. The costs for certain maintenance items are expected to increase.

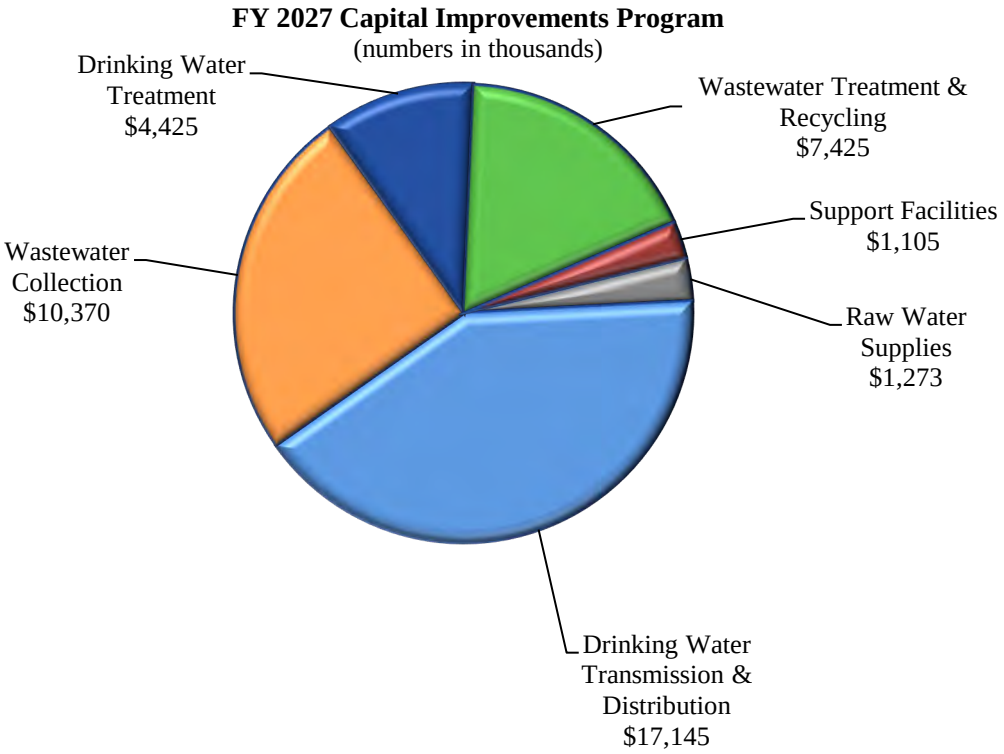
Capital Equipment

OWASA replaces capital equipment items that have exceeded their useful lives and purchases equipment to meet operational needs. Purchases planned for FY 2027 total $1.4 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 10-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 2027, capital improvements projects total $41.7 million, as shown below. The improvements planned for FY 2027-2036 are approximately $488.0 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 volume in FY 2027 will be slightly more than in FY 2026.

2. The operating budget includes funding to help ensure OWASA continues to attract and retain a highly qualified and dedicated workforce.

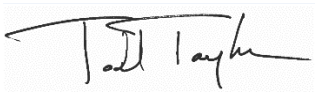
3. The CIP budget for the 10-year period from FY 2027-2036 is sufficient to meet the needs of OWASA's customers today and in the future and includes funding for improvements to be able to meet the new regulations regarding PFAS chemicals in drinking water.

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.

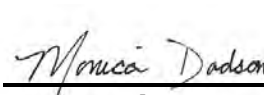
We believe the FY 2027 Budget reflects the OWASA Board of Directors' guidance and priorities, provides the appropriate level of funding for strategic initiatives, is responsive to community needs, and meets OWASA's contractual responsibilities and regulatory requirements.



Todd Taylor, P.E.
Executive Director



Stephen Winters, CPA
Chief Financial Officer



Monica Dodson
Chief Operating Officer

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, 2026

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)	408
Miles of Wastewater Collection Pipe (includes 14 miles of force main)	353
Customer Accounts	21,191
Full-time Equivalent Employees:	
Approved Positions	153
Budgeted Positions	148
Water Treatment Plant Capacity (millions of gallons per day (MGD)):	
Capacity	20.0
Production Average Day	7.4
Production Peak Day	8.5
Wastewater Treatment Plant Capacity (MGD):	
Capacity	14.5
Average Daily Flow	6.2
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.

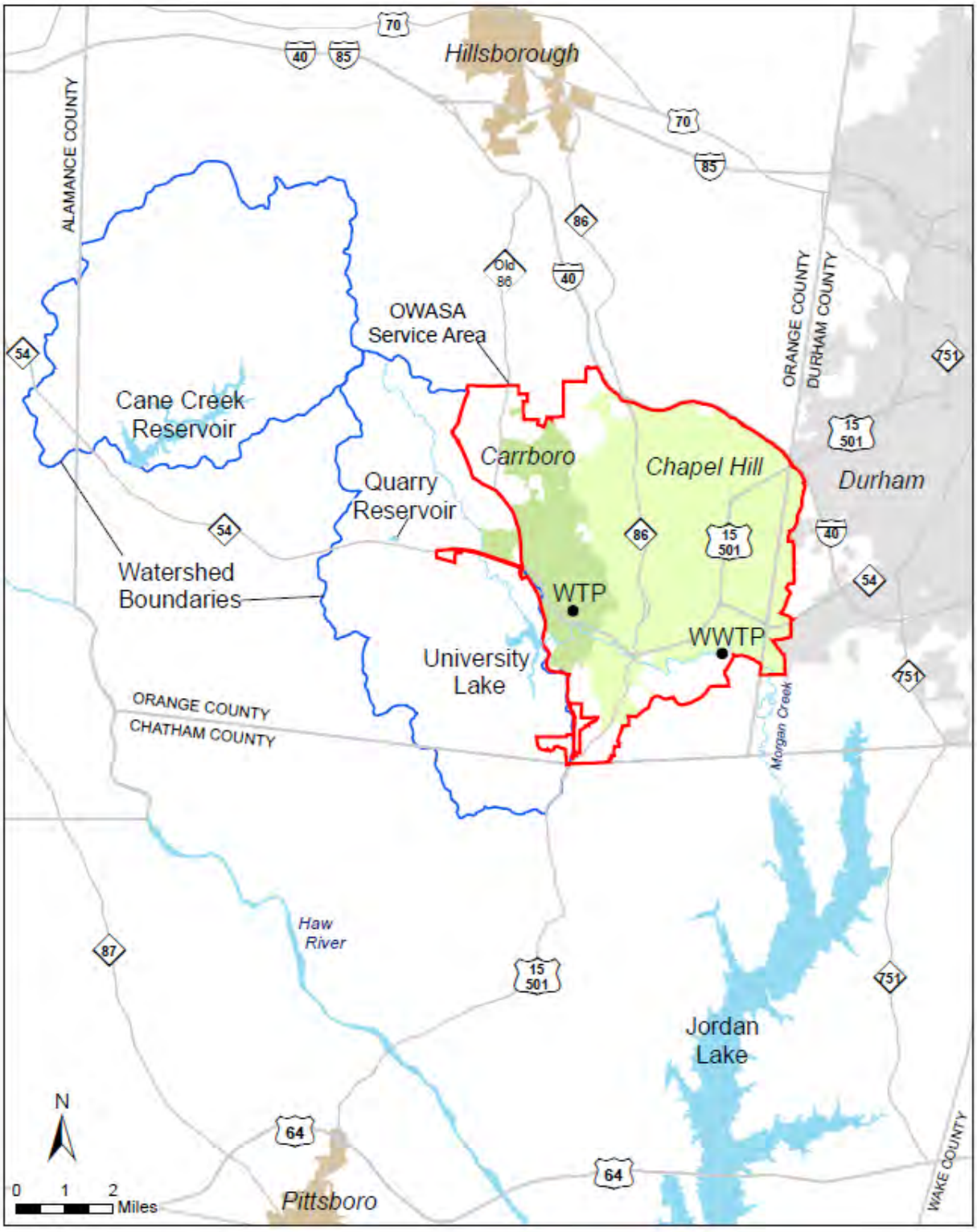
The Towns of Chapel Hill and Carrboro are located southwest of Durham and approximately 25 miles northwest of Raleigh. The regional transportation system connects the area with the major North Carolina population centers of Charlotte, Durham, Raleigh, Greensboro, Winston-Salem, and Wilmington. U.S. and 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 extends north from Carrboro to a connection with the railroad west of Durham. 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 10 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.



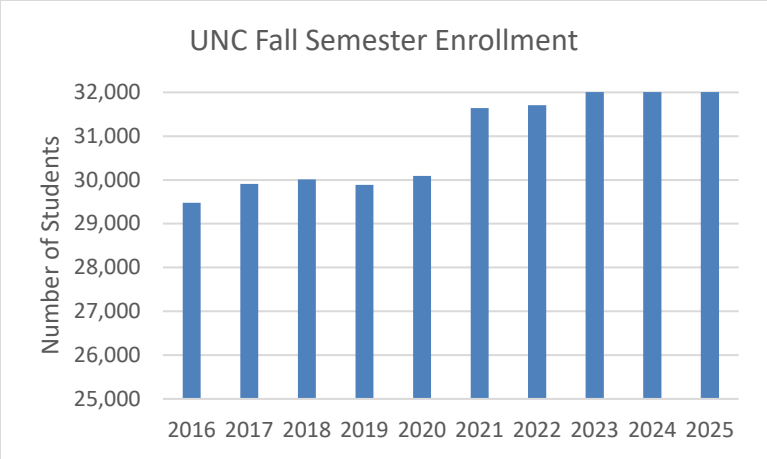
Demographic Characteristics. The United States Department of Commerce, Bureau of the Census has recorded the populations of the Town of Chapel Hill, the Town of Carrboro and Orange County to be as follows:

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:

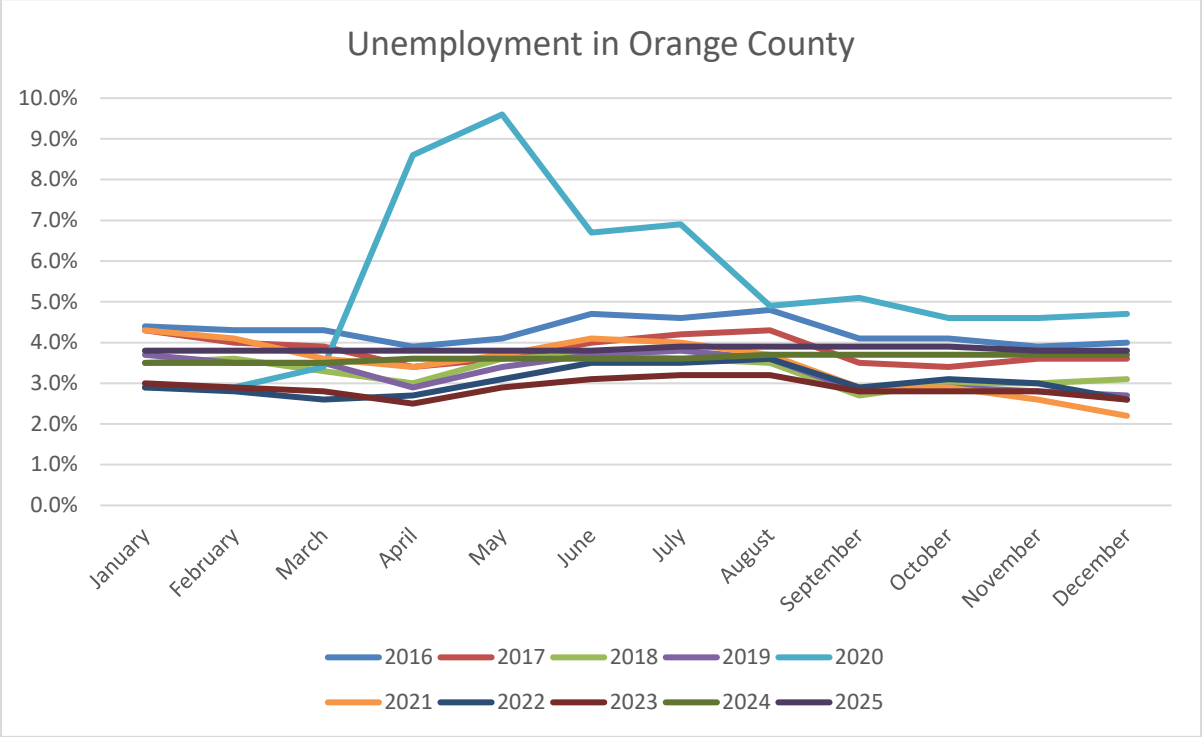
Fall	UNC Enrollment
2016	29,479
2017	29,912
2018	30,011
2019	29,887
2020	30,092
2021	31,641
2022	31,705
2023	32,234
2024	32,496
2025	34,099



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:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2024
January	4.3%	4.0%	3.6%	3.5%	2.9%	4.3%	2.9%	3.0%	3.5%	3.8%
February	4.3	3.9	3.3	3.5	3.4	4.1	2.8	2.9	3.5	3.8
March	3.9	3.4	3.0	2.9	8.6	3.6	2.6	2.8	3.5	3.8
April	4.1	3.6	3.6	3.4	9.6	3.4	2.7	2.5	3.6	3.8
May	4.7	4.0	3.7	3.7	6.7	3.7	3.1	2.9	3.6	3.8
June	4.6	4.2	3.6	3.8	6.9	4.1	3.5	3.1	3.6	3.8
July	4.8	4.3	3.5	3.6	4.9	4.0	3.5	3.2	3.6	3.9
August	4.1	3.5	2.7	2.8	5.1	3.7	3.6	3.2	3.7	3.9
September	4.1	3.4	3.0	2.9	4.6	2.9	2.9	2.8	3.7	3.9
October	3.9	3.6	3.0	2.8	4.6	2.9	3.1	2.8	3.7	3.9
November	4.0	3.6	3.1	2.7	4.7	2.6	3.0	2.8	3.7	3.8
December	4.4	4.3	3.5	3.7	2.9	2.2	2.6	2.6	3.7	3.8



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 2025 and 10 years prior:

Company or Institution	Service or Product	Number of Employees 2025	Number of Employees 2016
UNC	Educational Services	1,000+	1,000+
UNC Healthcare System	Health Care and Social Assistance	1,000+	1,000+
Rex Healthcare	Health Care and Social Assistance	1,000+	
Chapel Hill/Carrboro City Schools	Educational Services	1,000+	1,000+
Orange County Government	Public Administration	1,000+	1,000+
Orange County Schools	Educational Services	1,000+	1,000+
Town of Chapel Hill	Public Administration	500-999	500-999
Sports Endeavors	Retail Trade	500-999	500-999
Industrial C&S LLC	Manufacturing	500-999	
Wal-Mart	Retail Trade	500-999	250-499
UNC Physicians Network	Health Care		500-999
General Electric	Trade		500-999

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

Michael Hughes
3815 Fern Creek Lane
Chapel Hill, NC 27516
Appointed by Orange County: Term Expires June 30, 2027

VICE CHAIR

Vacant

SECRETARY

Jocelyn Tsai
105 Cathy Road
Carrboro, NC 27510
Appointed by Carrboro; Term Expires June 30, 2027

MEMBERS

Dr. Todd BenDor
904 Coker Drive
Chapel Hill, NC 27517
Appointed by Chapel Hill; Term Expires June 30, 2027

Susana Dancy
105 Parkview Crescent
Chapel Hill, NC 27516
Appointed by Chapel Hill; Term Expires June 30, 2029

Pedro Garcia
319 Sonoma Way
Chapel Hill, NC 27516
Appointed by Chapel Hill; Term Expires June 30, 2028

Dr. Elmira Mangum
102 Rivercreek Place
Carrboro, NC 27510
Appointed by Carrboro; Term Expires June 30, 2028

Judith Miller
201 S. Elliot Road
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires June 30, 2029

Dr. Johnny Randall
1301 Arboretum Drive
Chapel Hill, NC 27517
Appointed by Chapel Hill; Term Expires June 30, 2029

ORANGE WATER AND SEWER AUTHORITY MANAGEMENT TEAM

Steven Bailey, P.E., Engineering Manager (Capital Projects)

Denise Battle, Customer Service Manager

Gabrielle Boyce, Executive Assistant/Clerk to the Board of Directors

Tim Czupka, CGCIO, Director of Information Technology

Monica Dodson, Chief Operating Officer

Jesse DuClau, Director of Distribution and Collection

Vishnu Gangadharan, P.E., Director of Engineering

Katie Hall, Public Information Officer

Robin Lacey, SHRM-CP, Director of Human Resources

Wil Lawson, Director of Wastewater Management

Kelly Satterfield, CPA, Director of Finance

Allison Spinelli, P.E., Director of Water Resources

Todd Taylor, P.E., Executive Director

Mary Tiger, Director of Community Relations

Stephen Winters, CPA, Chief Financial Officer

Vacant, Engineering Manager (Development Services)

Vacant, Planning and Development Manager

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.

Transaction Type	Financial Reporting (Accrual)	Budgetary (Modified Accrual)
Depreciation expense	*Included* as an expense	*Excluded* as an expense
Principal portion of debt payments	*Excluded* as an expense	*Included* as an expense
Vacation accrual expense	*Included* as an expense	*Excluded* 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 the 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

July 10, 2025	Board of Directors Meeting – reviewed the FY 2026 budget development process to determine if modifications needed to be implemented and reviewed the FY 2027 Budget Calendar
December 2025	Distributed templates for the preparation of operating expense appropriations, capital equipment requests and departmental budget narratives.
January 30, 2026	Submission of Capital Equipment Request Forms, Budget Narratives and Departmental Operating Budget Requests to Budget Officer.
February 26, 2026	Board Budget Work Session – Board provided an overview of the Capital Improvements Program, project prioritization, and budget development/financial planning process, including expectations for what will be included in the FY 2027 budget.
March 26, 2026	Board Budget Work Session – reviewed the initial draft of the FY 2027 budget and proposed rate adjustment.
April 23, 2026	Board Budget Work Session – reviewed updated draft of the FY 2027 budget and proposed rate adjustment and discussed alternative budget scenarios.
May 14, 2026	Board of Directors Meeting – Set dates for public hearings on the proposed FY 2027 budget and proposed rate adjustment.
June 11, 2026	Board of Directors Meeting – Public hearings on the FY 2027 budget and proposed rate adjustment.
June 25, 2026	Board of Directors Meeting – adopted the FY 2027 Annual Budget and Schedule of Rates, Fees and Charges.

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 3% and 7%. 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.

	FY 2028	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**	**FY 2033**	**FY 2034**	**FY 2035**	**FY 2036**	**FY 2037**
Rate increase	4%	7%	7%	7%	6%	6%	6%	6%	6%	3%
	(numbers below in thousands)									
Total revenue	$66,068	$70,347	$75,290	$80,663	$85,867	$91,261	$97,150	$103,538	$110,210	$117,069
Operating expenses	37,758	39,413	41,145	42,958	44,856	46,843	48,924	51,103	53,385	55,776
Capital Improvements Projects	46,323	51,274	62,525	65,690	58,348	43,975	44,258	39,173	34,662	71,826
Debt service coverage ratio	2.3	1.8	2.3	1.8	2.1	1.9	2.0	2.0	2.1	2.1

OWASA's service is area is determined by the municipalities and it is uncertain whether it will change significantly 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)

	FY 2025 Actual	FY 2026 Budget	FY 2026 Forecast	FY 2026 Forecast to FY 2026 Budget	FY 2027 Budget	FY 2027 Budget to FY 2026 Forecast
Operating Revenue						
Water	$27,211,569	$30,599,982	$30,698,830	0.32%	$30,694,496	-0.01%
Wastewater	26,051,825	28,857,526	28,063,286	-2.75%	29,356,982	4.61%
Reclaimed Water	459,284	441,300	385,376	-12.67%	441,300	14.51%
Other	181,938	688,296	214,583	-68.82%	688,276	220.75%
Refunds and Adjustments	(223,189)	(229,304)	(232,355)	1.33%	(235,037)	1.15%
Total Operating Revenue	53,681,427	60,357,800	59,129,720	-2.03%	60,946,017	3.07%
Operating Expense						
General and Administrative	10,975,568	12,659,143	12,587,549	-0.57%	13,333,919	5.93%
Operations	19,596,342	22,403,297	22,071,700	-1.48%	23,569,710	6.79%
Total Operating Expense	30,571,910	35,062,440	34,659,249	-1.15%	36,903,629	6.48%
Net Operating Income	23,109,517	25,295,360	24,470,471	-3.26%	24,042,388	-1.75%
Non-operating Revenue						
System Development Fees	1,270,150	1,853,342	1,782,839	-3.80%	1,106,857	-37.92%
Interest and Other	2,126,223	1,357,539	2,340,263	72.39%	1,400,177	-40.17%
Total Net Income	26,505,890	28,506,241	28,593,573	0.31%	26,549,422	-7.15%
Debt Service	10,121,094	13,609,355	11,206,045		12,487,811	
Net Income Less Debt Service	$16,384,796	$14,896,886	$17,387,528	16.72%	$14,061,611	
Debt Coverage Ratio	2.6	2.1	2.6		2.1	

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)

	FY 2025 Actual	FY 2026 Budget	FY 2026 Forecast	FY 2026 Forecast to FY 2026 Budget	FY 2027 Budget	FY 2027 Budget to FY 2026 Forecast
General Fund						
Resources						
Transfer from Revenue	$16,384,796	$14,896,886	$17,387,528	16.72%	$14,061,611	-19.13%
Annual Income Available for Capital	16,384,796	14,896,886	17,387,528	16.72%	14,061,611	-19.13%
Transfer from Construction Fund (Bond/Loan Proceeds)	35,661,700	30,300,988	(2,102,319)	0.00%	40,895,944	0.00%
Total Available for Capital	52,046,496	45,197,874	15,285,209	-66.18%	54,957,555	259.55%
Capital Expenditures						
Project Ordinances						
Funded by General Fund/Bond/Loan Proceeds	18,564,700	29,327,000	14,333,206	0.00%	41,743,000	191.23%
Total Project Resolutions	18,564,700	29,327,000	14,333,206	-51.13%	41,743,000	191.23%
Capital Equipment	2,587,084	1,641,241	1,698,983	3.52%	1,436,600	-15.44%
Total Capital Outlay	21,151,784	30,968,241	16,032,189	-48.23%	43,179,600	169.33%
Annual General Fund Balance	$30,894,712	$14,229,633	($746,980)		$11,777,955	-1676.74%
General Fund Beginning Balance		28,873,510	30,894,712	7.00%	30,147,732	-2.42%
General Fund Ending Balance	30,894,712	43,103,143	30,147,732	-30.06%	41,925,687	39.07%
Project Funding						
Reserves						
Rate/Revenue Stabilization	2,350,598	2,972,875	2,972,875	0.00%	3,002,574	1.00%
Capital Improvements	6,400,000	6,681,068	6,681,068	0.00%	6,898,713	3.26%
Working Capital	22,144,114	33,449,200	20,493,789	-38.73%	32,024,400	56.26%
Unallocated General Fund Balance	-	-	-		-	

FUND BALANCE STATEMENTS

CONSOLIDATED SUMMARY - INTRAGOVERNMENTAL SERVICE FUNDS
FY 2027

	Beginning Balance	Revenues	Expenditures	Ending Balance	Change in Balance
Revenue Fund	-	$63,453,051	($63,453,051)	-	-
Bond Service Fund	-	12,487,811	(12,487,811)	-	-
General Fund	30,147,732	54,957,555	(43,179,600)	41,925,687	11,777,955
Total	$30,147,732	$130,898,417	($119,120,462)	$41,925,687	$11,777,955

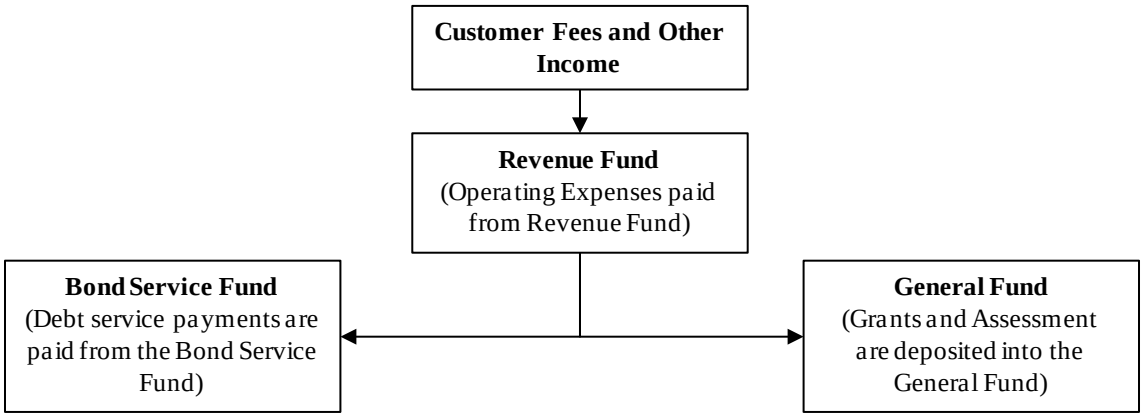
OWASA's Fund Accounting Structure

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.

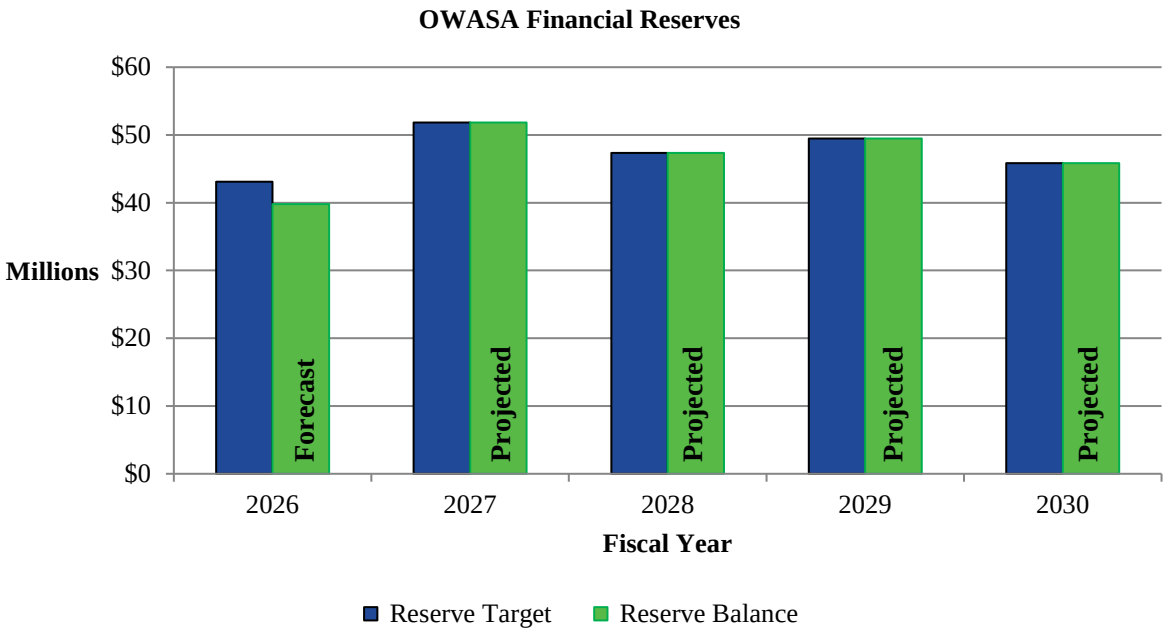


Financial Reserves

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 $30.1 million at the end of FY 2027.
>
> Capital Improvements Reserve – At least 2% of depreciated capital assets. The balance in this reserve is projected to be approximately $6.9 million at the end of FY 2027.
>
> Rate/Revenue Stabilization – At least 5% of projected water and wastewater revenue. The balance in this reserve is projected to be about $3.0 million at the end of FY 2027.

The graph below depicts the combined balance of the Working Capital, Capital Improvements, and Rate/Revenue Stabilization Reserve funds compared to the target. We do not expect to meet the FY 2026 target balance for our Working Capital Reserve. For FY 2026, according to the Board-approved Financial Management Policy, our Working Capital Reserve target was 20% of the succeeding three years' CIP Budget or $33.4 million. Due to delays in the progress of two expensive CIP projects, it was not necessary to increase the reserve balance to the amount originally planned.



FUND BALANCE STATEMENTS

REVENUE FUND

	Water	Sewer	Total
Fund Balance July 1, 2026			-
Receipts			
Operating Revenue			
Customer Billings	30,694,496	29,356,982	60,051,478
Reclaimed Water	441,300	-	441,300
Other	344,138	344,138	688,276
Refunds and Adjustments	(117,519)	(117,519)	(235,037)
Total Operating Revenue	31,362,415	29,583,601	60,946,017
Non-operating Revenue			
System Development Fees	434,424	672,433	1,106,857
Interest Income and Other	700,089	700,088	1,400,177
Total Non-operating Revenue	1,134,513	1,372,521	2,507,034
Total Receipts	32,496,928	30,956,122	63,453,051
Expenditures			
Current Expense	(20,721,549)	(16,182,080)	(36,903,629)
Debt Service	(6,727,790)	(5,760,021)	(12,487,811)
Total Expenditures	(27,449,339)	(21,942,101)	(49,391,440)
Net Revenue			14,061,611
To General Fund			(14,061,611)
Fund Balance June 30, 2027			-
Change in Available Balance			-

FUND BALANCE STATEMENTS

BOND SERVICE FUND

Fund Balance July 1, 2026		-
Receipts		
Transfers from Revenue Fund	12,487,811	
Interest		
Total Receipts		12,487,811
Expenditures		
Debt Service	(12,487,811)	
Total Expenditures		(12,487,811)
Fund Balance June 30, 2027		-
Change in Available Balance		-

FUND BALANCE STATEMENTS

GENERAL FUND

Fund Balance July 1, 2026		$30,147,732
Receipts		
Transfer from Revenue fund	14,061,611	
Transfer from Construction Fund (Loan Proceeds)	40,895,944	
Total Receipts		54,957,555
Total Balance Before Expenditures		85,105,287
Expenditures		
Capital Equipment/Leases	1,436,600	
Project Resolutions	41,743,000	
Transfer to Revenue Fund		
Total Expenditures		(43,179,600)
Fund Balance June 30, 2027		$41,925,687
Allocation of Fund Balance June 30, 2027		
Project Funding		
Capital Reserves	41,925,687	
Total Allocation		$41,925,687
Unallocated General Fund Balance June 30, 2027		-
Change in Available Balance		$11,777,955

FUNDS FLOW STATEMENT

Revenue Fund		
Operating Revenue	$60,946,017	
Customer Fees	1,106,857	
Interest Income	1,400,177	
Total Revenues		63,453,051
Operating and Maintenance Expense	(36,903,629)	
Bond Service Fund (transfers to)	(12,487,811)	
Total Expenditures		(49,391,440)
Excess operating revenue (to be transferred to the General Fund)		14,061,611
General Fund		
Beginning Balance July 1, 2026	30,147,732	
Transfer from Revenue Fund	14,061,611	
Total General Fund Balance (available for allocation)		44,209,343
Construction Fund - Loan Proceeds		40,895,944
Total General Fund and Loan Proceeds		85,105,287
Project Resolutions	41,743,000	
Capital Equipment and Leases	1,436,600	
Total General Fund Expenditures		43,179,600
General Fund Ending Balance June 30, 2027		$41,925,687
Project Resolutions	-	
Reserves	41,925,687	
Total Allocation of General Fund Balance		$41,925,687

PLANNED OPERATING EXPENDITURES

EXPENDITURES BY CATEGORY

Category	FY25 Actual	FY26 Budget	FY26 Forecast	FY26 Forecast to FY26 Budget Variance	FY27 Budget	FY27 Budget to FY26 Forecast Variance
Personnel	$17,518,355	$18,587,965	$18,234,233	-1.9%	$19,720,359	8.2%
Chemicals	4,605,621	5,103,534	5,174,260	1.4%	5,148,211	-0.5%
Materials & Supplies	999,310	1,243,296	1,264,674	1.7%	1,297,247	2.6%
Utilities	1,971,537	1,919,590	1,926,880	0.4%	2,231,572	15.8%
Maintenance	3,524,459	5,245,455	5,064,433	-3.5%	5,560,576	9.8%
Professional Services	2,065,317	2,518,972	2,512,615	-0.3%	2,399,803	-4.5%
Communication	172,608	263,713	253,013	-4.1%	242,790	-4.0%
Printing & Reproduction	9,528	20,750	18,187	-12.4%	30,200	66.1%
Education and Development	178,963	290,913	283,729	-2.5%	462,479	63.0%
Other	522,986	468,254	439,924	-6.1%	603,110	37.1%
Total	**31,568,684**	**35,662,442**	**35,171,948**	-1.4%	**37,696,347**	**7.2%**
Construction Credits	(947,938)	(600,000)	(508,479)	-15.3%	(792,718)	55.9%
Net Expense	**$30,620,746**	**$35,062,442**	**$34,663,469**	**-1.1%**	**$36,903,629**	**6.5%**

EXPENDITURES BY DIVISION
FISCAL YEAR 2027

	General and Administrative	Operating Departments	Total Budget
Personnel	$5,738,399	$7,407,032	$13,145,431
Payroll Taxes and Employee Benefits	2,969,134	3,605,794	6,574,928
Chemicals		5,148,211	5,148,211
Materials and Supplies	297,540	999,707	1,297,247
Utilities	206,490	2,025,082	2,231,572
Maintenance	1,480,158	4,080,418	5,560,576
Professional Services	2,157,523	242,280	2,399,803
Communication	235,490	7,300	242,790
Printing and Reproduction	28,700	1,500	30,200
Education and Development	290,054	172,425	462,479
Other	201,910	401,200	603,110
Total	**$13,605,398**	**$24,090,949**	**$37,696,347**
Construction Credits	(271,479)	(521,239)	(792,718)
Net Expense	**$13,333,919**	**$23,569,710**	**$36,903,629**

PLANNED OPERATING EXPENDITURES

GENERAL AND ADMINISTRATIVE

Category	FY25 Actual	FY26 Budget	FY26 Forecast	FY26 Forecast to FY26 Budget Variance	FY27 Budget	FY27 Budget to FY26 Forecast Variance
Executive Department						
Personnel Costs	$1,184,603	$1,148,506	$1,098,479	-4.4%	$1,067,098	-2.9%
Operating Expenditures	758,955	784,332	847,454	8.0%	885,733	4.5%
Total Expenditures	1,943,558	1,932,838	1,945,933	0.7%	1,952,831	0.4%
Community Relations						
Personnel Costs	1,365,754	1,392,854	1,374,387	-1.3%	1,376,017	0.1%
Operating Expenditures	415,067	412,663	424,718	2.9%	458,098	7.9%
Total Expenditures	1,780,821	1,805,517	1,799,105	-0.4%	1,834,115	1.9%
Engineering						
Personnel Costs	2,522,566	2,803,855	2,725,199	-2.8%	2,939,694	7.9%
Operating Expenditures	312,996	302,225	247,433	-18.1%	359,090	45.1%
Total Expenditures	2,835,562	3,106,080	2,972,632	-4.3%	3,298,784	11.0%
Human Resources						
Personnel Costs	1,049,902	1,105,969	1,095,433	-1.0%	1,279,370	16.8%
Operating Expenditures	352,716	510,185	502,363	-1.5%	484,210	-3.6%
Total Expenditures	1,402,618	1,616,154	1,597,796	-1.1%	1,763,580	10.4%
Finance						
Personnel Costs	680,529	717,879	722,194	0.6%	778,477	7.8%
Operating Expenditures	532,428	641,930	626,477	-2.4%	687,850	9.8%
Total Expenditures	1,212,957	1,359,809	1,348,671	-0.8%	1,466,327	8.7%
Information Technology						
Personnel Costs	887,125	1,061,141	1,059,521	-0.2%	1,266,877	19.6%
Operating Expenditures	1,240,202	1,977,604	2,068,111	4.6%	2,022,884	-2.2%
Total Expenditures	2,127,327	3,038,745	3,127,632	2.9%	3,289,761	5.2%
Total G&A	11,302,843	12,859,143	12,791,769	-0.5%	13,605,398	6.4%
Construction Credit	($309,531)	($200,000)	($200,000)	0.0%	($271,479)	35.7%
Net Expense	$10,993,312	$12,659,143	$12,591,769	-0.5%	$13,333,919	5.9%

PLANNED OPERATING EXPENDITURES

OPERATING DEPARTMENTS

Category	FY25 Actual	FY26 Budget	FY26 Forecast	FY26 Forecast to FY26 Budget Variance	FY27 Budget	FY27 Budget to FY26 Forecast Variance
Water Resources						
Personnel Costs	$2,653,125	$2,827,774	$2,817,562	-0.4%	$3,043,069	8.0%
Operating Expenditures	5,100,135	6,132,603	6,057,030	-1.2%	6,443,563	6.4%
Total Expenditures	7,753,260	8,960,377	8,874,592	-1.0%	9,486,632	6.9%
Water Distribution						
Personnel Costs	3,192,928	3,367,494	3,238,223	-3.8%	3,695,282	14.1%
Operating Expenditures	1,097,403	1,336,039	1,234,143	-7.6%	1,393,914	12.9%
Total Expenditures	4,290,331	4,703,533	4,472,366	-4.9%	5,089,196	13.8%
Wastewater Management						
Personnel Costs	2,737,671	2,884,889	2,859,386	-0.9%	2,971,037	3.9%
Operating Expenditures	3,545,238	4,192,771	4,168,660	-0.6%	4,396,684	5.5%
Total Expenditures	6,282,909	7,077,660	7,028,046	-0.7%	7,367,721	4.8%
Wastewater Collection						
Personnel Costs	1,244,152	1,277,603	1,243,849	-2.6%	1,303,439	4.8%
Operating Expenditures	695,189	784,124	761,326	-2.9%	843,961	10.9%
Total Expenditures	1,939,341	2,061,727	2,005,175	-2.7%	2,147,400	7.1%
Total Operating Departments	20,265,841	22,803,297	22,380,179	-1.9%	24,090,949	7.6%
Construction Credit	(638,407)	(400,000)	(308,479)	-22.9%	(521,239)	69.0%
Net Expense	$19,627,434	$22,403,297	$22,071,700	-1.5%	$23,569,710	6.8%

PLANNED CAPITAL EQUIPMENT EXPENDITURES

FISCAL YEAR 2027

Capital Equipment Summary

Vehicles and heavy equipment	$806,600
Computer equipment	490,000
Maintenance equipment	85,000
Laboratory equipment	55,000
Total	$1,436,600

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 2027-2046

Schedule of Existing Long-term Bonds and Loans

	Issue Dates	Interest Rates (Avg. Coupon)	Outstanding at 06/30/25
Series 2014 Revenue Refunding Bonds	12/18/2014	4.116%	7,585,000
Series 2018 Revenue Refunding Bonds	5/1/2018	3.899%	9,390,000
Series 2019 Revenue Bonds	11/15/2019	3.903%	13,985,000
Series 2021 Revenue Bonds	4/7/2020	2.840%	16,725,000
Series 2024 Revenue Bonds	6/27/2024	4.675%	13,845,000
Total Bonded Debt			$61,530,000
Loan from the State of North Carolina	Various	0% to 1.53	$26,723,890

Schedule of Existing and Potential Annual Debt Service

Fiscal Year Ending June 30	Existing Debt Service	Potential Debt Service (Estimated)	Total Existing and Potential Debt Service
2027	$9,388,910	$3,098,901	$12,487,811
2028	9,377,288	3,098,901	12,476,189
2029	9,359,941	8,311,368	17,671,309
2030	6,743,143	8,311,368	15,054,511
2031	6,718,846	14,436,901	21,155,747
2032	5,253,299	14,436,901	19,690,200
2033	5,236,502	18,432,296	23,668,798
2034	22,648,750	18,432,296	41,081,046
2035	4,860,107	21,750,816	26,610,923
2036	4,841,410	21,750,816	26,592,226
2037	4,819,762	23,967,422	28,787,184
2038	4,798,615	23,967,422	28,766,037
2039	4,730,490	26,324,630	31,055,120
2040	4,395,689	26,324,630	30,720,319
2041	3,771,903	26,324,630	30,096,533
2042	3,769,805	26,324,630	30,094,435
2043	3,754,536	26,324,630	30,079,166
2044	3,535,843	26,324,630	29,860,473
2045	2,240,018	26,324,630	28,564,648
2046	2,029,581	26,324,630	28,354,211
Total	$122,274,438	$390,592,448	$512,866,886

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

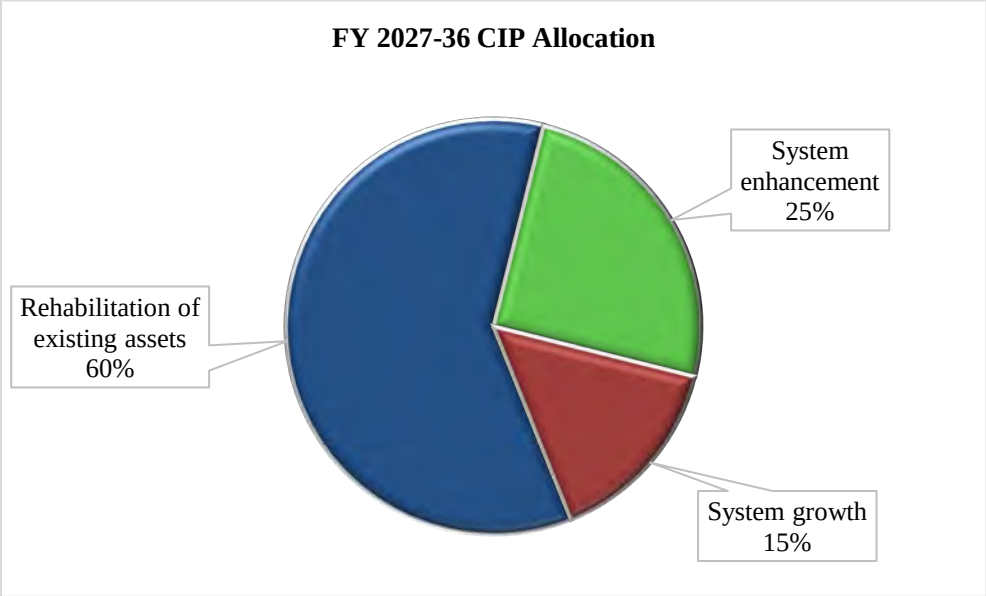
circumstances occur which negatively impact revenues and/or expenses shall not be less than 1.5 during the Fiscal Year.

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 10-year CIP is reviewed and updated annually.

CIP needs are identified by hydraulic models, risk/prioritization models, OWASA's Asset 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 2027-2036 CIP budget totals about $488.0 million. Most of the 10-year investments will be spent rehabilitating existing assets.



The Board has approved a CIP budget for FY 2027 for over 70 projects totaling $41,743,000.

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 2027.

CAPITAL IMPROVEMENTS PROJECTS FUNDED IN FY 2027

Project Description	Purpose of Project	Amount
Raw Water Supplies		
Annual payment to preserve OWASA's Level II Jordan Lake storage allocation	Our Jordan Lake storage allocation serves as insurance against future water shortages	$8,000

Project Description	Purpose of Project	Amount
Quarry Reservoir development – annual contribution to a no-fault well repair fund	Required by Special Use Permit	15,000
Cane Creek Reservoir pump station improvements	Installation of new equipment to improve performance	570,000
Cane Creek Dam Gate Roller Lubrication	Improvement recommended due to inspection	150,000
Quarry Expansion – Shallow Quarry Option	Study to determine most feasible way to connect quarry pit to existing Quarry Reservoir after completion of mining	30,000
University Lake dam improvements	Improvement recommendations due to dam inspection	500,000
Water Transmission and Distribution		
Distribution System Pressure Monitoring	Install pressure monitors throughout the distribution system to increase monitoring capabilities	20,000
Water distribution system hydraulic model	Analysis of the water distribution system's hydraulic capacity	30,000
Lead and copper rule revisions compliance	Project to comply with lead and copper service line regulations	1,400,000
West Rosemary 12" AC water main replacement	Replacement due to age and condition	4,700,000
Distribution System Asset Management Risk Definition and Planning	Updates to water main prioritization model and incorporation of hydraulic model into risk prioritization process	30,000
Water Main Replacements – OWASA Crew Projects	Replacement due to age and condition	1,200,000
Briarcliff and Ridgefield Neighborhood water line replacements	Replacement of high likelihood of failure water mains identified by the prioritization model	5,100,000
Burning Tree water main replacement	Replacement of water main identified by the prioritization model	4,100,000
Raw Water Transmission Line Sleeve Valve Replacement	Replacement due to age and condition	100,000
South Road 12" water main Replacement	Replacement due to age and condition	250,000
8" water lines along Mount Carmel Church Road, Old Lystra Road, and Parker Road	Replacement due to age and condition	100,000
12" and 8" water line along US 15-501 South	Replacement due to age and condition	75,000
Generators at elevated storage tanks improvements	Improvements due to age and condition	50,000
New pipe storage lot/warehouse	Construction of facility to store material	50,000
Additional powdered activate carbon storage silo	Necessary to continue to treat drinking water for PFAS contaminants	250,000
WTP generator replacement	Replacement due to age and condition	240,000

Project Description	Purpose of Project	Amount
Water Treatment and Supply		
Supervisory Control and Data Acquisition (SCADA) Master Plan Recommendations	Funding for priority improvements identified in the SCADA master plan at the WTP	210,000
Water Treatment Plant (WTP) Rapid Mix System Improvements	Replace gates, valves, and actuators that do not function properly.	1,000,000
New Clearwell, Finished Water Pump Station, and Electrical Distribution System Improvements	Design and construction of a new three-million-gallon clearwell to replace failing existing facility	2,500,000
Western Intake Partnership (Preliminary Engineering Phase I)	Contribution towards the cost of engineering work	25,000
Nunn Mountain Suction Line Study	Evaluation of corroded suction line to determine corrective action and budget	40,000
WTP Concrete Repair, Joint Sealing and Tile Project	Rehabilitation due to age and condition	100,000
Wastewater Collection, Treatment and Disposal		
Rocky Branch interceptor replacement	Replacement of interceptor to accommodate future WTP process water discharge	300,000
Morgan Creek Interceptor Aerial Rehabilitations	Rehabilitation due to age and condition	900,000
Rogerson Dr. Pump Station Classification Study	Evaluate to determine if the area is still in compliance with recent rule changes	10,000
Rogerson Dr. Fuel Storage Improvements	Improvement of emergency fuel storage system	50,000
Rogerson Dr. Pump Station Asset Management Program	Long term facility planning for critical infrastructure.	30,000
Rogerson Dr. Pump Station Operating Strategy	Study of alternative pumping strategies to allow pumps to function in their optimal operating range to improve efficiency and extend life.	50,000
Morgan Creek interceptor phase 2 replacement	Rehabilitation due to age and condition	4,900,000
Brigham Road sewer replacement	Replacement due to age and condition	800,000
Creek Crossing Improvement near Elizabeth St.	Improvement of crossing	650,000
West Stinson St. Common Service Lateral Replacements	Replacements due to age and condition	300,000
Collection system Rehabilitation	Rehabilitation due to age and condition	2,170,000

Project Description	Purpose of Project	Amount
Collection System Master Plan	Creation of a new collection system master plan for capacity analysis, including flow monitoring, hydraulic modeling, development planning and tracking, inflow and infiltration measurement, and tracking	250,000
Manning Dr. Lift Station Discharge Piping and Manhole Rehabilitation	Rehabilitation due to age and condition	80,000
Lake Ellen Pump Station Rehabilitation	Rehabilitation due to age and condition	270,000
Knolls Pump Station Rehabilitation	Rehabilitation due to age and condition	100,000
Cobb Terrace sewer rehabilitation	Rehabilitation due to age and condition	20,000
Force main air release valve replacements	Rehabilitation due to age and condition	50,000
Rangewood lift station and force main assessment	Evaluation of trends in the pump station and force main and provide recommendations for improved operation	10,000
Collection System On-call Monitoring	Updates to 2020 collection system model	30,000
Rangewood Force Main Discharge Manhole Replacement	Replacement due to age and condition	50,000
Wastewater Treatment Plant (WWTP) primary effluent to IPS capacity improvements	Abandon junction box and reroute line from primary clarifiers	1,000,000
WWTP warehouse	Construction of warehouse	800,000
WWTP digester 3 and 4 stairwell HVAC improvements	Provide stairwell and pump room with own exhaust system and airflow monitoring	350,000
WWTP condition assessments	Assess condition of prioritized areas of the WWTP	100,000
WWTP aeration basin rehabilitation	Rehabilitation of concrete and structures based on condition assessment	320,000
WWTP RAS pumping improvements	Piping improvements to increase operational efficiency	240,000
WWTP bridge evaluation and rehabilitation	Evaluation of bridge rehabilitation options	130,000
WWTP Hydraulic and Treatment Process Evaluation Study	Cleanout, inspection, and subsequent rehabilitation of Digester 2 including the roof and pump suction inlets	290,000
WWTP Aeration Digester No. 2 Cleanout and Inspection	Remove contents and clean Digester No. 2. Perform condition assessment design repair for leaking joint	800,000
WWTP Solids Building Odor Control Improvement Study	Study of potential improvements to odor control system to increase life span of equipment in the facility	60,000

Project Description	Purpose of Project	Amount
WWTP NPW System Assessment and Rehabilitation	Assess non-potable water lines at the WWTP and replace sections that are at the end of their life	50,000
WWTP Aeration Basis Nutrified Sludge Return Line Replacements	Replacement due to age and condition	100,000
WWTP Intermediate Pump Station Nos. 1 & 2 Wetwell Rehabilitation	Rehabilitation due to age and condition	150,000
WWTP Intermediate Pump Station Nos. 1 & 2 Pump Improvements	Improvements due to age and condition	150,000
WWTP Bypass Channel Evaluation	Evaluate improvements to stormwater bypass channel to repair damage from TS Chantal	150,000
WWTP Hypochlorite Building Modification	Evaluation of building to determine how larger tanks could be installed to improve operational efficiency	60,000
WWTP and Pump Station Program Logic Controller Replacement	Replacement due to age and condition	800,000
WWTP Generator Replacement	Replacement due to age and condition	850,000
WWTP Boiler and Boiler Gas System Redesign	Condition assessment of digester heating system	60,000
WWTP Biosolids Disposal Alternatives Analysis	Evaluate process and operations modifications to mitigate disposal of biosolids containing PFAS	150,000
WWTP Secondary Clarifier Repair	Rehabilitation due to age and condition	110,000
North Lakeshore Pump Station Generator and Electrical Improvements	Improvements due to age and condition	55,000
Administration Facilities		
WTP Lab Storage Conversion	Conversion into additional lab space	150,000
WTP Roofing Projects	Replacement due to age and condition	110,000
WTP Blower Enclosures	Replace sound attenuating blower enclosures that are corroding internally	60,000
Operations center office space	Conversion into office space	50,000
WWTP Admin Building Entrance Accessibility	Improve parking and entrance accessibility	40,000
Roof Replacement and Rehabilitation Projects	Replacements and rehabilitations due to age and condition	450,000
ADA Compliance and Security Updates for Admin Building Community Room	Improvements to comply with the Americans with Disabilities Act and upgrade security	170,000
Admin Building HVAC Controls Improvements/Replacement	Project to improve the performance of the HVAC system	75,000
Total Capital Improvements Projects Funded in FY 2027		$41,743,000

OWASA CAPITAL IMPROVEMENTS PROGRAM FIVE-YEAR OVERVIEW FOR FY 2027-2036

	Annual Totals						10-Year Total
Project Category:	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032-36**	**FY 2027-36**
Raw Water Supply Sources	$1,273,000	$7,003,000	$1,883,000	$453,000	$653,000	$5,490,000	$16,755,000
Water Treatment Facilities and Finished Water Storage	4,425,000	9,970,000	30,375,000	35,165,000	31,910,000	79,331,200	191,176,200
Water Transmission and Distribution	17,145,000	6,370,000	5,223,300	12,630,300	17,235,300	60,308,100	118,912,000
Wastewater Collection Lines and Pump Stations	11,075,000	10,785,000	8,320,000	9,500,000	12,582,900	34,969,100	87,232,000
Wastewater Treatment and Disposal	6,720,000	10,192,000	3,418,000	2,150,000	3,115,000	35,026,000	60,621,000
Reclaimed Water Facilities	0	0	80,000	80,000	80,000	584,500	824,500
Administrative Facilities	1,105,000	2,003,000	1,975,000	2,547,000	114,000	4,707,000	12,451,000
Totals	$41,743,000	$46,323,000	$51,274,300	$62,525,300	$65,690,200	$220,415,900	$487,971,700

SECTION II

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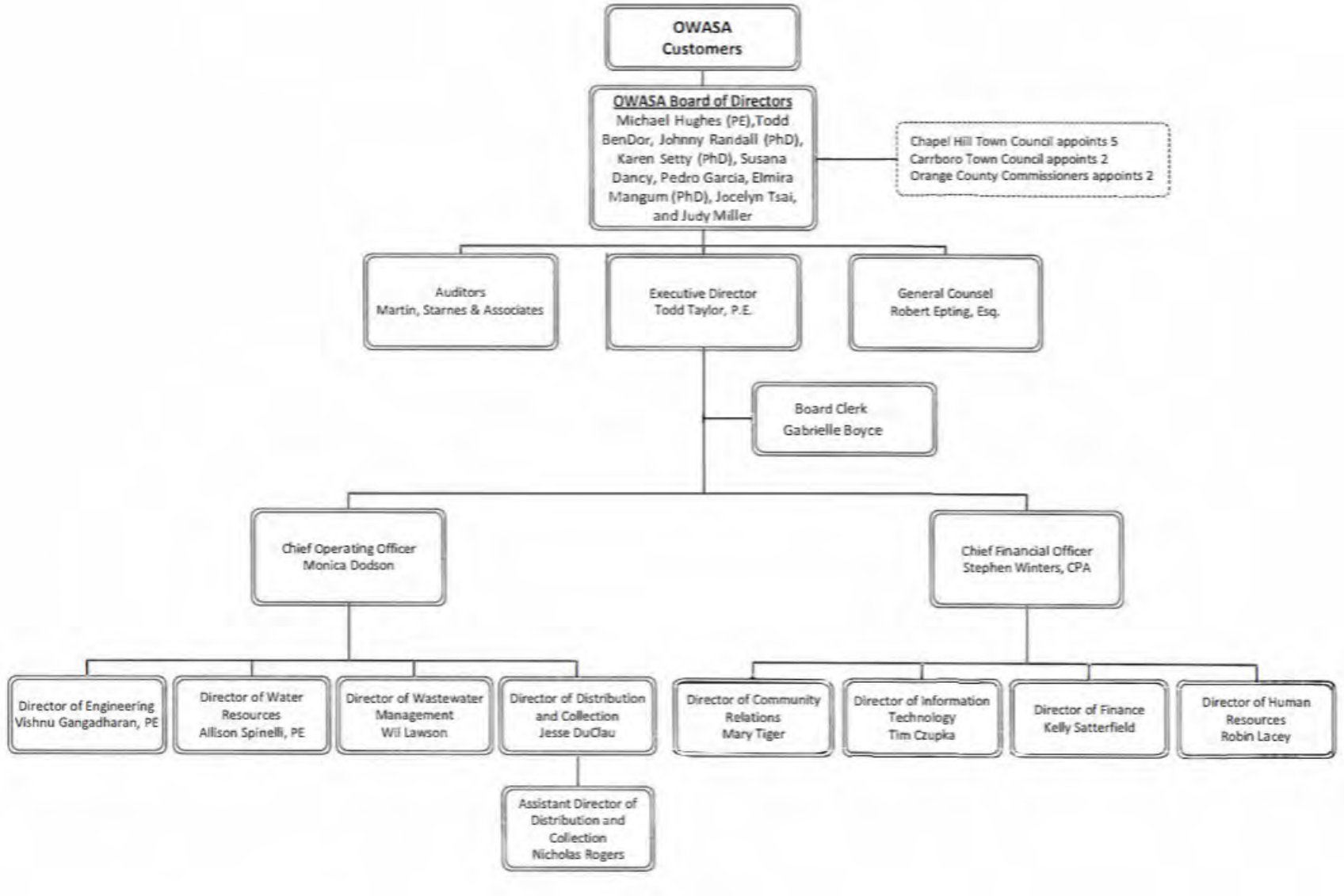
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ORANGE WATER AND SEWER AUTHORITY STAFF - DEPARTMENT STRUCTURE



EXECUTIVE DEPARTMENT
(General and Administrative)

MISSION

Functions include the Board of Directors, Executive Department, 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. The Chief Operating Officer is responsible for managing OWASA's the Water Resources, Distribution and Collection, Wastewater Management, and Engineering Departments and the Chief Financial Officer manages the Community Relations, Finance, Human Resources, and Information Technology Departments.

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 water, wastewater, and reclaimed water facilities and programs are operated in compliance with 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 2027

Strategic Initiative	Objective
Provide High Quality Services	• Develop and implement a holistic PFAS Management Strategy • Implement Lead & Copper Rule Revision compliance action plan
Employee Recruitment, Retention, and Development	• Implement Employee Development Program to enhance workforce skills
Equitable Services	• Pursue a program to provide sustained bill assistance to customers who have difficulty paying water and wastewater bills
Climate and Land Use Change Adaptation	• Develop a climate adaptation plan
Community Engagement	• Develop and implement an action plan based on results of focus groups conducted with multifamily master metered residential property managers.

Strategic Initiative	Objective
Emergency Management and Cybersecurity	• Support the development and implementation of a Continuous Emergency Preparedness Model • Conduct an assessment of risk on wastewater collection and treatment system
Service Reliability and Resiliency	• Implement the Project Delivery Optimization Plan • Support the implementation of the Supervisory Control and Data Acquisition (SCADA) Master Plan • Support the development of a capital investment strategy

EXECUTIVE DEPARTMENT

Three-year Comparison

Fiscal Years 2025 – 2027

	FY 2025 Actual	FY 2026 Budget	FY26 Budget to FY25 Actual	FY 2026 Forecast	FY26 Forecast to FY26 Budget	FY 2027 Budget	FY27 Budget to FY26 Forecast
Personnel Costs							
Salaries and Wages	$800,316	$828,216		$803,230		$778,414	
Taxes and Benefits	384,287	320,290		295,248		288,684	
Total Personnel Costs	1,184,603	1,148,506	-3%	1,098,478	-4%	1,067,098	-3%
Other Operating Expense							
Materials and Supplies	4,842	4,590		24,044		4,190	
Utilities	29,704	32,320		23,768		24,320	
Maintenance	0	0		0		0	
Professional Services	658,196	664,947		723,125		766,428	
Communication	6,709	7,250		2,875		7,250	
Printing and Reproduction	1,119	3,800		3,642		3,800	
Education and Development	21,856	28,800		28,293		34,800	
Other	36,529	42,625		41,708		44,945	
Total Operating Expenditures	758,955	784,332	3%	847,455	8%	885,733	5%
Total Expenditures	1,943,558	1,932,838	-1%	1,945,933	1%	1,952,831	0%
Construction Credit	(300,924)	(200,000)		(200,000)		(271,479)	
Net Expense	$1,642,634	$1,732,838	5%	$1,745,933	1%	$1,681,352	-4%

Personnel Summary			
	FY 2025	FY 2026	FY 2027
Positions funded	4	4	4

COMMUNITY RELATIONS
(General and Administrative)

MISSION

The Community Relations Department is responsible for fostering strong, transparent, and proactive relationships with our community by delivering exceptional customer service, clear and timely communications, and opportunities for meaningful engagement. The Department is dedicated to ensuring equitable access to our services through comprehensive billing support, effective assistance programs, and community outreach initiatives. The team strives to build trust, enhance satisfaction, and actively contribute to the well-being and sustainability of our community.

SUMMARY OF ACTIVITIES

Customer Service and Billing

- Courteously greet 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 customer service, billing, and collection policies.
- Provide reports and technical assistance to the organization regarding sales, collections, accounts, and other customer service information.
- Oversee OWASA's participation in the North Carolina Debt Setoff Program.
- Promote the use of OWASA's Agua Vista customer water use tracking portal.

Communications

- Communicate OWASA's overarching narrative to the community.
- Deliver unique educational experiences to get people interested and invested in OWASA and the water/wastewater system.
- Develop and nurture partnerships to amplify message and reach.
- Project competence and provide proof of OWASA actions to increase system resiliency.
- Promote capital improvement program and operations projects and their benefits to the community.
- Empower OWASA staff with information needed to serve as ambassadors to internal and external stakeholders.
- Provide communications support for special projects.
- Improve OWASA's reach to diverse audiences with communications that are accessible and inclusive.

Customer Assistance

- Increase the adequacy and accessibility of customer assistance funding.
- Increase community awareness of options to manage and reduce water and sewer bills.
- Empower low-income customers, and the local agencies that serve them, with information and tools to manage and reduce water and sewer bills.

KEY FOCUS AREAS FOR FY 2027

Strategic Initiative	Objective
Onboard new customer service and billing staff	• Maintain excellent customer service • Ensure staff are cross trained • Implement staff training program and customer experience analysis
Implement proactive communications campaigns to inform and engage the community on major projects	• Community has access to accurate, timely information on major projects and understands need for and supports utility investment, including the West Rosemary water line replacement and the Ridgefield-Briarcliff neighborhood water line replacement
Develop and advance action plan to review and update customer service and billing practices and update customer portal and online bill payment system	• Improve the customer experience
Engage vendor to update public website	• Increase accessibility and update usability, organization, and look of web site

COMMUNITY RELATIONS

Three-year Comparison

Fiscal Years 2025 – 2027

	FY 2025 Actual	FY 2026 Budget	FY26 Budget to FY25 Actual	FY 2026 Forecast	FY26 Forecast to FY26 Budget	FY 2027 Budget	FY27 Budget to FY26 Forecast
Personnel Costs							
Salaries and Wages	$975,760	$962,379		$961,334		$944,303	
Taxes and Benefits	389,994	430,475		413,053		431,714	
Total Personnel Costs	1,365,754	1,392,854	2%	1,374,387	-1%	1,376,017	0%
Other Operating Expense							
Materials and Supplies	6,175	11,200		11,200		12,800	
Utilities	5,360	5,760		5,760		5,760	
Maintenance	2,148	0		2,148		2,148	
Professional Services	58,515	231,140		239,540		232,600	
Communication	62,531	95,263		98,913		121,740	
Printing and Reproduction	7,317	12,250		10,450		21,600	
Education and Development	16,136	17,900		17,900		24,600	
Other	256,885	39,150		38,807		36,850	
Total Operating Expenditures	415,067	412,663	-1%	424,718	3%	458,098	8%
Total Expenditures	1,780,821	1,805,517	1%	1,799,105	0%	1,834,115	2%
Construction Credit	0	0		0		0	
Net Expense	$1,780,821	$1,805,517	1%	$1,799,105	0%	$1,834,115	2%

Personnel Summary			
	FY 2025	FY 2026	FY 2027
Positions funded	12	12	12

Key Performance Measurements				
	Goal	FY 2024	FY 2025	FY 2026
Workload				
Customer accounts	N/A	21,429	21,003	21,247
Number of calls received	N/A	18,144	16,952	19,053
Effectiveness				
Bill accuracy	100%	99.6%	99.7%	99.9%
Call handle ratio (calls answered vs. calls received)	90%	89%	81%	84%

ENGINEERING

(General and Administrative)

MISSION

The Engineering Department is responsible for four primary functions:

- 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;
- 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;
- Asset management, which includes assessing and prioritizing infrastructure improvements needed to achieve desired customer and environmental service levels, minimizing assert failure, and ensuring long-term viability of water, wastewater and reclaimed water facilities and systems; and 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; and
- 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.

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 10-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 2027

Strategic Initiative	Objective
Provide reliable and high-quality supply of water for the next 50 years	• Execute an interlocal agreement for the Western Intake Partnership raw water intake facility
Maintain water, wastewater, and reclaimed water systems to ensure service levels are sustained	• Continue design of the major capital projects at the Jones Ferry Water Treatment Plant for a new finished water clearwell and electrical distribution system rehabilitation • Complete high priority water main replacements along Rosemary Street and Burning Tree Drive • Execute a $41 million capital improvements program

Strategic Initiative	Objective
Service Reliability and Resiliency	• Refine and develop asset management tools through improvements to linear asset risk models and development of risk models for vertical assets • Support the execution of the SCADA Master Plan • Develop a Capital Investment Strategy

ENGINEERING

Three-year Comparison
Fiscal Years 2025 - 2027

	FY 2025 Actual	FY 2026 Budget	FY26 Budget to FY25 Actual	FY 2026 Forecast	FY26 Forecast to FY26 Budget	FY 2027 Budget	FY27 Budget to FY26 Forecast
Personnel Costs							
Salaries and Wages	$1,828,292	$1,990,528		$1,944,947		$2,072,012	
Taxes and Benefits	694,274	813,327		780,254		867,682	
Total Personnel Costs	2,522,566	2,803,855	11%	2,725,201	-3%	2,939,694	8%
Other Operating Expense							
Materials and Supplies	12,872	19,222		19,137		19,350	
Utilities	7,880	8,640		8,640		8,640	
Maintenance	1,769	3,000		10,302		3,000	
Professional Services	276,225	218,500		148,202		230,000	
Communication	384	150		127		150	
Printing and Reproduction	0	1,100		1,245		1,100	
Education and Development	12,542	35,188		33,643		51,370	
Other	1,324	16,425		26,135		45,480	
Total Operating Expenditures	312,996	302,225	-3%	247,431	-18%	359,090	
Total Expenditures	2,835,562	3,106,080	10%	2,972,632	-4%	3,298,784	11%
Construction Credit		0		0		0	
Net Expense	$2,835,562	$3,106,080	10%	$2,972,632	-4%	$3,298,784	11%

Personnel Summary			
	FY 2025	FY 2026	FY 2027
Positions funded	18	18	18

Key Performance Measurements				
	Goal	FY 2024	FY 2025	FY 2026
Actual capital project expenditures as a percentage of budget	>90%	112%	73%	55%
Average plan review time (working days)	<15.0	7.5	6.6	6.0
Capital projects communication plans' effectiveness rating (on a scale of 1 to 5 with 5 the highest)	>4.0	3.3	3.2	3.1

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 2027

Strategic Initiative	Objective
Ensure compliance with Human Resource and Safety applicable federal, state and local laws and ordinances.	• Maintain written policies, procedures, and files
Recruitment and Retention	• Maintain competitive compensation and benefits • Develop a recruitment strategy for entry-level and high-turnover positions • Increase the awareness of OWASA as a desirable workplace and improve visibility of job opportunities
Workforce Development	• Evaluate workforce development opportunities for staff • Ensure staff are prepared, informed, and engaged to lead OWASA into the future
Diversity, Equity, Inclusion, and Belonging (DEIB) programs	• Continue to enhance DEIB efforts • Integrate Employee Development into DEIB efforts to holistically address staff success
Ensure accountability and administration of safety program	• Maintain the Continuous Emergency Preparedness Model to ensure staff are prepared and ready for emergencies of all types

Strategic Initiative	Objective
	o Conduct regular and strategic tabletop and functional exercises o Maintain multi-year training and exercise program • Maintain safety metrics and initiatives to provide a safe work environment

HUMAN RESOURCES

Three-year Comparison

Fiscal Years 2025 - 2027

	FY 2025 Actual	FY 2026 Budget	FY26 Budget to FY25 Actual	FY 2026 Forecast	FY26 Forecast to FY26 Budget	FY 2027 Budget	FY27 Budget to FY26 Forecast
Personnel Costs							
Salaries and Wages	$462,664	$493,089		$479,786		$533,088	
Taxes and Benefits	587,238	612,880		615,646		746,282	
Total Personnel Costs	1,049,902	1,105,969	5%	1,095,432	-1%	1,279,370	17%
Other Operating Expense							
Materials and Supplies	16,149	25,550		30,098		23,050	
Utilities	2,200	2,400		2,400		2,400	
Maintenance	136	400		400		400	
Professional Services	168,690	239,935		239,935		169,610	
Communication	94,977	154,000		140,951		104,000	
Printing and Reproduction	0	1,000		1,000		1,000	
Education and Development	8,714	16,500		16,526		114,450	
Other	61,850	70,400		71,054		69,300	
Total Operating Expenditures	352,716	510,185	45%	502,364	-2%	484,210	-4%
Total Expenditures	1,402,618	1,616,154	15%	1,597,796	-1%	1,763,580	10%
Construction Credit	0	0		0		0	
Net Expense	$1,402,618	$1,616,154	15%	$1,597,796	-1%	$1,763,580	10%

Personnel Summary			
	FY 2025	FY 2026	FY 2027
Positions funded	5	5	5

Key Performance Measurements				
	Goal	FY 2024	FY 2025	FY 2026
Vacancies as a percentage of total funded positions	<8.0%	14.8%	10.7%	11.4%
At fault EEOC complaints	0	0	0	0
Diversity percentages				
Racial minorities	25-30%	28%	31%	30%
Female	25-30%	22%	22%	23%
Number of injuries, illnesses or lost workdays compared to a common exposure base of 100 full-time workers	<3.5	6.19	0.71	2.76

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, the issuance of revenue bonds, and applying for state revolving fund loans.

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

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 2027

Strategic Initiative	Objective
Issue revenue bonds and/or secure low-interest loans from the state of North Carolina	• Fund capital improvements program
Financial Management	• Ensure the organization meets financial management goals as budgeted
Service Reliability and Resiliency	• Support the development of a Capital Investment Strategy
Improve business systems	• Implement new finance and accounting system • Support the selection and implementation of a new Human Resources Information System

Three-year Comparison

Fiscal Years 2025 - 2027

	FY 2025 Actual	FY 2026 Budget	FY26 Budget to FY25 Actual	FY 2026 Forecast	FY26 Forecast to FY26 Budget	FY 2027 Budget	FY27 Budget to FY26 Forecast
Personnel Costs							
Salaries and Wages	$499,892	$492,064		$511,441		$537,342	
Taxes and Benefits	180,637	225,815		210,753		241,135	
Total Personnel Costs	680,529	717,879	5%	722,194	1%	778,477	8%
Other Operating Expense							
Materials and Supplies	4,327	9,000		6,884		2,600	
Utilities	2,924	4,980		2,880		4,380	
Maintenance	38	1,000		500		150	
Professional Services	494,698	605,475		604,896		664,885	
Communication	1,824	2,000		2,000		2,000	
Printing and Reproduction	1,092	1,100		1,100		1,200	
Education and Development	9,018	8,600		5,042		9,300	
Other	18,507	9,775		3,175		3,335	
Total Operating Expenditures	532,428	641,930	21%	626,477	-2%	687,850	10%
Total Expenditures	1,212,957	1,359,809	12%	1,348,671	-1%	1,466,327	9%
Construction Credit	0	0		0		0	
Net Expense	$1,212,957	$1,359,809	12%	$1,348,671	-1%	$1,466,327	9%

Personnel Summary			
	FY 2025	FY 2026	FY 2027
Positions funded	5	6	6

Key Performance Measurements				
	Goal for FY26	FY 2024	FY 2025	FY 2026
Working capital reserve	$33.5M	$23.3M	$20.2M	$29.2M
Debt service coverage ratio	2.1	2.5	2.0	3.0
Debt to asset value	≤50%	30%	30%	27%
Service affordability	1.5	1.5	1.6	1.6

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 2027

Strategic Initiative	Objective
Business process improvement	• Continue to support the transition of the new Computerized Maintenance Management System • Improve the audio and visual capabilities in our meeting rooms • Continue to implement a data access solution to improve reporting capabilities • Hiring new staff and increase in-house capabilities for SCADA equipment
Cybersecurity	• Continue to expand Single Sign On (SSO) implementation • Implement additional Microsoft cybersecurity tools • Upgrade the Firewalls • Implement a managed Security Information and Event Management (SIEM) solution • Conduct SCADA and Payment Card Industry security assessments • Install more cybersecurity modules to monitor SCADA traffic
IT Infrastructure Updates	• Replace Business server cluster • Improve SCADA network reliability • Reorganize the Server room
Cloud-based storage	• Upgrade SharePoint structure • Move archived data to long term storage

INFORMATION TECHNOLOGY

Three-year Comparison

Fiscal Years 2025 - 2027

	FY 2025 Actual	FY 2026 Budget	FY26 Budget to FY25 Actual	FY 2026 Forecast	FY26 Forecast to FY26 Budget	FY 2027 Budget	FY27 Budget to FY26 Forecast
Personnel Costs							
Salaries and Wages	$634,051	$740,766		$743,099		$873,240	
Taxes and Benefits	253,074	320,375		316,422		393,637	
Total Personnel Costs	887,125	1,061,141	20%	1,059,521	0%	1,266,877	20%
Other Operating Expense							
Materials and Supplies	193,389	225,950		255,851		235,550	
Utilities	122,250	150,560		153,982		160,990	
Maintenance	693,546	1,280,260		1,334,761		1,474,460	
Professional Services	192,818	280,134		280,134		94,000	
Communication	145	0		372		350	
Printing and Reproduction	0	0		0		0	
Education and Development	36,398	40,700		40,700		55,534	
Other	1,656	0		2,311		2,000	
Total Operating Expenditures	1,240,202	1,977,604	59%	2,068,111	5%	2,022,884	-2%
Total Expenditures	2,127,327	3,038,745	43%	3,127,632	3%	3,289,761	5%
Construction Credit	(8,607)	0		0		0	
Net Expense	$2,118,720	$3,038,745	43%	$3,127,632	3%	$3,289,761	5%

Personnel Summary			
	FY 2025	FY 2026	FY 2027
Positions funded	7	8	8

WATER RESOURCES
(Operating)

MISSION

The Water Resources 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 and manages facility maintenance and security.

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 2027

Strategic Initiative	Objective
Provide High-Quality Services	• Maintain Partnership for Safe Water Phase IV objectives • Continue emphasis on the development and training of employees to improve knowledge, skills, and abilities • Maintain continuous compliance with state and federal drinking water standards • Optimize current treatment solution for PFAS removal • Update laboratory compliance sampling plans, monitoring and reporting procedures to ensure compliance with lead and copper pipe rules
Forest Management	• Effectively manage forest assets to fulfill OWASA's mission
Support the Diversity, Equity, Inclusion, and Belonging Program	• Continue to improve the diversity of our workforce, foster inclusion, and ensure a sense of belonging.

WATER RESOURCES

Three-year Comparison

Fiscal Years 2025 – 2027

	FY 2025 Actual	FY 2026 Budget	FY26 Budget to FY25 Actual	FY 2026 Forecast	FY26 Forecast to FY26 Budget	FY 2027 Budget	FY27 Budget to FY26 Forecast
Personnel Costs							
Salaries and Wages	$1,845,168	$1,942,508		$1,940,789		$2,062,305	
Taxes and Benefits	807,957	885,265		876,773		980,763	
Total Personnel Costs	2,653,125	2,827,773	7%	2,817,562	0%	3,043,068	8%
Other Operating Expense							
Materials and Supplies	293,062	314,924		311,021		343,841	
Chemicals	3,117,011	3,644,925		3,629,839		3,514,079	
Utilities	524,296	502,659		516,812		720,836	
Maintenance	935,588	1,310,624		1,253,430		1,419,288	
Professional Services	108,711	146,273		149,695		109,733	
Communication	2,815	500		2,312		2,000	
Printing and Reproduction	0	0		0		0	
Education and Development	19,936	35,150		35,149		43,750	
Other	98,716	177,549		158,772		290,037	
Total Operating Expenditures	5,100,135	6,132,604	20%	6,057,030	-1%	6,443,564	6%
Total Expenditures	7,753,260	8,960,377	16%	8,874,592	-1%	9,486,632	7%
Construction Credits	(4,145)	0		0		0	
Net Expense	$7,749,115	$8,960,377	16%	$8,874,592	-1%	$9,486,632	7%

Personnel Summary			
	FY 2025	FY 2026	FY 2027
Positions funded	24	25	25

Key Performance Measurements				
	Goal	FY 2024	FY 2025	FY 2026
Workload				
Finished water pumped to the distribution system	N/A	2.4B	2.5B	2.5B
Effectiveness				
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	0.04	0.03

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.
- Expand and maintain distribution system sample stations for water quality testing.

KEY FOCUS AREAS FOR FY 2027

Strategic Initiative	Objective
Promote education and training	• Ensure employee training and development in new methods of maintaining water lines and using related equipment • Continue new employee training program to familiarize recruits to our operations • Continue to promote hands-on training for trenching, excavation, and confined space • Focus on continuous improvement and professional development of Distribution team through industry conferences and trade shows • Complete 1st Utility Technician Apprentice program
Valve maintenance	• Maintain access to valve infrastructure • Inspect and operate/exercise critical valve infrastructure • Inspect and maintain 25% of the non-critical valve infrastructure • Repair and replace damaged/inoperable valves
Conduct routine flushing and sampling	• Maintain high quality drinking water throughout the system • Install new sampling stations to expand sampling options • Implement maintenance program for sampling stations
Implement Backflow/Cross-Connection Program	• Recruit Backflow and Cross Connection Coordinator • Identify backflow devices in the distribution system • Ensure devices are in compliance and tested annually • Identify, track, organize, and enforce compliance • Audit backflow program to adhere to regulation changes
Comply with regulations for Lead and Copper Rule Revisions (LCRR)	• Maintain compliance with regulations regarding service line inventory communication • Update service line inventory as replacement occurs on customer and utility side services

Strategic Initiative	Objective
	• Replace galvanized services that require replacement under the rule
Maintain standards to continue to qualify for the President's Award for Distribution System Operation from the Partnership for Safe Water	• Meet or exceed the requirements to achieve the award • Submit report for Phase IV Excellence • Update, analyze, and maintain system pressure data
Support the Diversity, Equity, Inclusion, and Belonging Program	• Improve service excellence, achieving a diverse workforce and providing an inclusive environment

WATER DISTRIBUTION

Three-year Comparison

Fiscal Years 2025 - 2027

	FY 2025 Actual	FY 2026 Budget	FY26 Budget to FY25 Actual	FY 2026 Forecast	FY26 Forecast to FY26 Budget	FY 2027 Budget	FY27 Budget to FY26 Forecast
Personnel Costs							
Salaries and Wages	$2,177,675	$2,248,913		$2,158,651		$2,442,677	
Taxes and Benefits	1,015,253	1,118,580		1,079,572		1,252,604	
Total Personnel Costs	3,192,928	3,367,493	5%	3,238,223	-4%	3,695,281	14%
Other Operating Expense							
Materials and Supplies	127,543	185,727		175,913		196,727	
Utilities	187,478	172,938		169,970		176,314	
Maintenance	733,896	932,351		845,082		959,837	
Professional Services	10,297	8,523		8,479		8,937	
Communication	1,473	2,500		3,336		3,500	
Printing and Reproduction	0	1,000		500		1,000	
Education and Development	29,235	25,000		26,484		39,600	
Other	7,481	8,000		4,379		8,000	
Total Operating Expenditures	1,097,403	1,336,039	22%	1,234,143	-8%	1,393,915	13%
Total Expenditures	4,290,331	4,703,532	10%	4,472,366	-5%	5,089,196	14%
Construction Credits	(597,565)	(400,000)		(242,755)		(521,239)	
Net Expense	$3,692,766	$4,303,532	17%	$4,229,611	-2%	$4,567,957	8%

Personnel Summary			
	FY 2025	FY 2026	FY 2027
Positions funded	32	33	33

Key Performance Measurements				
	Goal	FY 2024	FY 2025	FY 2026
Workload				
Miles of finished water pipe maintained	N/A	387	387	390
Effectiveness				
Volume of water billed vs. volume pumped to the system	92.0%	95.6%	90.7%	97.2%
Number of main breaks per 100 miles of pipe	<10.0	11.1	11.5	8.4

WASTEWATER MANAGEMENT

(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.
- Minimize 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 2027

Strategic Initiative	Objective
Continue to provide the highest quality of wastewater treatment services to the community.	• Continue to work on the action item list developed in Phase III of the Partnership for Clean Water program. • Navigate multiple pilot studies to optimize the process treatment • Navigate potential changes to the biosolids program
Continue to optimize the new computerized maintenance management system.	• Purpose is to gather more real time data on OWASA's assets to allow us to predict the life expectancy of equipment and anticipate failures before they happen
Continued focus on training and development of employees	• 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

WASTEWATER MANAGEMENT

Three-year Comparison

Fiscal Years 2025 - 2027

	FY 2025 Actual	FY 2026 Budget	FY26 Budget to FY25 Actual	FY 2026 Forecast	FY26 Forecast to FY26 Budget	FY 2027 Budget	FY27 Budget to FY26 Forecast
Personnel Costs							
Salaries and Wages	$1,901,483	$1,992,566		$1,974,871		$2,023,217	
Taxes and Benefits	836,188	892,322		884,516		947,820	
Total Personnel Costs	2,737,671	2,884,888	5%	2,859,387	-1%	2,971,037	4%
Other Operating Expense							
Materials and Supplies	285,176	372,626		358,114		369,076	
Chemicals	1,313,165	1,258,609		1,329,200		1,434,133	
Utilities	916,889	902,489		908,674		964,092	
Maintenance	890,410	1,387,820		1,311,883		1,357,670	
Professional Services	86,425	115,524		109,675		114,675	
Communication	1,235	1,300		1,675		1,300	
Printing and Reproduction	0	0		0		0	
Education and Development	17,112	59,575		59,427		62,075	
Other	34,826	94,830		90,011		93,663	
Total Operating Expenditures	3,545,238	4,192,773	18%	4,168,659	-1%	4,396,684	5%
Total Expenditures	6,282,909	7,077,661	13%	7,028,046	-1%	7,367,721	5%
Construction Credits	0	0		0		0	
Net Expense	$6,282,909	$7,077,661	13%	$7,028,046	-1%	$7,367,721	5%

Personnel Summary			
	FY 2025	FY 2026	FY 2027
Positions funded	24	24	24

Key Performance Measurements				
	Goal	FY 2024	FY 2025	FY 2026
Workload				
Number of gallons of wastewater treated	N/A	2.7B	2.8B	2.2B
Effectiveness				
Events of permit noncompliance	0	0	0	0
Wastewater bypasses	0	1	0	1
Odor events	0	2	2	4

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 2027

Strategic Initiative	Objective
Promote education and training	• Ensure employee training and development in new methods of maintaining sewer lines and using related equipment • Continue new employee training program to familiarize recruits to our operations • Continue to promote hands-on training for trenching, excavation, and confined space • Focus on continuous improvement and professional development of Collection team through industry conferences and trade shows • Complete 1st Utility Technician Apprentice program
Reduce Sanitary Sewer Overflows	• Perform preventative maintenance and inspection of Collection system • Continue system wide cleaning and smoke testing initiative to reduce inflow and infiltration • Improve and update root treatment program to focus on problem areas and maintain warranty • Implement quick response sewer bypass equipment to minimize the environmental impacts of SSOs
Easements and Encroachments	• Maintain and inspect easements and outfalls • Inspect manholes and aerial crossing infrastructure • Monitor and address easement encroachment issues to minimize encroachments • Promote wildlife biodiversity through easement maintenance program and CIP projects.
Improve and expand preventative maintenance program.	• Video-inspect at least ten miles of wastewater lines • Clean at least 20% of wastewater collection system
Fats, oils and grease (FOG) Program	• Identify grease interceptors and oil-sand separators throughout the collection system • Inspect, maintain, and enforce grease interceptors • Maintain and expand compliance tracking

Strategic Initiative	Objective
Support the Diversity, Equity, Inclusion, and Belonging Program	• Improve service excellence, achieving a diverse workforce and providing an inclusive environment

WASTEWATER COLLECTION

Three-year Comparison

Fiscal Years 2025 - 2027

	FY 2025 Actual	FY 2026 Budget	FY26 Budget to FY25 Actual	FY 2026 Forecast	FY26 Forecast to FY26 Budget	FY 2027 Budget	FY27 Budget to FY26 Forecast
Personnel Costs							
Salaries and Wages	$833,642	$842,861		$825,132		$878,830	
Taxes and Benefits	410,510	434,742		418,715		424,608	
Total Personnel Costs	1,244,152	1,277,603	3%	1,243,847	-3%	1,303,438	5%
Other Operating Expense							
Materials and Supplies	55,775	74,508		72,411		90,063	
Chemicals	175,445	200,000		215,221		200,000	
Utilities	172,556	136,844		133,996		163,840	
Maintenance	266,928	330,000		305,926		343,623	
Professional Services	10,742	8,522		8,936		8,936	
Communication	515	750		451		500	
Printing and Reproduction	0	500		250		500	
Education and Development	8,016	23,500		20,564		27,000	
Other	5,212	9,500		3,572		9,500	
Total Operating Expenditures	695,189	784,124	13%	761,327	-3%	843,962	11%
Total Expenditures	1,939,341	2,061,727	6%	2,005,174	-3%	2,147,400	7%
Construction Credits	(36,697)			(65,724)			
Net Expense	$1,902,644	$2,061,727	8%	$1,939,450	-6%	$2,147,400	11%

Personnel Summary			
	FY 2025	FY 2026	FY 2027
Positions funded	13	13	13

Key Performance Measurements				
	Goal	FY 2024	FY 2025	FY 2026
Workload				
Miles of gravity wastewater collection piping maintained	N/A	351	337	339
Effectiveness				
Number of reportable wastewater overflows	0	6	8	7
Total number of reportable overflows per 100 miles of wastewater pipe	0.0	2	2	3

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, 2026 Through June 30, 2027

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) 2027 Budget, and after holding public hearings on June 11, 2026, concerning the FY 2027 Budget, the Board of Directors determined that it is necessary to increase the rates OWASA charges for monthly water and sewer services by 4% 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, 2026, through June 30, 2027.

2. That the appropriations for 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 25th day of June 2026.

Michael Hughes, P.E., Chair

ATTEST:

Johnny Randall, Secretary

BUDGET RESOLUTION AND ORDINANCE

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

		FY 2027 Annual Budget
Operating Revenue		
Water	$30,694,496	
Wastewater	29,356,982	
Reclaimed Water	441,300	
Other	688,276	
Refunds and Adjustments	(235,037)	
Total Operating Revenue		**$60,946,017**
Operating Expense		
General and Administrative	13,333,919	
Operations	23,569,710	
Total Operating Expense		**36,903,629**
Net Operating Income		**24,042,388**
Non-operating Revenue		
System Development Fees		**1,106,857**
Interest and Other Non-Operating		**1,400,177**
Total Net Income		**$26,549,422**
Debt Service		**12,487,811**
Net Income Less Debt Service		**$14,061,611**
Debt Service Coverage Ratio		**2.1**

BUDGET RESOLUTION AND ORDINANCE

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

		FY 2027 Annual Budget
General Fund		
Resources		
Transfer From Revenue	$14,061,611	
Annual Income Available for Capital		**14,061,611**
Other fund balance increases		
Bond Proceeds		**40,895,944**
Total Fund Balance Increases		**54,957,555**
Capital Expenditures		
Capital Improvements Program		**41,743,000**
Capital Equipment		**1,436,600**
Total Capital Outlay		**43,179,600**
Annual General Fund Balance		**11,777,955**
General Fund Beginning Balance		**30,147,732**
General Fund Ending Balance		**41,925,687**
Reserves		
Rate/Revenue Stabilization	3,002,574	
Capital Improvements	6,898,713	
Working Capital	32,024,400	**41,925,687**
Unallocated General Fund Balance		**$0**

BUDGET RESOLUTION AND ORDINANCE

REVENUE FUND

	Water	Wastewater	Total
Fund Balance July 1, 2026			-
Receipts			
Operating Revenue			
Customer Billings	30,694,496	29,356,982	60,051,478
Reclaimed Water	441,300	-	441,300
Other	344,138	344,138	688,276
Refunds and Adjustments	(117,519)	(117,519)	(235,037)
Total Operating Revenue	31,362,416	29,583,602	60,946,017
Non-operating Revenue			
System Development Fees	434,424	672,433	1,106,857
Interest and Other Income	700,089	700,088	1,400,177
Total Non-operating Revenue	1,134,513	1,372,521	2,507,034
Total Receipts	32,496,928	30,956,123	63,453,051
Expenditures			
Current Expense	(20,721,549)	(16,182,080)	(36,903,629)
Debt Service	(6,727,790)	(5,760,021)	(12,487,811)
Total Expenditures	(27,449,339)	(21,942,101)	(49,391,440)
Net Revenue			14,061,611
To General Fund			(14,061,611)
Fund Balance June 30, 2027			-
Change in Available Balance			-

BUDGET RESOLUTION AND ORDINANCE

BOND SERVICE FUND

Fund Balance July 1, 2026		-
Receipts		
Transfers from Revenue Fund	12,487,811	
Interest		
Total Receipts		12,487,811
Expenditures		
Debt Service	12,487,811	
Total Expenditures		(12,487,811)
Fund Balance June 30, 2027		-
Change in Available Balance		-

BUDGET RESOLUTION AND ORDINANCE

GENERAL FUND

Fund Balance July 1, 2026		$34,872,024
Receipts		
Transfer from Revenue fund	14,061,611	
Bond/loan proceeds	36,513,833	
Grants and contributions	-	
Total Receipts		50,575,444
Total Balance Before Expenditures		85,447,468
Expenditures		
Capital equipment	1,436,600	
Project resolutions	41,743,000	
Total Expenditures		(43,179,600)
Fund Balance June 30, 2027		$42,267,868
		42,267,868
Allocation of Fund Balance June 30, 2027		
Capital Reserves	41,925,687	
Total Allocation		$41,925,687
Unallocated General Fund Balance June 30, 2027		-
Change in Available Balance		$7,053,663

PERSONNEL AUTHORIZATIONS BY DEPARTMENT

Executive Department	FY 2025	FY 2026	FY 2027
Executive Director	1	1	1
Deputy Executive Director	2	2	2
General Manager of Operations	0	0	0
Director of Administration	0	0	0
Executive Assistant/Clerk to the Board	1	1	1
Public Information Officer	0	0	0
Administrative Assistant	2	2	2
Communications Specialist	0	0	0
Total	6	6	6

Community Relations	FY 2025	FY 2026	FY 2027
Director of Customer Relations	1	1	1
Customer Service Manager	1	1	1
Billing Supervisor	1	1	1
Billing and Collections Technician	0	1	1
Senior Customer Service Representative	1	1	1
Customer Service Representative	5	4	4
Public Information Officer	1	1	1
Communications Specialist	1	1	1
Administrative Assistant	1	1	1
Total	12	12	12

Engineering	FY 2025	FY 2026	FY 2027
Director of Engineering	1	1	1
Planning and Development Manager	1	1	1
Engineering Manager	2	2	2
Utilities Engineer	2	2	2
Project Manager	2	2	2
Geographic Information Systems Coordinator	1	1	1
Construction Inspector	2	2	2
Engineering Associate	3	3	3
Engineering Technician	2	2	2
Asset Manager	1	1	1
Asset Management Analyst	1	1	1
Total	18	18	18

Human Resources	FY 2025	FY 2026	FY 2027
Director of Human Resources	1	1	1
Safety Manager	1	1	1
Human Resources Generalist	1	1	1
Diversity, Equity, Inclusion and Belonging Specialist	1	1	1
Administrative Assistant	1	1	1
Total	5	5	5

PERSONNEL AUTHORIZATIONS BY DEPARTMENT

Finance	**FY 2025**	**FY 2026**	**FY 2027**
Director of Finance	1	1	1
Finance and Procurement Manager	0	0	0
Lead Accountant	1	1	1
Procurement Coordinator	1	1	1
Accounting Technician	2	2	2
Warehouse Coordinator	0	1	1
Total	5	6	6

Information Technology	**FY 2025**	**FY 2026**	**FY 2027**
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	1	1	1
Information Services Technical Specialist	1	1	1
Supervisory Control and Data Acquisition Technician	1	1	1
Information Technology Support Manager	0	1	1
Total	7	8	8

Water Resources	**FY 2025**	**FY 2026**	**FY 2027**
Director of Water Resources	1	1	1
Operations Supervisor	1	1	1
Treatment Plant Operator	8	8	8
Senior Lake Warden	1	1	1
Assistant Lake Warden	2	2	2
Maintenance Supervisor	1	1	1
Senor Maintenance Mechanic	1	1	1
Maintenance Coordinator	0	0	0
Maintenance Mechanic	2	2	2
Laboratory Supervisor	1	1	1
Laboratory Analyst	3	4	4
Facility Maintenance Coordinator	1	1	1
Apprentice	1	1	1
Total	24	25	25

Water Distribution	**FY 2025**	**FY 2026**	**FY 2027**
Director of Distribution and Collection	1	1	1
Assistant Director Distribution and Collection	1	1	1
Crew Supervisor	4	4	4
Utility Technician	24	24	24
Vehicle and Equipment Maintenance Mechanic	2	2	2
Distribution and Collection System Coordinator	1	1	1
Backflow/Cross Connection Coordinator	1	1	1
Apprentice	0	1	1
Total	34	35	35

PERSONNEL AUTHORIZATIONS BY DEPARTMENT

Wastewater Management	FY 2025	FY 2026	FY 2027
Director of Wastewater Management	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	5	5	5
Laboratory Supervisor	1	1	1
Laboratory Analyst	3	2	2
Apprentice	1	1	1
Total	25	24	24

Wastewater Collection	FY 2025	FY 2026	FY 2027
Crew Supervisor	2	2	2
Utility Technician	12	12	12
Total	14	14	14
Total Positions	150	153	153

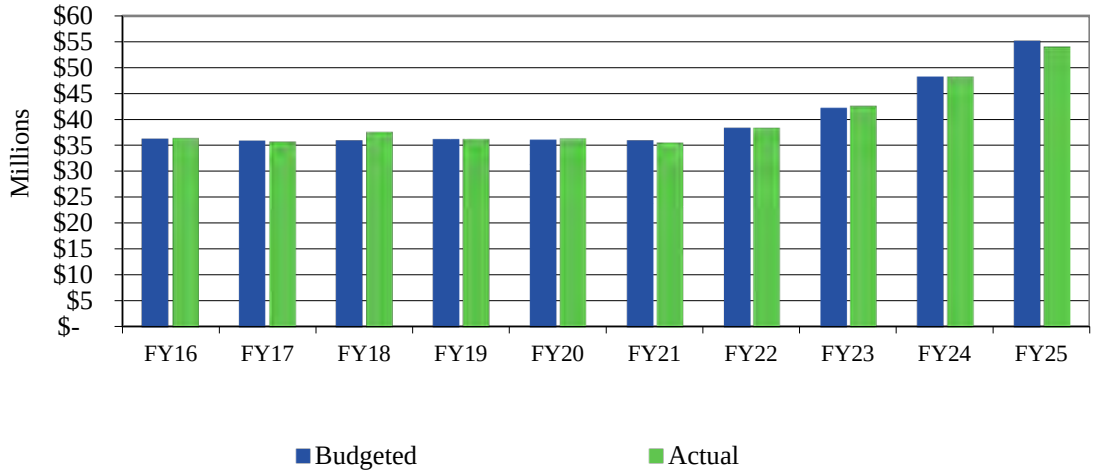
No personnel changes have been made for FY 2027.

In FY 2026,

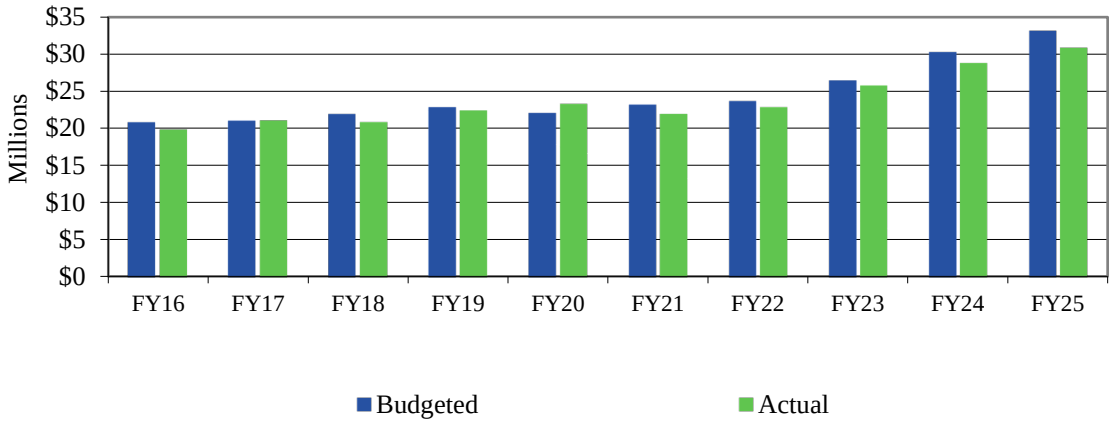
- Three new positions were added
  - Information Technology Support Manager
    - This position improves internal customer service and provides redundancy in skills and abilities.
  - Backflow/Cross Connection Coordinator
    - Because it was determined that more focus was needed on management of the warehouse and backflow program, in FY 2025, the Warehouse and Cross Connection Coordinator position was changed to Warehouse Coordinator and moved to the Finance Department in FY 2026. A new position, Backflow/Cross Connection Coordinator, was added in FY 2026.
  - Apprentice – Water Distribution
    - Due to the success of Apprentice programs in the Water Resources and Wastewater Management Departments, an Apprentice position was added to the Water Distribution department for FY 2026.

10-YEAR HISTORICAL PERFORMANCE

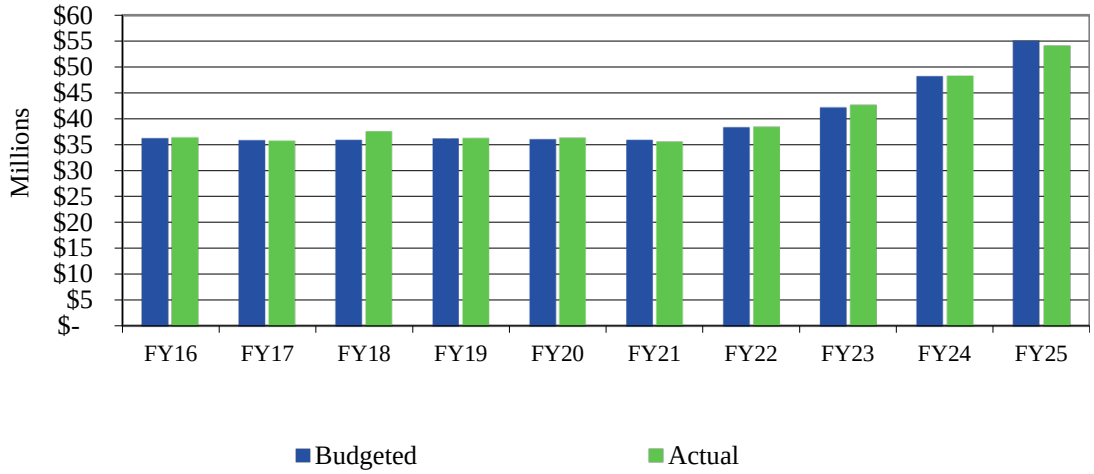
10-Year Operating Revenue Variance



10-Year Operating ExpenseVariance



10-Year Operating Revenue Variance

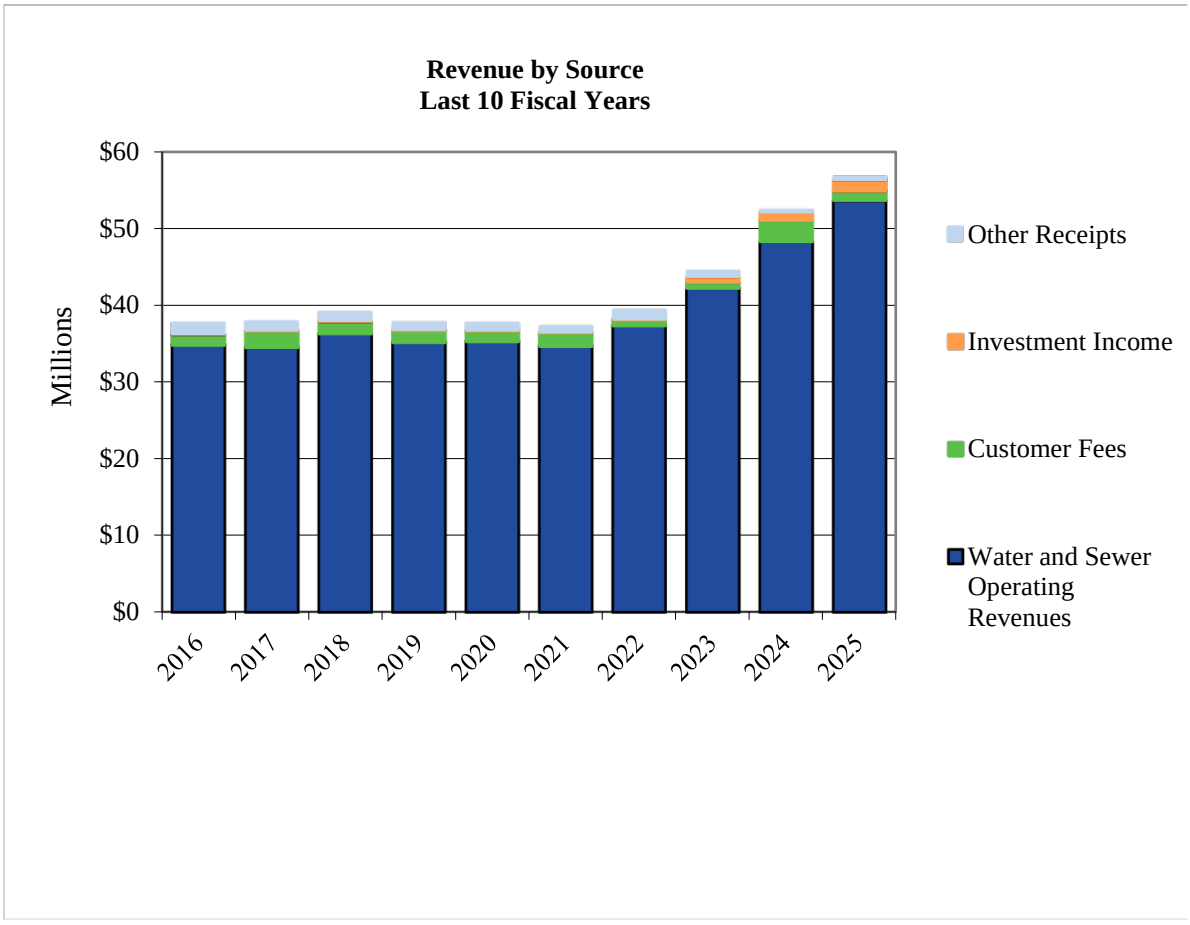


10-YEAR HISTORICAL PERFORMANCE

ORANGE WATER AND SEWER AUTHORITY

Revenues by Source
Last 10 Fiscal Years

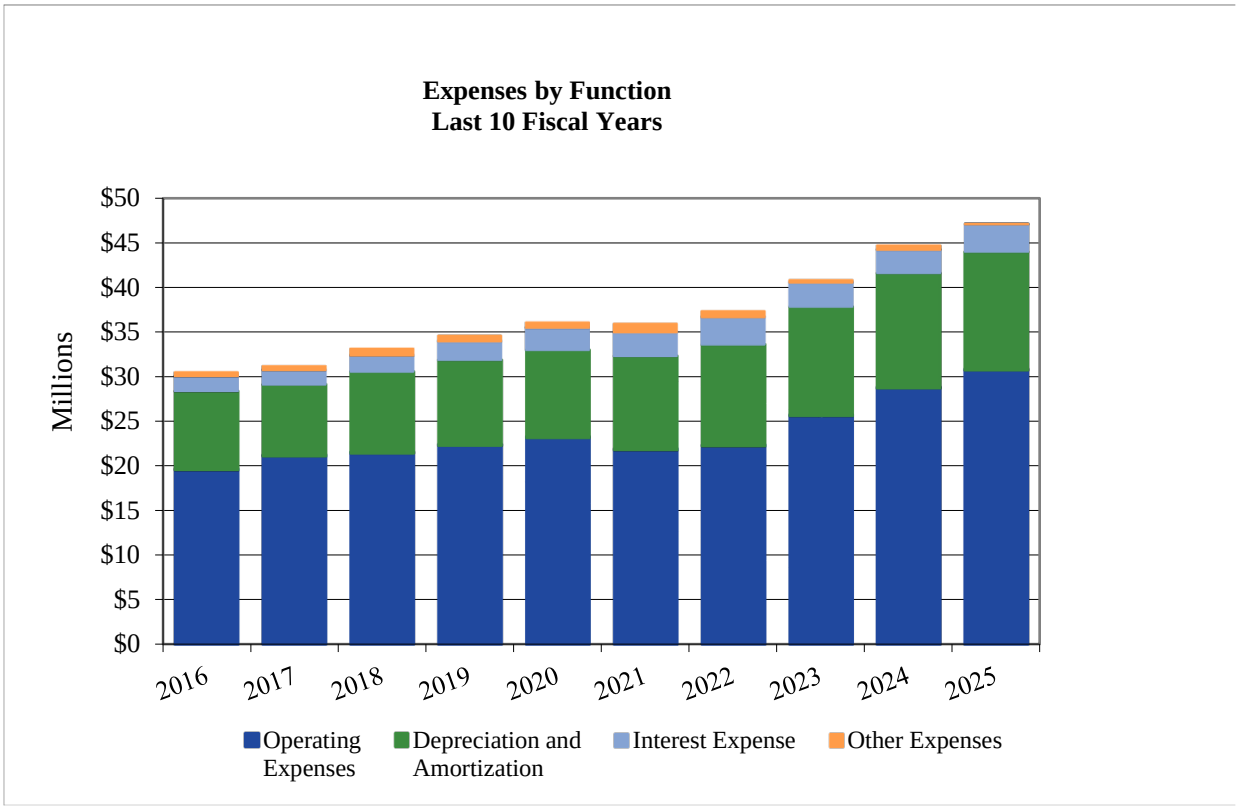
Fiscal Year	Water and Sewer Operating Revenues	System Development Fees	Investment Income	Other Receipts	Total
2016	34,852,086	1,397,652	20,663	1,517,284	37,787,685
2017	34,532,508	2,219,227	32,802	1,207,886	37,992,423
2018	36,323,113	1,599,382	56,524	1,220,130	39,199,149
2019	35,181,219	1,593,210	64,842	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
2023	42,212,559	812,400	684,832	842,034	44,551,825
2024	48,228,558	2,776,005	1,069,799	356,991	52,431,353
2025	53,499,491	1,270,149	1,477,376	456,934	56,703,950



10-YEAR HISTORICAL PERFORMANCE

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

Fiscal Year	Operating Expenses	Depreciation and Amortization	Interest Expense	Other Expenses	Total
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
2023	25,657,521	12,135,862	2,778,038	272,584	40,844,005
2024	28,714,178	12,839,028	2,650,738	509,419	44,713,363
2025	30,731,794	13,194,615	3,117,585	50,645	47,094,639

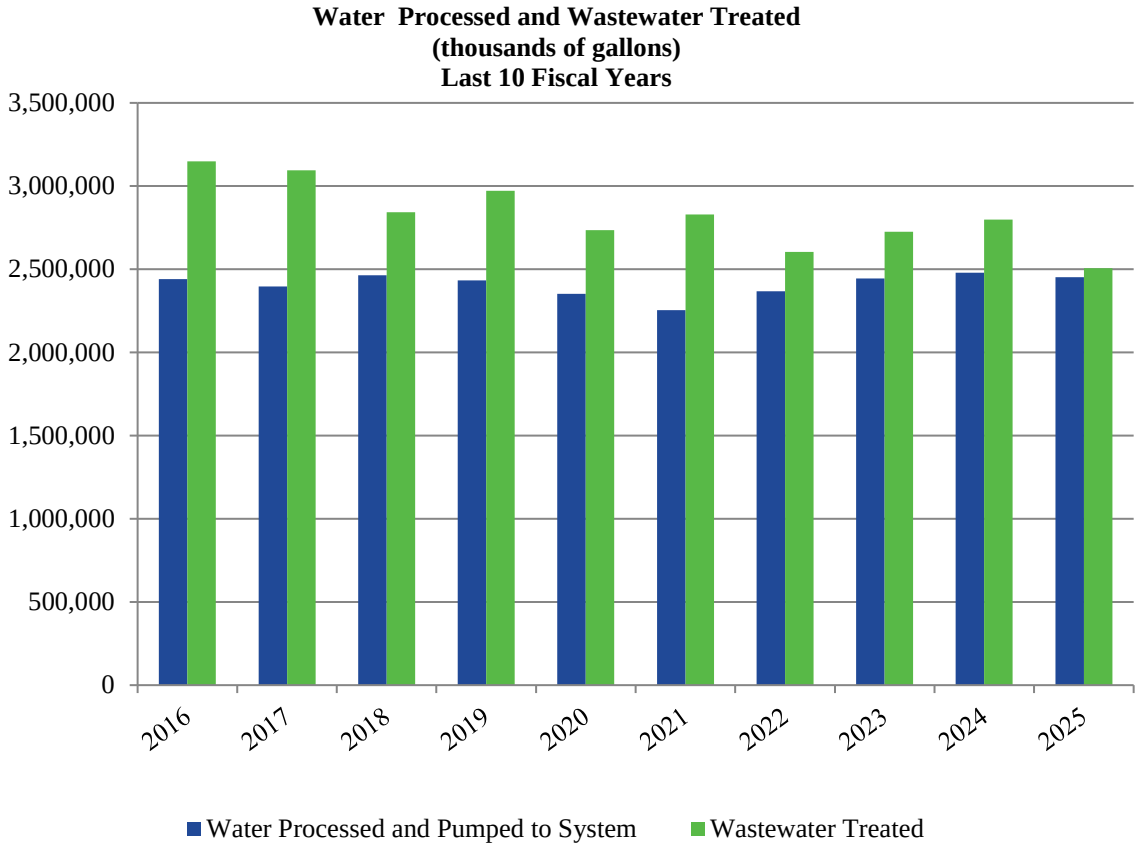


10-YEAR HISTORICAL PERFORMANCE

ORANGE WATER AND SEWER AUTHORITY

Water Processed and Wastewater Treated
(thousands of gallons)
Last 10 Fiscal Years

Fiscal Year	Water Processed and Pumped to System	Wastewater Treated
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
2023	2,444,596	2,726,194
2024	2,480,033	2,799,203
2025	2,452,096	2,507,029



10-YEAR HISTORICAL PERFORMANCE

ORANGE WATER AND SEWER AUTHORITY

Mason Farm Wastewater Treatment Plant
Loading and Performance
Last 10 Years

Fiscal Year	Average Daily Flow (million gallons)	Influent Measurements (Milligram per Liter)				Effluent Measurements (Milligram per Liter)				
		CBOD	TSS	NH3-N	TP	CBOD	TSS	NH3-N	TP	TN
2016	8.6	232	272	28.5	6.0	<2.0	<2.5	0.1	0.4	6.21
2017	8.5	240	274	29.3	6.2	<2.0	<2.5	0.0	0.5	6.05
2018	7.8	244	274	31.9	6.4	<2.0	<2.5	0.1	0.3	7.92
2019	8.2	211	226	27.5	5.3	<2.0	<2.5	0.1	0.2	7.43
2020	7.5	209	250	32.8	6.7	<2.0	<2.5	0.1	0.2	7.28
2021	7.8	213	247	28.4	5.7	<2.0	<2.5	0.2	0.1	6.98
2022	7.4	201	369	32.9	7.1	<2.0	<2.5	0.3	0.2	8.52
2023	7.5	186	375	33.5	6.8	<2.0	<2.5	<0.1	0.2	8.29
2024	7.6	199	324	33.5	6.9	<2.0	<2.5	0.2	0.2	7.93
2025	6.8	204	333	33.7	6.8	<2.0	<2.5	0.3	0.1	7.75

Effluent Maximum Limits Set in NPDES Permit	Winter (Nov. - March)	Summer (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	
TP (Total Nitrogen - Mass Load Limit)	134,375 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

		Collected within the Fiscal Year of the Levy			Total Collections to Date		
Fiscal Year	Taxes Levied for the Fiscal Year	Amount	Percentage of Original Levy	Collections in Subsequent Years	Amount	Percentage of Adjusted Levy	Outstanding Delinquent Taxes
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
2023	49,787,472	49,650,109	99.72%	-	49,650,109	99.72%	137,363
2024	55,272,239	55,115,135	99.72%	-	55,115,135	99.72%	157,104
2025	58,713,915	58,413,809	99.49%	-	58,413,809	99.49%	300,106

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 (2)	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)	Ratio of Assessed Value to Estimated Actual Value (5)
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%
2023		*	*	8,795,629,837	646,036,515	96,163,533	9,537,829,885	0.522	9,564,610,795	99.72%
2024		*	*	8,876,404,468	688,799,325	97,775,053	9,662,978,846	0.572	9,690,111,157	99.72%
2025		*	*	9,034,791,862	725,395,202	94,023,578	9,854,210,642	0.592	9,904,724,738	99.49%

* 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)
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
2023	62,098	11,165,424	74,994	25.2	15.82	43,157	3.5
2024	62,195	11,672,141	77,568	25.6	15.82	43,877	3.4
2025	63,288	12,424,716	82,487	25.8	15.82	43,497	3.5

(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.

Stewardship – We make wise and efficient use of the financial and natural resources with which we are entrusted.

FINANCIAL PERFORMANCE OBJECTIVES

Measurement	Objective	Section
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, they 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 ≤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.

10-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

Task	Time Frame	Rationale
		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

ACCRUAL 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).

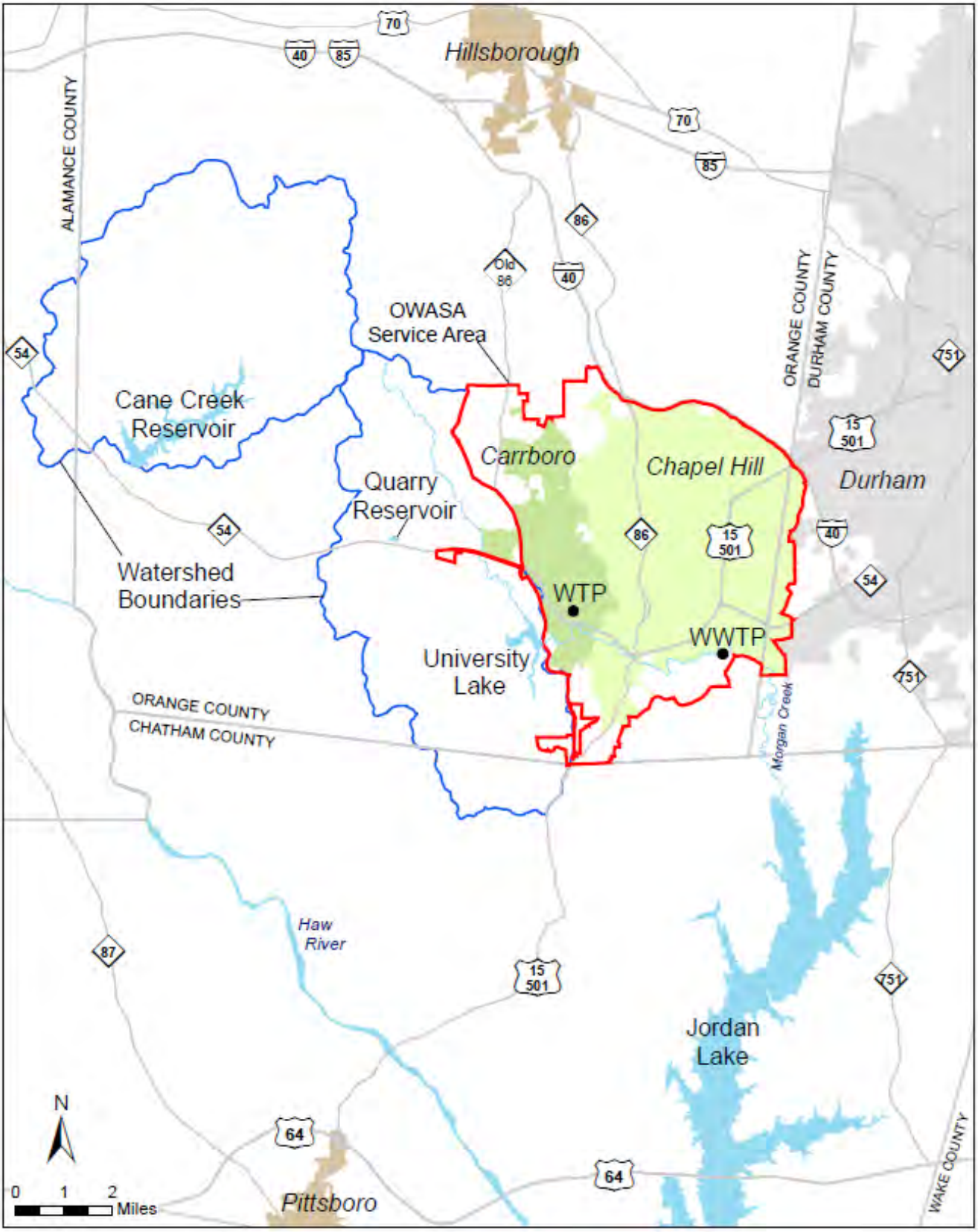
REVENUE BONDS – The primary method used by OWASA for long-term debt; they are repaid from user fees over the life of the assets. In general, these bonds have no claim on money derived from property taxes or special assessments.

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.


Hillsborough
ALAMANCE COUNTY
ORANGE COUNTY
DURHAM COUNTY
OWASA
Service Area
Cane Creek
Reservoir
Quarry
Reservoir
Watershed
Boundaries
Carrboro
Chapel Hill
Durham
WTP
WWTP
University
Lake
ORANGE COUNTY
CHATHAM COUNTY
Morgan Creek
Haw
River
Jordan
Lake
WAKE COUNTY
Pittsboro
N
0 1 2
Miles