

Annual Budget

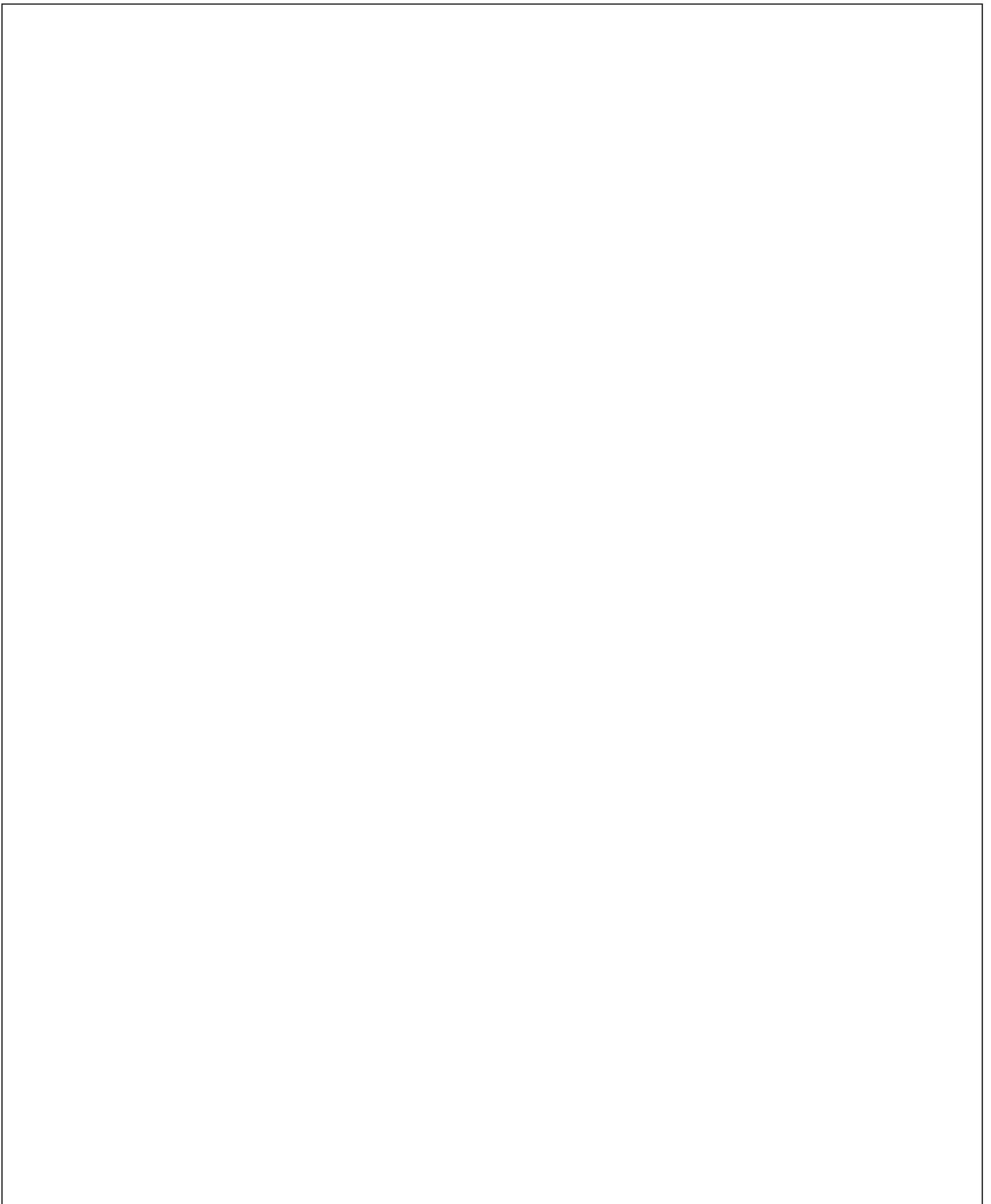
Fiscal Year 2011

Orange Water and Sewer Authority

Carrboro - Chapel Hill, North Carolina



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





ORANGE WATER AND SEWER AUTHORITY

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Table of Contents

Table of Contents.....i

Governmental Finance Officers Association (GFOA) Award for Distinguished Budget Presentation ii

Budget Message..... iii

Section I Orange Water and Sewer Authority Overview

Orange Water and Sewer Authority Board of Directors' Mission Statement 1

Orange Water and Sewer Authority Board of Directors.....2

Orange Water and Sewer Authority Management Team.....3

Budget Preparation and Calendar for FY 2011.....4

Appropriations for FY 2011 (Statement of Income, Expense and Debt Service).....6

Fund Balance Statements.....8

Funds Flow Statement12

Planned Expenditures Overview.....13

Debt Service for Fiscal Years 2011-203116

Historical Debt Service Overview17

Capital Improvements Budget for FY 201117

Rehabilitation/Replacement Projects (In-house)20

Capital Improvements Plan, Fifteen-year Overview for FY 2011-2025.....21

Section II Overview of OWASA Departments

Orange Water and Sewer Authority Staff/Department Structure22

01 Office Of Executive Director.....23

02 Customer Service25

03 Engineering And Planning27

04 Human Resources and Safety29

05 Finance31

07 Information Technology33

11 Water Supply And Treatment35

12 Water Distribution37

21 Wastewater Treatment39

22 Sewer Collection41

Section III Supplemental Information

Budget Resolution and Ordinance43

Personnel Authorizations by Department49

10-Year Historical Performance52

Miscellaneous Statistical Data.....57

Service Area Demographics58

Chapel Hill Statistical Data61

Financial Management Policy64

Glossary.....69



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Orange Water & Sewer Authority
North Carolina**

For the Fiscal Year Beginning

July 1, 2009

President

Executive Director

BUDGET MESSAGE

**To the
Board of Directors**

The Annual Budget for the fiscal year from July 1, 2010 through June 30, 2011 (FY 2011) has been prepared in accordance with OWASA's *Financial Management Policy*, our *Amended and Restated Bond Order* adopted on September 13, 2001, and *The Local Government Budget and Fiscal Control Act*. While the Budget is drafted by staff, the Board of Directors determines the level of water, sewer and reclaimed water services that OWASA provides to the Carrboro-Chapel Hill urban area and the resources available for service operations and capital projects.

The primary drivers during the preparation of this budget include capital improvements project needs identified in a 15-year *Capital Improvements Program (CIP)*, forecasted water, reclaimed water and sewer demands, projected operating costs required to sustain service levels during FY 2011, and the level of revenues sufficient to fund the capital improvements, defray the daily cost of operation and to meet OWASA's debt obligation.

Projected operating revenues reflect an adopted average rate increase of 9.25% in monthly rates in October to offset a significant decline over the past decade in customer demand for potable water. The decline in demand has arisen from a combination of drought-induced conservation and our long-term demand reduction strategies, including conservation pricing and commencement of reclaimed water services. Additionally, revenues from system growth, or new system connections, are projected to decline for the fourth year in a row.

Although the requested operating and maintenance appropriation reflects optimism regarding the cost of materials and supplies, including chemical costs, it represents about a 1.7 percent increase over the FY 2010 appropriation. In spite of increases in personnel costs, particularly for health care and retirement contributions, the proposed FY 2011 operating budget is frugal; funding priority programs and services with few provisions for contingencies.

The budget consists of projected revenues and other receipts of \$35.2 million, capital project costs of \$9.8 million, operating and maintenance costs of \$18.6 million, debt service payments of \$9.7 million, and capital equipment purchases of \$37,000.

**Highlights of the
Budget**

Key elements of this budget include:

- Increases of approximately 9.25% in monthly water and sewer bills. The additional revenue from the rate increase is projected to adequately fund capital projects related to service reliability, system capacity and regulatory constraints; ensure operating cost recovery, meet debt obligation payments and improve OWASA's fiscal performance.
- Continuation of the seasonal water conservation rate structure approved by the Board in June 2001 for all customers other than individually-metered residential and irrigation-only customers. Under the seasonal water conservation rates, the water commodity charge will be \$7.75 per thousand gallons of water consumed during the warmer peak water demand months of May through September 2011. The water commodity charge for the cooler, lower demand months of October, 2010 through April, 2011 will be \$4.08 per thousand gallons.
- 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 further promote water conservation by lessening the cost recovery burden on low volume water users and appropriately reallocating a portion of cost recovery to high volume customers.

	<u>Volume of Use In Gallons</u>	<u>Rate per 1,000 Gallons</u> <u>October, 2010</u>
Block 1	1,000 to 2,000	
Block 2	3,000 to 5,000	\$2.58
Block 3	6,000 to 10,000	\$6.26
Block 4	11,000 to 15,000	\$7.68
Block 5	All use 16,000 and up	\$10.73
		\$19.40

For a typical individually-metered residential customer using 5,000 gallons of water per month, the rate adjustments would increase the average monthly water and sewer bill from \$74.92 to \$81.87, an increase of \$6.95.

- An annual operating budget of \$18.6 million, reflecting an increase of 1.7% over the FY 2010 budget. No new positions are included in the new budget year and ten of 139 approved full-time positions are unfunded in the FY 2011 appropriation in order to contain costs as OWASA evaluates additional savings and efficiency opportunities.
- A merit increase pool equaling 2.5% of current-year salaries and wages. Merit increases for individual employees will be determined through OWASA's performance evaluation process. Merit increases generally take effect in November of each year.
- Capital improvement spending of \$9.8 million for FY 2011, as identified in the 15-year *Capital Improvements Program*, remains unchanged from the previous year's projection for FY 2011 with the exception of roll-forward balances for projects not completed in FY 2010. The majority of capital spending, \$6.2 million, is earmarked for various water and sewer system rehabilitation and replacement projects.
- No new debt will be issued in FY 2011. All capital improvements will be funded through cash.

OWASA's Budget Process

The budget for OWASA's operating services and capital projects is developed in accord with:

- OWASA's *Mission Statement*. The Board's adopted *Mission and Values Statement* sets forth fundamental priorities for serving the community. These priorities address quality water and sewer services, environmental responsibility, customer service, employee development and well-being, fiscal and operational efficiencies, relationships with local governments and sustainable operations. These priorities must be met within the constraints set by various statutory, regulatory and contractual obligations and agreements.
- OWASA's *Financial Management Policy*; a comprehensive and systematic approach to strategic financial planning, related policy decisions, and measurements of financial performance.
- A regularly updated water and sewer 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 planning model that takes into account economic assumptions, growth trends, operating and capital project costs, desired ratio of net income to debt service, and anticipated demand. Assumptions used in the budget process include 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 15-year *Capital Improvements Program*.
- A budget calendar as developed under the requirements of our *Financial Management Policy*.

OWASA's Budget Process (Continued)

The annual budget process begins early in each fiscal year and concludes with adoption of an annual budget in June. Throughout the process, OWASA staff works closely with the Board's Finance Committee in developing and refining documents for submittal to the full Board of Directors.

The Board of Directors adopted a *Preliminary Budget* on April 22, 2010 which is intended to satisfy statutory requirements for an interim budget, should a final budget not be adopted by July 1st. Public hearings on the proposed budget, CIP and rate adjustments were held at the OWASA Board of Directors' regular meeting on Thursday, May 27, 2010, and the budgets and rate adjustments were adopted by the Board on June 10, 2010.

In accord with State law, the adopted budget may be amended at any time to reflect changes in services, projects and costs. Such amendments can be made in any form by the Board of Directors' action, but the budget must remain balanced. A budget is considered balanced when the sum of net revenues and appropriated fund balance is equal to appropriations. In the State of North Carolina, the minimum legal budgetary level of control is at the departmental level. In addition to the departmental information presented in this document, compliance at this level is disclosed in OWASA's Comprehensive Annual 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 NC Budget and Fiscal Control Act.
- Statutes governing our purchasing and contracting require the development of and adherence to a Minority and Women-Owned Business Enterprise Program in soliciting and accepting bids for certain construction work. OWASA's program adds modest administrative costs to the construction bidding process but has no impact on the overall cost of construction (N.C. General Statute 143-128).
- 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 our services. Our 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 our 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 sewer systems including reserves for such purposes, and (2) all of the principal and interest on bonds issued by OWASA (N.C. General Statute 162A-9).
- Fees are applicable throughout the service area, but fees and charges may vary by customer class when discernable cost factors can be attributed to the varying classes.
- The Governmental Accounting Standards Board requires that the cost of post-employment benefits be recognized and recorded in OWASA's annual financial statements.

Intergovernmental Sale and Purchase Agreements

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

- OWASA shall charge reasonable rates, based on cost of service, to all classes of users, serving all users within each class impartially and without unjust discrimination, with no differential in rates based on the location of a customer.
- OWASA shall operate the water and sewer 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, potable water, meeting acceptable

Priorities and Assumptions (continued)

purity standards, in such quantity as may be required to meet UNC's needs.

- UNC will purchase all its potable water requirements from OWASA, unless OWASA is unable to supply sufficient water.
- UNC will be provided, now and hereafter, reliable and adequate sewer services to meet its needs.
- If five-year cumulative rate revisions exceed 20%, then UNC may request that a rate study be prepared by a qualified consultant and its results shared.
- OWASA agrees to meet the reasonable water and sewer needs 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 on bond proceeds and related accounts 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 as 2.0.
- In order to issue new debt, rate adjustments 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

- OWASA's *Financial Management Policy* specifies a working capital reserve balance at least equal to the greater of four months of the annual Operations & Maintenance Budget or 20% of the total estimated cost of capital improvements projects identified for the succeeding three years.
 - Four months of estimated operating costs for FY 2011 equals \$6.2 million.
 - 20% of planned capital improvements for FY 2012 through FY 2014 equals \$5.9 million.
 - The General Fund ending balance for FY 2011 is projected to be \$9.9 million.
- The *Financial Management Policy* requires funding for a capital reserve fund and a rate/revenue stabilization reserve. The FY 2011 Budget provides funding of \$650,000 and the projected year-end balances for these reserve funds are \$800,000 and \$500,000, respectively.
- The *Financial Management Policy* specifies at least 30% cash funding of capital improvements. The budget reflects 100% cash funding of capital projects during FY 2011 as no new debt will be issued during the year.
- With the approximate 9.25% rate adjustment, the debt service coverage ratio for FY 2011 is projected to be 1.71, and OWASA's comprehensive financial planning model indicates the following subsequent annual rate increases would be required in order to achieve a debt

Priorities and Assumptions (continued)

service coverage ratio of 2.00 in those years:

	<u>Projected Rate Adjustments</u>	
FY 2012	8.75% Water	8.75% Sewer
FY 2013	7.00% Water	7.00% Sewer

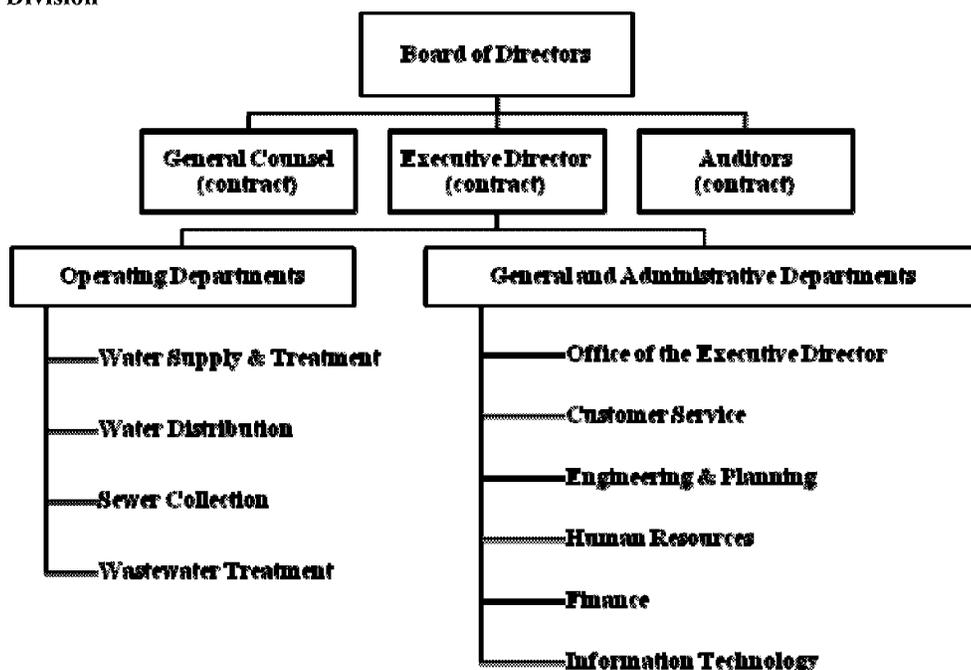
These projected rate adjustments are preliminary and will be further analyzed as part of each subsequent year’s budgeting process.

Customer Demand and Service Levels

The following projections are based on historical and current year trending.

- FY 2011 projections for potable water demand and new connections are affected most significantly by the following three factors:
 - ✓ Potable water sales will continue to decrease in FY 2011 and beyond as the University increases its use of reclaimed water (RCW) with additional chiller facilities coming on line, and as UNC begins using RCW to meet other non-potable requirements (primarily irrigation).
 - ✓ Estimated RCW use is 0.36 million gallons per day (MGD) during FY 2010 and 0.74 MGD in FY 2011.
 - ✓ Staff expects average daily potable water demand in FY 2011 to be approximately 6.1 MGD (compared to the FY 2010 estimate of 6.5 MGD).
- Historically, service connections have grown annually by more than 500 “single-family domestic meter equivalents.” However, this growth has been declining steadily since an all-time high of more than 840 in FY 2002. On the basis of local development trends and the continued slump in the general economy, we do not expect new service connection activity to rebound next year. Accordingly, we project a further decline in revenues from service availability fees in FY 2011. Budget projections are based on the assumption of 115 new meter equivalents for FY 2011.
- A construction cost inflation rate of 5.0% is projected for FY 2011 and beyond.

Organization Overview by Division



**Staffing
Summary**

The OWASA Board has authorized a total of 139 positions but only 129 are funded for FY 2011. Authorized staffing levels (full-time equivalents) are allocated by department as follows:

<u>Operating Departments</u>		<u>General & Administrative Departments</u>	
Water Supply & Treatment	24	Office of the Executive Director	7
Water Distribution	32	Customer Service	7
Sewer Collections	15	Engineering & Planning	14
Wastewater Treatment	24	Human Resources	2
		Finance	9
		Information Technology	5

Summarized Annual Operations and Maintenance Income and Expenses (Revenue Fund)

Description	Resources	Expenses	Balance
Total Operating Revenue	\$34,409,453		
Operations and Maintenance Expenses			
Net Expenses, General and Administrative		\$5,544,931	
Net Expenses, Operations		<u>\$13,049,706</u>	
Net Total Operating Expenses		\$18,594,637	
Net Operating Income			\$15,814,816
Interest	\$45,294		
Availability Fees	\$723,179		
Total Net Income			\$16,583,289
Total Debt Service		\$9,680,213	
Debt Coverage Ratio			1.71

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

Description	Resources	Expenses	Balance
General Fund Beginning Balance (7/1/10)			\$12,801,896
Transfer From Revenue	\$6,903,076		
Funds Available for Expenditures			\$19,704,972
Total Estimated Capital Expenditures		(\$9,813,900)	
General Fund Ending Balance (6/30/2011)			<u><u>\$9,891,072</u></u>

**Revenue
Summary**

In providing essential public water, sewer and reclaimed water services to Carrboro, Chapel Hill and portions of southern Orange County and southwest Durham County, OWASA incurs substantial operating and capital expenses. OWASA operates as a nonprofit enterprise fund and has no legislative authority to levy taxes nor do we receive tax revenues from local governments. Ongoing water and sewer operations and capital improvements are financed almost entirely through customer fees and charges, with occasional grants from the state or federal governments. OWASA establishes rates sufficient to generate revenue to meet operation and maintenance costs, pay debt service, and provide at least 30 percent cash funding for the Capital Improvements Program. Rates and fees are periodically adjusted in response to resource needs as determined in OWASA's financial planning process.

Revenue

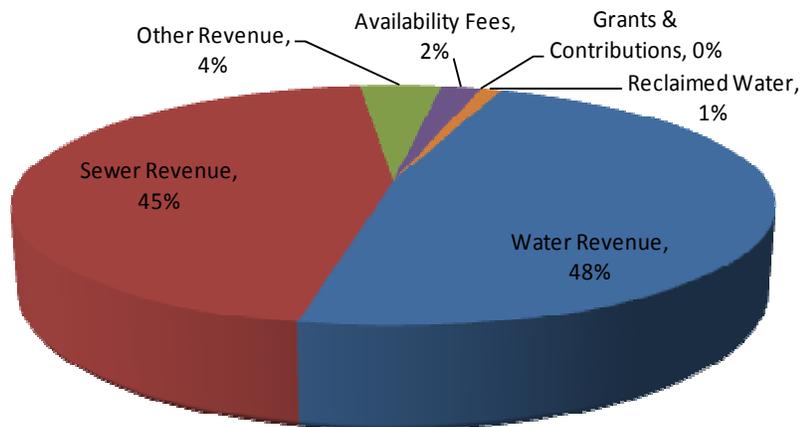
OWASA's gross receipts, with minor exception, are restricted by bond indenture. All revenues except grants, reimbursements and assessments must be deposited to the credit of the Revenue

**Summary
(continued)**

Fund. Monies in the Revenue Fund are pledged to the repayment of outstanding debt and must be expended in the following order: 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 sewer services include charges for service initiation, line tapping, meter installation, monthly service charges and a commodity charge for each 1,000 gallons of water or wastewater used. For accounts other than individually-metered residential customers and irrigation-only customers, a higher water commodity charge applies during the peak consumption season from May through September, and a lower uniform commodity rate applies from October through April. This seasonal approach has been successful in reducing customer demand, peak-day demand in particular. As depicted in the following graph, in FY 2011, 48% of total budgeted revenue is anticipated from water services while wastewater services are expected to generate 45%. Service availability (new connection) fees comprise approximately 2% of total projected revenues. The sale of reclaimed water, plan review and construction observation fees, grants, assessments, rental, royalty, administrative fees and interest income contribute the remaining 5% of total projected revenues.

FY 2011 Source of Revenue



Commodity fees for individually-metered residential accounts are billed under an increasing block rate structure. The block rate structure is designed to fairly allocate the true cost of service among low volume and high demand water customers, thereby further promoting water conservation.

OWASA began to collect fees for delivery of reclaimed water services through a new reclaimed water utility that became operational in April of 2009. The system initially served only UNC for non-potable purposes such as irrigation and cooling tower make-up water on campus; however, in FY 2010 the OWASA Board of Directors approved rates and policies for RCW use by non-UNC customers.

OWASA's primary revenue generating fees are summarized below.

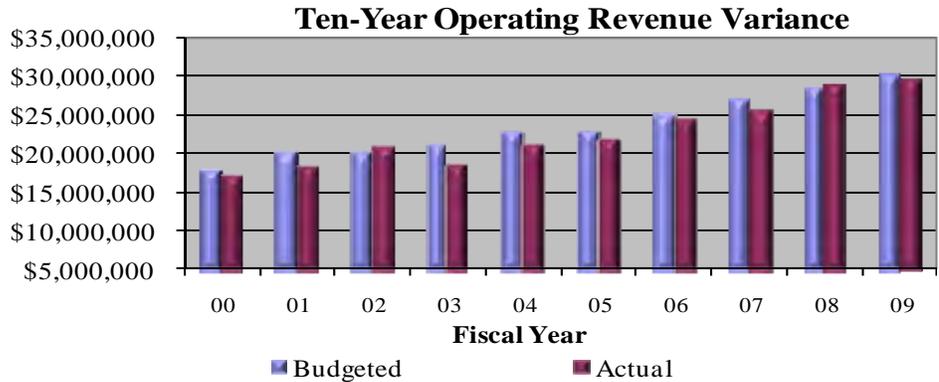
Fixed monthly Charge Calculated to recover costs related to certain direct and indirect customer service efforts, meter and lateral maintenance, and capital costs associated with supplying potable and reclaimed water to, and collecting sewage from a customer's property. Charges are based on meter size.

Commodity charge	Calculated to recover the remaining direct and indirect costs of water supply and treatment, water distribution, sewage collection and treatment, general administration, and water and sewer capital costs not recovered by the monthly service charge. This charge is applicable to all water, sewer and reclaimed water accounts based on meter readings in thousand gallon increments of water use.
Water and sewer availability fees	Calculated to recover a portion of the capital costs of providing water and sewer system capacity. The availability fee applies to each new connection to a potable or reclaimed water main or sewer 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 availability fees, customer accounts are divided into four categories: (1) Single-family Residential, (2) Multi-family Residential, Individually Metered, (3) Non-residential (including master-metered multifamily 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 their distinct patterns of water and sewer consumption.
Service initiation fees	The purpose of this charge is to defray the labor and administrative costs associated with establishing a water, sewer 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.
Tapping fees	This charge is for making a tap into a water main and/or into a sewer 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 sewer 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 sewer system regardless of the party which undertakes the improvements. The fees apply separately to water and sewer main extensions.

A key assumption in developing the budget is the amount of expected growth. Revenue projections are calculated using this assumption, combined with the known historical number of accounts, and applying the various rates to these known and assumed demand levels. Historically, OWASA has grown by more than 500 new accounts a year. Due to the significant slowdown in local construction and development activity, the growth projection for FY 2011 is approximately 115 “meter equivalent” residential units. While empirical data indicate little change in proportionate demand between our customer classes, weather patterns since FY 2002, conservation water pricing and UNC’s use of reclaimed water produced a dramatic decrease in demand by all classes. Rate adjustments and revenue projections for FY 2011 assume lower potable water demand than in FY 2010.

In addition to recovering the cost of operations, rates and fees must be set at a level sufficient to fund future capital improvement costs and debt, which is issued to spread out capital costs to future customers who will benefit from long-lived infrastructure improvements. OWASA uses a 15-year planning horizon to consider future needs in setting rates.

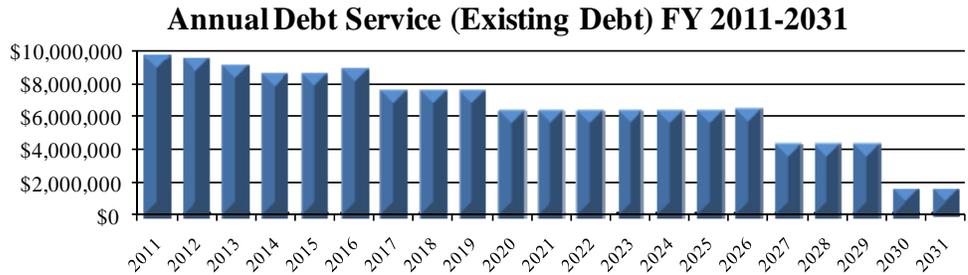
The following graph summarizes the historical trend of OWASA’s primary revenue stream compared to our budget for those revenues.



Debt and Debt Policy

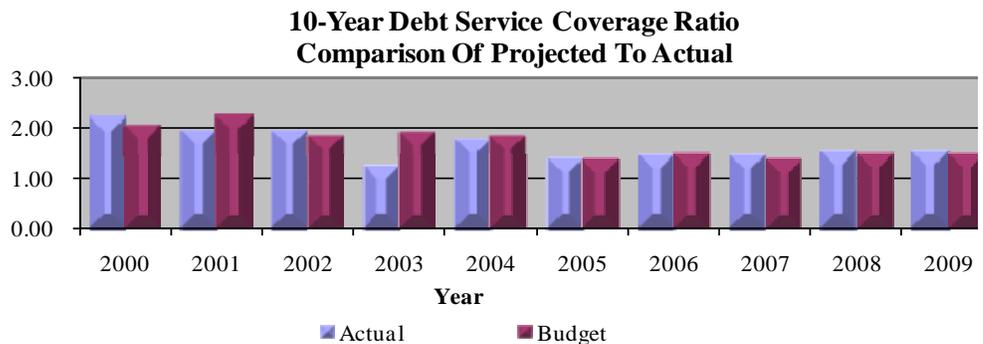
Debt in the form of Revenue Bonds has been used to finance an average of 60% to 70% percent of OWASA's capital improvements. The remainder is funded with annual revenues, grants and fund balance.

Outstanding debt was \$101.2 million at June 30, 2010. The debt outstanding for each bond issue is follows: Series 2001 - \$17.8 million, Series 2003 refunding issue - \$6.7 million, Series 2004A and 2004B - \$36.9 million, Series 2005 refunding bonds - \$18.7 million, and Series 2006 - \$21.1 million. Principal and interest payments will be \$9.7 million in FY 2011. The graph of debt service payments below reflects annual debt service for these outstanding issues.



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.

Because OWASA issues revenue bonds, there is no statutory limit on the amount of debt, but OWASA applies sound financial management principles in financing decisions. No new debt will be issued in FY 2011.



**Planned
Operating and
Maintenance
Expenditures
Summary**

The chart below shows the planned operating and maintenance expenditures for FY 2011. The graph illustrates the relative proportions of the total costs by each category of expense.

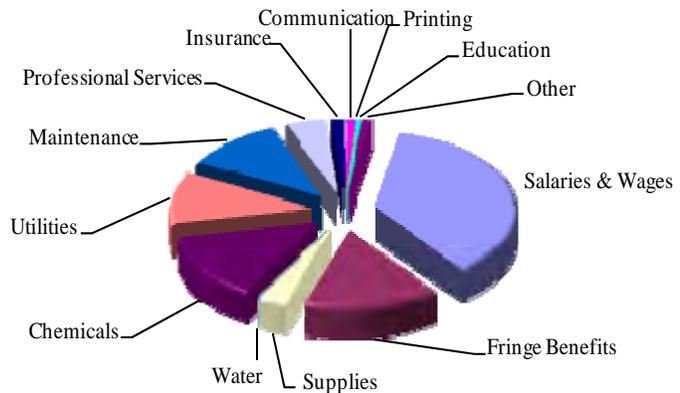
**Orange Water and Sewer Authority
Expenditure by Division/by Category
Fiscal Year 2011**

	General and Administrative	Operating Departments	Total FY 2011 Budget
Salaries & Wages	\$2,895,056	\$4,014,779	\$6,909,835
Fringe Benefits	1,131,257	1,808,681	2,939,937
Materials & Supplies	60,081	524,016	584,097
Water Purchases	0	0	\$0
Chemicals	0	2,617,444	2,617,444
Utilities	191,200	1,825,517	2,016,717
Maintenance	224,190	1,936,694	2,160,884
Professional Services	757,300	102,924	860,224
Insurance	43,483	238,472	281,954
Communication	160,150	13,640	173,790
Printing & Reproduction	8,825	1,800	10,625
Education and Development	56,250	59,185	115,435
Other	133,992	50,823	184,815
Total	<u>\$5,661,783</u>	<u>\$13,193,975</u>	<u>\$18,855,758</u>
Construction Credits	(116,852)	(144,270)	(261,122)
Total After Construction Credits	<u>\$5,544,931</u>	<u>\$13,049,705</u>	<u>\$18,594,636</u>

(Rounded to Nearest \$1,000)

- Salaries & Wages \$6,910
- Fringe Benefits \$2,940
- Materials & Supplies \$584
- Water Purchases \$0
- Chemicals \$2,617
- Utilities \$2,017
- Maintenance \$2,161
- Professional Services \$860
- Insurance \$282
- Communication \$174
- Printing & Reproduction \$11
- Education and Devel. \$115
- Other \$185

**Operation & Maintenance
Expenditures**



Total: \$18,855,758 (Before Construction Credits)

Capital Equipment Summary

Each year OWASA replaces capital equipment items that have exceeded their useful lives and purchases equipment to meet operational needs. One new item will be purchased in FY 2011.

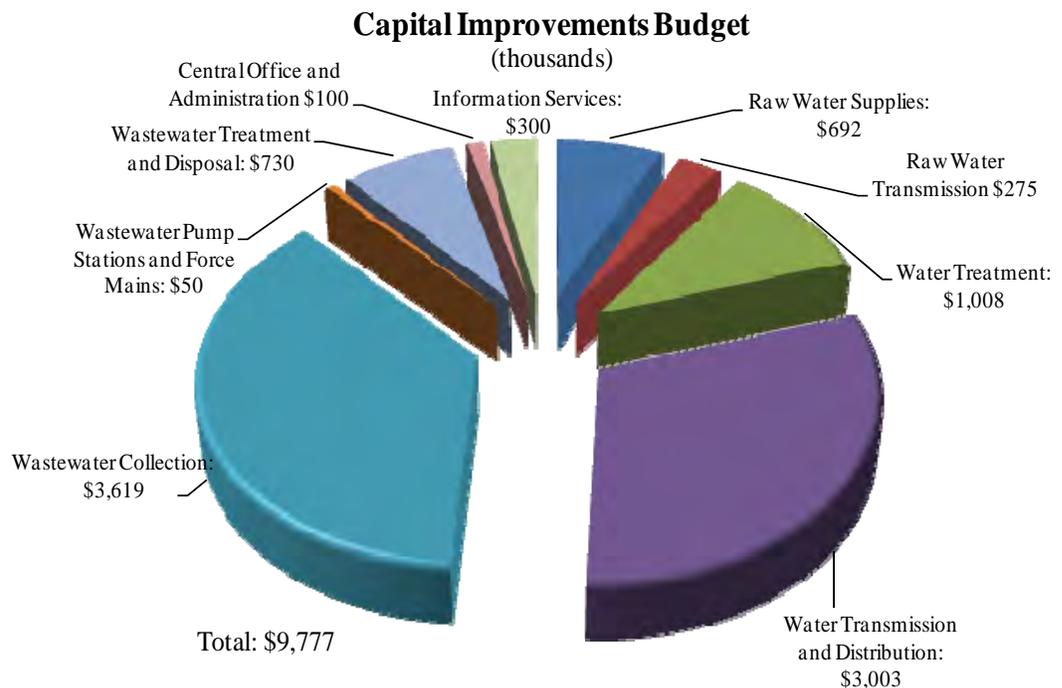
Capital Equipment Summary

1	2007 39' aluminum frameless tandem axle dump trailer	<u>\$36,900</u>
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Capital Improvement Program Summary

Capital improvements are necessary to renew, replace and improve infrastructure and to provide safe, reliable, high quality water, sewer 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 15-year planning period is used to develop the Capital Improvements Program (CIP). Financing decisions are made for the first five years of that planning period in a Capital Improvement Budget (CIB). Only the first year of the CIB is included in each fiscal year's budget ordinance. For FY 2011, capital improvement projects total \$9.8 million, as shown below.



Strategic Issues and Policies

Actively responding to the financial challenges presented by significant and permanent reductions in customer demand and customer growth is the single most critical issue to be addressed in the preparation of the Fiscal Year 2011 annual budget.

For at least the next several years, OWASA is expected to sell less potable water annually than it sold in 1992. Considering the revenue implications of continued demand reduction and reduced customer growth, along with increasing operational costs, OWASA must develop operating and capital improvements budgets that continue to ensure high quality and reliable services while holding rate increases to acceptable levels.

Specific challenges include:

1. Potable water sales in FY 2011 are expected to be reduced by 0.74 MGD due to UNC's use of reclaimed water (RCW) to meet certain non-potable needs on the campus. This offset is expected to increase over the next several years.
2. New construction and system growth are expected to remain well below historical levels; further

contributing to revenue shortfall concerns.

3. The existing seasonal and increasing block rate fee structures will remain in place for FY 2011. We have seen an average decline in demand of about four percent since the inception of the block rate structure and an overall total demand reduction of 13% since the seasonal structure was put into place.
4. The draft CIP for FY 2011 is lean but adequate to meet the needs of OWASA's customers today and in the future.
5. Although general inflation remains low, prices for specific products vital to the treatment of water and wastewater have proven to be extremely volatile. Chemical costs increased dramatically in recent years and while prices have eased somewhat recently, the market shows signs that prices could rise again. Energy price volatility is also a major concern, and further increases could substantially impact our financial performance.
6. OWASA is required to record its annual expected post-employment benefit costs. Costs associated with meeting this mandate range from about \$600,000 to \$900,000, depending on actual annual contributions and interest rates earned.
7. The required contribution to the Local Government Employees Retirement System has increased from 4.89% to 6.35% for FY 2011 and further increases are expected in future years.

The financial management objectives set forth in OWASA's *Financial Management Policy* help keep the organization focused on mission-critical services; greater operational efficiency; accurate and sustainable asset management and capital improvement priorities; and opportunities for further permanent reductions in operating expenditures. We must accomplish this while balancing service levels with operating risks associated with different levels of service.

Conclusion

During the last ten years, we experienced two droughts of record, substantial reductions in customer demand and an economic downturn that has resulted in significantly lower system growth than previously experienced. In response, operations and maintenance, as well as capital spending will remain lean over the next several years. We believe the proposed FY 2011 Budget reflects the OWASA Board of Directors' guidance and priorities, is responsive to community needs and meets OWASA's contractual responsibilities and regulatory requirements.

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



Ed Kerwin
Executive Director



Stephen Winters
Director of Finance and Customer Service

Section I

Orange Water and Sewer Authority Overview

Orange Water and Sewer Authority Board of Directors Mission Statement	1
Orange Water and Sewer Authority Board of Directors.....	2
Orange Water and Sewer Authority Management Team.....	3
Budget Preparation and Calendar for FY 2011.....	4
Appropriations for FY 2011 (Statement of Income, Expense and Debt Service).....	6
Fund Balance Statements.....	8
Funds Flow Statement	12
Planned Expenditures Overview.....	13
Debt Service for Fiscal Years 2011-2031	16
Historical Debt Service Overview	17
Capital Improvements Budget for FY 2011	17
Rehabilitation/Replacement Projects (In-house)	20
Capital Improvements Plan, Fifteen-year Overview for FY 2011-2025.....	21

ORANGE WATER AND SEWER AUTHORITY MISSION STATEMENT

OWASA will provide our customers with high quality water and wastewater services through responsible, sustainable, and creative stewardship of the resources and assets we manage. We will do this with a productive, empowered, talented, and diverse work force, which strives for excellence.

OUR VALUES

- **Quality Drinking Water**
We will provide the highest quality drinking water for our customers through proactive and sustainable watershed management, and the effective and reliable operations and maintenance of the water supply, treatment, and distribution system.
- **Environmental Responsibility**
We will protect the environment through the effective and reliable operation and maintenance of the wastewater collection, treatment, and recycling systems. We will manage our resources and assets in an environmentally responsible manner, maintaining or exceeding any regulatory requirements or mandates.
- **Excellence in Customer Service**
We are dedicated to excellence in serving customers in all aspects of our business services. We will be leaders in keeping our customers informed and will provide them meaningful opportunities to participate in decisions that are important to the community.
- **Employees**
We value our employees as our most important resource and we will provide them competitive compensation and benefits, and maintain a safe and rewarding work environment. We will promote diversity and equal opportunity for development and advancement for all employees.
- **Efficiency and Value**
We will perform all services in a financially sound and responsible manner with sufficient revenues to properly operate and fully maintain the water and wastewater system. As OWASA relies solely on user fees, we will continue to be guided by cost-of-service principles with regards to our rates, fees, and charges, and operate the water and sewer system at the lowest rates consistent with our obligation to provide proper and efficient services, now and in the future. We remain committed to continuous improvement in all of our services and will provide high value to our customers.
- **Sustainability**
We will proactively plan, construct, operate, maintain, and finance the water and wastewater system in a manner consistent with the principles of environmental, social and economic sustainability. We will work hard to meet the needs of our current and future customers, community, and environment without compromising the ability of future generations to meet their needs. We will strive to make the highest and best use of our local water resources and we will adopt practices which encourage conservation of water, energy, and other natural resources.
- **Local Government Compatibility**
We will manage our responsibilities in a manner consistent and compatible with the adopted growth management policies and land use plans of the Town of Carrboro, the Town of Chapel Hill, and Orange County. We will maintain open and positive communications with our local governments. We will also maintain open and positive communications with neighboring water utilities and cooperate in regional initiatives where appropriate and consistent with OWASA's commitment to its member governments.
- **Innovation and Creativity**
We will seek innovation and creativity in accomplishing our mission and enhancing our services. We will invest in ongoing research and development for new and improved ways to accomplish our mission.

ORANGE WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS

CHAIR

Gordon Merklein
504 Highgrove Drive
Chapel Hill, NC 27516
Appointed by Chapel Hill; Term Expires 6/30/13

VICE CHAIR

Alan Rimer, P.E.
519 Hooper Lane
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires 6/30/13

SECRETARY

Braxton Foushee
100 Williams Street
Carrboro, NC 27510
Appointed by Carrboro; Term Expires 6/30/11

Fred Battle
1105 Brenda Court
Chapel Hill, N.C. 27516
Appointed by Orange County; Term Expires 6/30/12

Michael A. Clarke
Carol Woods Retirement Community
750 Weaver Dairy Road #1202
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires 6/30/11

Randolph (Randy) M. Kabrick, P.E.
207 Woodleaf Drive
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires 6/30/11

Joyce C. Preslar
9417 Bethel-Hickory Grove Church Road
Chapel Hill, NC 27516
Appointed by Orange County; Term Expires 6/30/11

William R. Stott, III
105 Olcander Road
Carrboro, NC 27510
Appointed by Carrboro; Term Expires 6/30/12

Amy Witsil
115 Woodshire Lane
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires 6/30/12

ORANGE WATER AND SEWER AUTHORITY
OWASA MANAGEMENT TEAM

Stuart Carson, P.E., Engineering Manager (Project Management)
Mason Crum, P.E., Director of Engineering and Planning
Patrick K. Davis, Sustainability Manager
Damon Forney, Wastewater Treatment and Biosolids Manager
Stephanie Glasgow, M.E.S.H., P.H.R., Human Resources and Safety Manager
Thurman Green, Distribution and Collections Systems Manager
John Greene, P.E., General Manager of Operations
Ed Holland, A.I.C.P., Director of Planning and Development
Ed Kerwin, Executive Director
Heidi Lamay, Finance Manager
Kenneth Loflin, Water Supply and Treatment Manager
Andrea Orbich, Clerk to the Board/Executive Assistant
Dan Przybyl, Director of Information Technology
Kevin M. Ray, Finance Manager
Janc Showerman, Customer Service Manager
Todd Spencer, P.E., Engineering Manager (System Development)
Stephen Winters, CPA, Director of Finance and Customer Service

GENERAL COUNSEL

Robert Epting, Esquire
Epting and Hackney, Attorneys at Law

Budget Preparation and Calendar for FY 2011

OWASA's budget process is an interaction between the staff and the Board of Directors that starts in the fall of each year. Many key elements are prescribed in the *Financial Management Policy*. All major milestones are published in a budget calendar that is updated as required. The operation and maintenance budget, the capital improvements budget, and the capital improvements plan are prepared in parallel processes by the staff with guidance and review by various Committees of the Board.

OWASA maintains its financial records and presents its financial reports as an *enterprise fund* and as such, uses the *accrual method* for financial reporting. The annual budget, however, is prepared using the *modified accrual method*. The primary differences between application of the full accrual basis and the use of the modified accrual basis for budgeting are illustrated below.

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

The budget development process begins with departmental preparation of line-item budget requests and includes detailed estimates for any new initiatives or cost reduction strategies. Concurrently, the *Capital Improvements Plan* is developed and revised. A 15-year Financial Planning Model is used to evaluate alternatives including possible rate adjustments and debt financing arrangements to achieve full cost recovery and meet the Authority's financial obligations. The following calendar reflects the timeframe for preparation of this budget.

FY 2011 Budget Calendar

August 27, 2009	Finance Committee – consideration of a draft resolution concerning Phase III odor control at the Mason Farm Wastewater Treatment Plant, discussion of the effectiveness of the FY 2010 budget preparation process, and development of future Committee work.
September 15, 2009	Finance Committee – discussion of staff response to consultant findings regarding the review of OWASA's accounting and financial reporting systems.
October 22, 2009	Finance Committee – review of the 1 st quarter financial report and discussion of revised demand forecasts and their impact on O&M and CIP expenditures.
December 4, 2009	Departments begin preparation of line-item budget and capital equipment requests and departmental budget narratives.
December 10, 2009	Board of Directors Meeting – presentation of draft <i>Strategic Issues and Policies</i> and <i>Financial Planning Assumptions and Background Information Document</i> , and presentation of draft <i>Budget Calendar for FY 2011</i> .
December 18, 2009	Departments submit capital equipment requests, budget narratives and departmental operations and maintenance budget bequests to the Budget Officer.
January 4 – 15, 2010	Departmental budget request and cost containment review with the Executive Director, Director of Finance and Customer Service and Budget Officer.
January 14, 2010	Finance Committee – review 2 nd quarter financial report and discussion of strategic issues, planning assumptions and budget process calendar.
January 28, 2010	Board of Directors Meeting – presentation of 2 nd quarter financial report and report by Finance Committee on refinement of strategic issues, planning assumptions and budget process calendar.
February 25, 2010	Finance Committee – presentation of 1 st draft of operating and capital improvements budgets.

February 25, 2010	Board of Directors Meeting – presentation by Finance Committee Chair on the FY 2011 budget process.
March 25 , 2010	Finance Committee – discussion of staff recommendation for rate adjustments.
April 6, 2010	Finance Committee – continued discussion of staff recommendation for rate adjustments.
April 8, 2010	Board of Directors Meeting –update from Finance Committee regarding budget preparation, planned CIP expenditures, rate adjustments and other budget related matters.
April 16, 2010	Delivery of the <i>Preliminary Annual Budget</i> to the Board of Directors.
April 22, 2010	Board of Directors Meeting – adoption of the <i>Preliminary Annual Budget</i> .
May 7, 2010	Delivery of the <i>First Draft Annual Budget</i> and <i>Draft Schedule of Rates, Fees and Charges</i> to the Board of Directors.
May 13, 2010	Board of Directors Meeting – presentation of the <i>First Draft Annual Budget</i> and <i>Draft Schedule of Rates, Fees and Charges</i> .
May 27, 2010	Board of Directors Meeting – Public Hearing on the <i>Draft Annual Budget</i> , the <i>Capital Improvements Budget</i> and Public Hearing on the proposed adjustments to rates, fees, and charges.
June 4, 2010	Delivery of <i>Annual Budget</i> to the Board of Directors.
June 10, 2010	Board of Directors Meeting – adoption of <i>FY 2011 Annual Budget</i> and adoption of <i>Schedule of Rates, Fees and Other Charges</i> .
June 30, 2010 (On or About)	Distribution of <i>FY 2011 Annual Budget</i> .

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STATEMENT OF INCOME, EXPENSE AND DEBT SERVICE (OPERATING)

	FY 2009 Actual	FY 2010 Budget	FY 2010 Projected	FY 2010 Projected to Budget	FY 2011 Budget	FY 2011 Budget to FY 2010 Projected
Operating Revenue						
Water	\$15,285,506	\$16,372,159	\$16,299,861	-0.44%	\$16,915,376	3.78%
Sewer	12,877,054	14,726,764	\$14,534,090	-1.31%	15,842,236	9.00%
Reclaimed Water	78,520	471,112	366,840	-22.13%	365,697	-0.31%
Service Initiation Fee	141,355	148,952	145,000	-2.65%	143,183	0.00%
Other	1,233,515	1,272,484	1,272,484	0.00%	1,274,000	0.12%
Refunds and Adjustments	<u>(78,661)</u>	<u>(113,396)</u>	<u>(113,396)</u>	0.00%	<u>(131,039)</u>	15.56%
Total Operating Revenue	29,537,289	32,878,075	32,504,879	-1.14%	34,409,453	5.86%
Operating Expense						
General and Administrative Operations	4,567,519	4,817,061	5,117,037	6.23%	5,544,931	8.36%
	<u>12,919,623</u>	<u>13,317,482</u>	<u>11,711,609</u>	-12.06%	<u>13,049,706</u>	11.43%
Total Operating Expense	17,487,142	18,134,543	16,828,646	-7.20%	18,594,637	10.49%
Net Operating Income	<u>12,050,147</u>	<u>14,743,532</u>	<u>15,676,233</u>	6.33%	<u>15,814,816</u>	0.88%
Non-operating Revenue						
Customer Fees	2,498,459	1,163,650	1,553,650	33.52%	723,179	-53.45%
Interest	<u>80,343</u>	<u>72,365</u>	<u>27,000</u>	-62.69%	<u>45,294</u>	67.76%
Total Net Income	14,628,949	15,979,547	17,256,883	7.99%	16,583,289	-3.90%
Debt Service						
Existing	9,027,729	9,678,113	9,100,000	-5.97%	9,680,213	6.38%
New	0	<u>0</u>	<u>0</u>		<u>0</u>	
Total Debt Service	9,027,729	9,678,113	9,100,000	-5.97%	9,680,213	6.38%
Net Income Less Debt Service	<u>\$5,601,220</u>	<u>\$6,301,434</u>	<u>\$8,156,883</u>	29.44%	<u>\$6,903,076</u>	-15.37%
Debt Coverage Ratio	1.62	1.65	1.90		1.71	

Reflecting the modified accrual basis of accounting, this income statement discloses the source and application of revenues while matching the fund structure employed by Orange Water and Sewer Authority. It reflects the adequacy of operating revenues to defray the cost of day to day operations and, with the inclusion of nonoperating income as defined in the master bond indenture, to satisfy debt service requirements. As presented in the Statement of Income and Expense (Capital/Non-Operating), excess revenues are then available for transfer to the General Fund, the established funding mechanism for all capital expenditures.

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

	FY 2009 Actual	FY 2010 Budget	FY 2010 Projected	FY 2010 Projected to FY 2010 Budget	FY 2011 Budget	FY 2011 Budget to FY 2010 Projected
General Fund						
Resources						
Transfer From Revenue	\$5,601,220	\$6,301,434	\$8,156,883	29.44%	\$6,903,076	-15.37%
Assessments	383	3,000	0	-100.00%	0	0.00%
Grants and Contributions	<u>1,577,049</u>	<u>250,000</u>	<u>0</u>	-100.00%	<u>0</u>	0.00%
Annual Income Available for Capital	7,178,652	6,554,434	8,156,883	24.45%	6,903,076	-15.37%
Transfer from Construction Fund (Bond Proceeds)	<u>534,467</u>	<u>0</u>	<u>0</u>	0.00%	<u>0</u>	0.00%
Total Available for Capital	7,713,119	6,554,434	8,156,883	24.45%	6,903,076	-15.37%
Capital Expenditures						
Project Ordinances						
General Fund Contribution	9,985,748	5,701,000	3,607,000	-36.73%	9,777,000	171.06%
Funded by Bond Proceeds	<u>534,467</u>	<u>0</u>	<u>0</u>	0.00%	<u>0</u>	0.00%
Total Project Resolutions	10,520,215	5,701,000	3,607,000	-36.73%	9,777,000	171.06%
Capital Equipment	<u>56,125</u>	<u>41,000</u>	<u>41,000</u>	0.00%	<u>36,900</u>	-10.00%
Total Capital Outlay	10,576,340	5,742,000	3,648,000	-36.47%	9,813,900	169.02%
Annual General Fund Balance	<u>\$726,584</u>	<u>\$812,434</u>	<u>\$4,508,883</u>	454.98%	<u>(\$2,910,824)</u>	-164.56%
General Fund Beginning Balance	7,724,928	9,464,666	8,451,512	-10.70%	12,801,896	51.47%
General Fund Ending Balance	8,451,512	10,277,100	12,960,395	26.11%	9,891,072	-23.68%
Project Funding	4,079,726	3,050,571	6,132,627	101.03%	2,391,523	-61.00%
Reserves						
Rate Stabilization	0	250,000	250,000	0.00%	500,000	100.00%
CIP		400,000	400,000	0.00%	800,000	100.00%
Operating Balance	\$4,371,786	\$6,576,529	\$6,177,768	-6.06%	\$6,199,548	0.35%
Unallocated General Fund Balance	0	0	0		0	

CONSOLIDATED SUMMARY - INTRAGOVERNMENTAL SERVICE FUNDS

	Beginning Balance	Revenues	Expenditures	Ending Balance	\$ Change in Balance
Revenue Fund	\$20,000	\$35,177,926	(\$35,177,926)	\$20,000	\$0
Bond Service Fund	7,104,156	9,680,213	(9,680,213)	7,104,156	(\$0)
General Fund	12,801,896	6,916,370	(9,827,194)	9,891,072	(\$2,910,824)
Construction Fund	0	0	0	0	\$0
Total	<u>\$ 19,926,052</u>	<u>\$ 51,774,509</u>	<u>\$ (54,685,333)</u>	<u>\$126,385,894</u>	<u>\$ (2,910,824)</u>

OWASA's Fund Accounting Structure

The Budget Ordinance reflects inflows and outflows of economic resources that ultimately represent activities related to the General Fund. For example, the Construction Fund is restricted and not considered part of the General Fund, but is required by OWASA's Bond Order as the depository for unexpended bond proceeds. However, requisitions from the Construction Fund represent inflows 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 of these 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 sewer system, with the exception of grants and assessment proceeds, which are earmarked for other purposes, are deposited into the Revenue Fund. These 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, and is expected to increase by \$32,000 due to interest earnings during the year.

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 balance of the General Fund is projected to decrease by about \$2,911,000 as capital projects carried forward from FY 2010 are completed in FY 2011.

REVENUE FUND

	Water	Sewer	Total
Fund Balance July 1, 2010			\$20,000
Receipts			
Operating Revenue			
Customer Billings	16,915,376	15,842,236	32,757,612
Reclaimed Water	365,697	0	365,697
Service Initiation Fee	71,592	71,592	143,183
Other	637,000	637,000	1,274,000
Refunds and Adjustments	<u>(65,520)</u>	<u>(65,520)</u>	<u>(131,039)</u>
Total Operating Revenue	17,924,145	16,485,308	34,409,453
Non-operating Revenue			
Customer Fees	361,590	361,590	723,179
Interest Income	<u>22,647</u>	<u>22,647</u>	<u>45,294</u>
Total Non-operating Revenue	384,237	384,237	768,473
Total Receipts	17,946,792	16,507,955	35,177,926
Expenditures			
Current Expense	(9,669,211)	(8,925,426)	(18,594,637)
Debt Service	<u>(8,518,587)</u>	<u>(1,161,626)</u>	<u>(9,680,213)</u>
Total Expenditures	(18,187,798)	(10,087,051)	(28,274,850)
Net Revenue			6,903,076
To General Fund			(6,903,076)
Fund Balance June 30, 2011			<u>\$20,000</u>
Change in Available Balance			\$0

BOND SERVICE FUND

Fund Balance July 1, 2010		\$7,104,156
Receipts		
Transfers from Revenue Fund	9,648,213	
Interest	<u>32,000</u>	
Total Receipts		9,680,213
Expenditures		
Debt Service	9,680,213	
Total Expenditures		<u>(9,680,213)</u>
Fund Balance June 30, 2011		<u>\$7,104,156</u>
Change in Available Balance		\$0

GENERAL FUND

Fund Balance July 1, 2010		\$12,801,896
Receipts		
Transfer From Revenue fund	6,903,076	
Transfer From Construction Fund (Bond Proceeds)	0	
Interest	13,294	
Assessments	0	
Grants and contributions	<u>0</u>	
Total Receipts		<u>6,916,370</u>
Total Balance Before Expenditures		19,718,266
Expenditures		
Capital Equipment/Leases	36,900	
Project Resolutions	9,777,000	
Transfer to Revenue Fund	<u>13,294</u>	
Total Expenditures		<u>(9,827,194)</u>
Fund Balance June 30, 2011		<u>\$9,891,072</u>
Allocation of Fund Balance June 30, 2011		
Project Funding	2,391,523	
Capital Reserves	<u>7,499,549</u>	
Total Allocation		<u>\$9,891,072</u>
Unallocated General Fund Balance June 30, 2011		<u>\$0</u>
Change in Available Balance		(\$2,910,824)

FUNDS FLOW STATEMENT

1. Revenue Fund

Operating Revenue	\$ 34,409,453	
Customer Fees	723,179	
Interest Income	<u>45,294</u>	
Total Revenues		35,177,926

Operating and Maintenance Expense	(18,594,637)	
2. Bond Service Fund (transfers to)	<u>(9,680,213)</u>	

Total Expenditures		<u>(28,274,850)</u>
Excess operating revenue (to be transferred to the General Fund)		6,903,076

3. General Fund

Beginning Balance 07/01/10	12,151,896	
Transfer from Revenue Fund	6,903,076	
Assessments	0	
Grants and Contributions	<u>0</u>	

Total General Fund Balance (available for allocation)		19,054,972
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4. Construction Fund - Bond Proceeds

		0
Total General Fund and Bond Proceeds		19,054,972

Project Resolutions	9,777,000	
Capital Equipment and Leases	<u>36,900</u>	

Total General Fund Expenditures		9,813,900
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General Fund Ending Balance 06/30/11		<u>\$ 9,241,072</u>
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Project Resolutions	1,741,523	
Reserves	<u>7,499,549</u>	

Total Allocation of General Fund Balance		<u>\$ 9,241,072</u>
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**EXPENDITURES BY CATEGORY
FISCAL YEAR 2011**

Category	FY09 Actual	FY10 Budget	FY10 Forecast	FY10 Forecast to FY10 Budget Variance		FY11 Budget	FY11 Budget to FY10 Forecast Variance Increase (Decrease)
				Fav(Unfav)	FY11 Budget	(Decrease)	
Salaries & Wages	\$6,855,120	\$6,684,045	\$6,468,642	3.2%	\$6,909,835	6.8%	
Fringe Benefits	\$2,633,982	2,548,038	2,520,874	1.1%	2,939,937	16.6%	
Chemicals	\$2,069,445	3,310,032	1,857,989	43.9%	2,617,444	40.9%	
Utilities	\$1,823,537	1,924,225	1,940,867	-0.9%	2,016,717	3.9%	
Maintenance	\$2,141,929	2,053,219	2,183,185	-6.3%	2,160,884	-1.0%	
Professional Services	\$834,546	615,950	734,958	-19.3%	860,224	17.0%	
Insurance	\$216,752	214,113	260,719	-21.8%	281,954	8.1%	
Communication	\$160,035	188,830	166,384	11.9%	173,790	4.5%	
Printing & Reproduction	\$12,828	13,025	11,067	15.0%	10,625	-4.0%	
Education and Development	\$76,029	118,671	99,825	15.9%	115,435	15.6%	
Other	134,655	234,926	204,969	12.8%	184,815	-9.8%	
Total	17,487,142	18,533,304	17,049,312	8.0%	18,855,758	10.6%	
Construction Credits	(324,927)	(398,762)	(220,666)	44.7%	(261,122)	18.3%	
Net Expense	\$17,162,215	\$18,134,542	\$16,828,646	7%	\$18,594,636	10.5%	

**EXPENDITURES BY DIVISION
FISCAL YEAR 2011**

	General and Administrative	Operating Departments	Total FY 2011 Budget
Salaries & Wages	\$2,895,056	\$4,014,779	\$6,909,835
Fringe Benefits	1,131,257	1,808,681	2,939,937
Materials & Supplies	60,081	524,016	584,097
Utilities	191,200	1,825,517	2,016,717
Maintenance	224,190	1,936,694	2,160,884
Professional Services	757,300	102,924	860,224
Insurance	43,483	238,472	281,954
Communication	160,150	13,640	173,790
Printing & Reproduction	8,825	1,800	10,625
Education and Development	56,250	59,185	115,435
Other	133,992	50,823	184,815
Total	\$5,661,783	\$13,193,975	\$18,855,758
Construction Credits	(116,852)	(144,270)	(261,122)
Net Expense	\$5,544,931	\$13,049,705	\$18,594,636

**GENERAL AND ADMINISTRATIVE
FISCAL YEAR 2011**

Category	FY09 Actual	FY10 Budget	FY10 Forecast	FY10 Forecast to FY10 Budget Variance Fav (Unfav)	FY11 Budget	FY11 Budget to FY10 Forecast Variance Increase (Decrease)
Executive Director						
Personnel Costs	\$780,182	\$717,684	\$759,380	-5.8%	\$835,078	10.0%
Operating Expenditures	368,973	391,825	359,986	8.1%	386,043	7.2%
Total Expenditures	1,149,155	1,109,509	1,119,366	-0.9%	1,221,120	9.1%
Customer Service						
Personnel Costs	389,665	370,054	383,910	-3.7%	409,467	6.7%
Operating Expenditures	207,522	243,005	238,077	2.0%	211,855	-11.0%
Total Expenditures	597,187	613,059	621,987	-1.5%	621,322	-0.1%
Engineering						
Personnel Costs	1,233,491	1,138,713	1,067,365	6.3%	1,180,436	10.6%
Operating Expenditures	168,794	72,180	89,345	-23.8%	95,270	6.6%
Total Expenditures	1,402,285	1,210,893	1,156,710	4.5%	1,275,706	10.3%
Human Resources						
Personnel Costs	477,837	410,314	388,327	5.4%	424,389	9.3%
Operating Expenditures	48,396	99,368	67,236	32.3%	62,118	-7.6%
Total Expenditures	526,233	509,682	455,563	10.6%	486,507	6.8%
Finance						
Personnel Costs	617,177	592,066	704,091	-18.9%	799,160	13.5%
Operating Expenditures	244,946	215,745	334,805	-55.2%	418,995	25.1%
Total Expenditures	862,123	807,811	1,038,896	-28.6%	1,218,155	17.3%
Information Technology						
Personnel Costs	325,467	317,086	341,178	-7.6%	377,782	10.7%
Operating Expenditures	427,080	422,090	403,267	4.5%	461,190	14.4%
Total Expenditures	752,547	739,176	744,445	-0.7%	838,972	12.7%
Total G&A	5,289,529	4,990,129	5,136,967	-2.9%	5,661,783	10.2%
Construction Credit	(\$134,284)	(173,068)	(19,930)	88.5%	(116,852)	486.3%
Net Expend c	\$5,155,245	\$4,817,061	\$5,117,037	-6.2%	\$5,544,931	8.4%

**OPERATING DEPARTMENTS
FISCAL YEAR 2011**

	FY 09 Actual	FY10 Budget	FY10 Forecast	FY10 Forecast to FY10 Budget Variance Fav(Unfav)	FY11 Budget	FY11 Budget to FY10 Forecast Variance Increase (Decrease)
Water Supply & Treatment						
Personnel Costs	\$1,609,600	\$1,601,547	\$1,598,203	0.2%	\$1,705,131	6.7%
Operating Expenditures	2,611,974	2,814,163	2,272,617	19.2%	2,627,027	15.6%
Total Expenditures	4,221,574	4,415,710	3,870,820	12.3%	4,332,157	11.9%
Water Distribution						
Personnel Costs	1,583,796.1	1,613,052	1,558,691	3.4%	1,784,477	14.5%
Operating Expenditures	716,392	803,205	782,289	2.6%	801,270	2.4%
Total Expenditures	2,300,188	2,416,257	2,340,980	3.1%	2,585,747	10.5%
Wastewater Treatment						
Personnel Costs	1,783,871.1	1,748,935	1,531,047	12.5%	1,686,334	10.1%
Operating Expenditures	2,813,098	3,693,858	2,978,916	19.4%	3,304,303	10.9%
Total Expenditures	4,596,969	5,442,793	4,509,963	17.1%	4,990,637	10.7%
Sewer Collection						
Personnel Costs	688,016.5	722,633	657,324	9.0%	647,518	-1.5%
Operating Expenditures	390,865	545,782	533,258	2.3%	637,916	19.6%
Total Expenditures	1,078,882	1,268,415	1,190,582	6.1%	1,285,433	8.0%
Total Operating Departments	12,197,613	13,543,175	11,912,345	12.0%	13,193,975	10.8%
Construction Credit	(190,643)	(225,693)	(200,736)	11.1%	(144,270)	-28.1%
Net Expense	\$12,006,970	\$13,317,482	\$11,711,609	12.1%	\$13,049,705	11.4%

DEBT SERVICE FOR FISCAL YEARS 2011-2031

Schedule of Existing Long-term Bonds

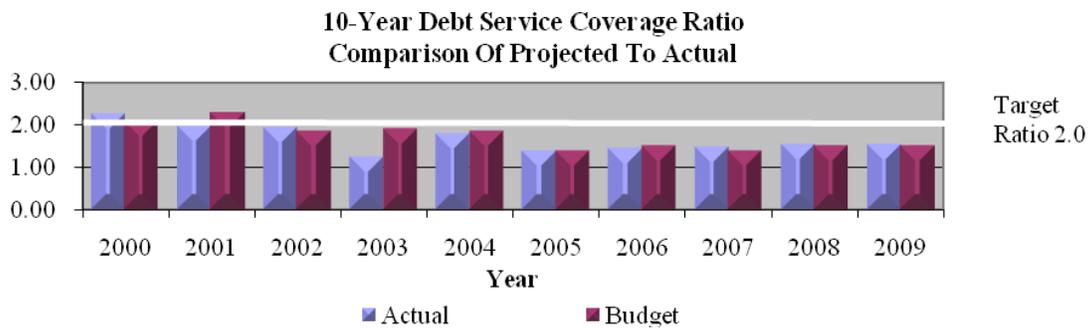
	Issue Dates	Interest Rates (Coupon)	Outstanding at 06/30/10
Series 2001 Revenue Bonds	10/1/2001	3.5% to 5.0%	\$17,795,000
Series 2003 Revenue Refunding Bonds	4/9/2003	2.5% to 5.0%	6,700,000
Series 2004A Revenue Bonds	6/17/2004	3.0% to 5.25%	16,880,000
Series 2004B Revenue Bonds	6/17/2004	Variable	20,000,000
Series 2005 Revenue Refunding Bonds	6/9/2005	3.5% to 5.0%	18,675,000
Series 2006 Revenue Bonds	10/26/2006	3.5% to 4.5%	<u>21,155,000</u>
Total Bonded Debt			<u>\$101,205,000</u>

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
2011	\$9,680,213	\$0	\$9,680,213
2012	9,503,138	0	9,503,138
2013	9,063,075	0	9,063,075
2014	8,581,300	0	8,581,300
2015	8,584,850	846,838	9,431,688
2016	8,890,225	846,838	9,737,063
2017	7,548,462	1,594,694	9,143,156
2018	7,549,375	1,594,694	9,144,069
2019	7,558,625	2,425,711	9,984,336
2020	6,379,169	2,425,711	8,804,880
2021	6,371,175	2,931,580	9,302,755
2022	6,374,019	2,931,580	9,305,599
2023	6,375,844	2,931,580	9,307,424
2024	6,388,919	2,931,580	9,320,499
2025	6,396,944	2,931,580	9,328,524
2026	6,408,944	2,931,580	9,340,524
2027	4,275,425	2,931,580	7,207,005
2028	4,283,525	2,931,580	7,215,105
2029	4,290,300	2,931,580	7,221,880
2030	1,565,500	2,931,580	4,497,080
2031*	<u>1,564,500</u>	<u>2,931,580</u>	<u>4,496,080</u>
Total	<u>\$137,633,527</u>	<u>\$41,981,866</u>	<u>\$179,615,393</u>

* Year in which final payment on existing debt will be made.

The Debt Service Coverage Ratio (net revenue divided by annual debt service payments) is a useful indicator of the sufficiency of OWASA's revenues to adequately repay debt and fund the cost of operation. OWASA's Bond Order sets the minimum required ratio at 1.2. The Board of Directors adopted a goal of 2.0 by 2012.



Capital Improvements Budget

Capital expenditures are defined as those that pay for the addition, rehabilitation and replacement of water and sewer system infrastructure and other depreciable assets. Upon completion of an annual review and update of the 15-year Capital Improvement Program and the 5-year Capital Improvement Budget, the projects listed on the following pages have been identified for funding in FY 2011. Detailed descriptions of these capital projects are included in OWASA's Capital Improvements Program that is published annually.

The FY 2011-2015 CIP Budget totals remain frugal and closely aligned with the totals included in last year's financial plan for these same years. One difference from last year's budget is an increase in FY 2011 to reflect those FY 2010 dollars that will not be expended by June 30, 2010 but are carried forward the new year. We also show a significant decrease in FY 2015 based on the results of a Wastewater Treatment Plant (WWTP) Hydraulic Capacity and Treatment Study. The study indicates that we will not require, for the foreseeable future, the additional deep-bed de-nitrification filters that were identified in last year's budget. The FY 2011-2015 budget also includes funding for improvements to the biological treatment aeration system, the biological phosphorus removal process and the anaerobic digestion process at the WWTP. These new requirements were identified during the WWTP Hydraulic Capacity and Treatment Study and were not included in last year's budget.

The total 15-year Capital Improvements Program (CIP) planning budget for FY 2011 – 2025 is approximately \$62M less than projected last year for the same 15-year period. This reduction is due primarily to the deferral of the next major upgrade project at the WWTP. Last year's CIP included an expected investment of approximately \$60M to upgrade the WWTP's capacity to 18.5 MGD in FY 2019-2022. The WWTP Hydraulic Capacity and Treatment Study revealed that this upgrade can be deferred until at least FY 2030.

The 15-year CIP plan includes replacing or rehabilitating no less than 3 miles of water mains and 2.2 miles of sewer mains annually. The plan also includes provisions for investing in key facilities (Water Treatment Plant, the Wastewater Treatment Plant, Pump Stations and Administrative Facilities) at an annual "recapitalization" rate of 2% of the replacement value for these facilities.

The 15-year CIP includes no funding for any Jordan Lake water supply capacity projects that may be required as part of our ongoing involvement in the Jordan Lake Partnership. It also includes no funding for any additional biosolids management facilities, and assumes that the regulatory environment for water treatment, wastewater treatment and biosolids recycling will remain substantially as it is today.

CAPITAL IMPROVEMENTS PROJECTS FUNDED IN FY 2011

Project Description	<u>Amount</u>	<u>Annual O&M Impact</u>
<u>Raw Water Supplies</u>		
Jordan Lake Raw Water Supply Intake and Pumping Facility - no infrastructure development planned at this time. The current -year funding is to preserve OWASA's water supply storage allocation from Lake Jordan.	\$12,000	\$0
Stone Quarry Reservoir Development - no infrastructure development planned at this time. The current -year funding is for annual contribution to a no fault well repair fund related to blasting at the quarry.	15,000	0
University Lake Pump Station Improvements - installation of a 1 to 3 MGD variable frequency drive raw water pump to provide low flow pumping capability, resulting in improved water quality and storage capacity efficiencies. Modest savings in electricity cost is anticipated.	140,000	(12,700)
Cane Creek Reservoir Dam Repairs - repairs to roller gates and stop logs.	525,000	0
<u>Raw Water Transmission</u>		
University Lake & Cane Creek Raw Water Meters - installation of new meters with meter vaults and instrumentation to provide accurate quantification of raw water conveyed to the Jones Ferry Road Water Treatment Plant.	275,000	0
<u>Water Treatment Facilities</u>		
Water Treatment Plant Controls Improvements - proactive replacement of existing water treatment plant instrumentation and controls.	152,000	0
Water Treatment Plant Recapitalization/Rehabilitation Projects - phased rehabilitation or replacement of water treatment facilities that have exceeded their expected useful lives.	479,000	0
Water Facility Security Improvements - improve the overall security posture of our water supply, treatment and storage.	290,000	0
Water Treatment Plant Secondary Containment - additional chemical containment measures.	87,000	0
<u>Water Transmission and Distribution</u>		
Water Main - Road Improvement Projects - various water main projects achieved in conjunction with planned town or state road projects.	557,000	50,000
Water Line Rehabilitation/Replacement Projects - rehabilitation of about one mile of water distribution lines.	2,119,000	50,000
Water Main Reinforcement Projects - contingency reserve only.	50,000	0
Water Distribution System Hydraulic Model - to acquire a calibrated pipe distribution system model to aid in system planning and design.	127,000	0
<u>Wastewater Collection</u>		
Bolin Creek Interceptor - replacement of 6,100 line feet of 15" and 18" with 30" interceptor to provide adequate capacity and to reduce inflow/infiltration, surcharge conditions and overflow potential.	2,344,000	20,000
Service Area Sewer Line Rehabilitation/Replacement Projects - various smaller projects to rehabilitate sewer mains, manholes and laterals.	988,000	50,000
Willow Drive/Estes Drive & US 15-501/Culbreth Road Aerial Replacements - replacement of aging aerial crossings.	180,000	0
Sanitary Sewer Service Area Study - system-wide flow monitoring and condition assessment to assist in construction/repair planning.	257,000	0
<u>Wastewater Pump Stations and Force Mains</u>		
Pump Station Rehabilitation/Recapitalization Projects - contingency funding for replacement of aging pump station components.	50,000	0

Wastewater Treatment and Disposal

Mason Farm WWTP Rehabilitation/Recapitalization Projects - contingency funding for rehabilitation as needed minor components of the WWTP.	50,000	0
Mason Farm WWTP Hydraulic and Treatment Capacity Study - assessment of the hydraulic and treatment capacity of the WWTP to assist in future plant expansion and maintenance needs.	20,000	0
Mason Farm WWTP Digester Heat Exchangers - replaces an existing heat exchanger.	500,000	0
Mason Farm WWTP Phosphorus Removal - Includes several 'toolbox' enhancements for better control of phosphorus removal including the addition of a pump for pre-filter addition of alum, addition and integration of phosphate analyzers and conversion of alum facilities to sodium aluminate facilities.	110,000	\$0
Mason Farm WWTP Safety Enhancements - addition of various security measures.	50,000	\$0

Central Office and Administration

Administration Building Rehabilitation/Recapitalization - contingency funding for central office rehabilitation.	50,000	\$0
Operations Center Rehabilitation/Recapitalization - contingency funding for operations center rehabilitation.	50,000	\$0

Information Services

Information Services - acquisition of hardware and software in support of organizational goals.	300,000	10,000
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Total \$9,777,000 \$167,300

FY 2011 CAPITAL EQUIPMENT LISTING, CONSOLIDATED

<u>Department Titles and Item Descriptions</u>	<u>Amount</u>
Water Supply and Treatment	
2007 39-foot Aluminum Frameless Tandem Axle Dump Trailer (Addition)	<u>\$36,900</u>

REHABILITATION/REPLACEMENT PROJECTS (IN-HOUSE)

These projects are performed by OWASA's staff to rehabilitate or replace existing portions of water and sewer mains. These in-house projects represent an investment in capital assets which extend the useful life of the systems and are therefore recorded as capital expenditures.

In-house projects are recorded as capital assets. 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. Materials costs are charged directly to each project from an inventory account and are not included in the construction credit amount.

Total funds of \$5,691,080 for water and sewer main rehabilitation and replacement projects are reflected in the Capital Improvements Budget. Of this amount, \$5,744,800 is expected to be completed by contractors and \$546,920 to be completed by OWAA's construction crews. Below is a list of rehabilitation projects scheduled to be completed by OWASA's construction crews in FY2011.

In-house Rehabilitation / Replacement Projects FY2011

Water System Project Titles	Size	Length (ft.)	Material	Equipment	Labor	Overhead	Total
Long Leaf Road from Willow Dr to Plum Rd	8"	890	\$60,998	\$10,749	\$18,361	\$24,053	\$115,051
Emory Drive from Willow Dr to Long Leaf	8"	970	66,481	11,715	19,725	25,840	124,731
Mason Farm Road at West Drive	12"	200	13,708	2,416	6,597	8,642	31,563
Henderson Street from Franklin St to North St	6"	790	54,145	9,541	16,656	21,819	102,951
East Poplar Ave	6"	370	25,359	4,469	9,495	12,438	52,131
Fordham Boulevard Service Road at Sage Road	8"	<u>890</u>	<u>60,998</u>	<u>16,179</u>	<u>18,366</u>	<u>24,059</u>	<u>120,492</u>
Water System Subtotals		<u>4,110</u>	<u>\$281,689</u>	<u>\$55,069</u>	<u>\$89,200</u>	<u>\$116,852</u>	<u>\$546,920</u>
Water System Const. Credit (Equip + Labor)							144,269
Water System Const. Credit (Overhead)							<u>116,852</u>
Total Water System Construction Credit							<u>\$261,122</u>

PROJECT CATEGORY:	FIVE-YEAR CAPITAL BUDGETING PERIOD					5-YEAR BUDGET FY 2011-15	YEARS 6 To 15		15-YEAR TOTAL FY 2011-25
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015		FY 2016-20	FY 2021-25	
RAW WATER SUPPLY SOURCES	\$692,000	\$27,000	\$27,000	\$89,000	\$134,000	\$969,000	\$2,936,000	\$1,728,000	\$5,633,000
RAW WATER TRANSMISSION	275,000	0	0	0	23,000	298,000	0	0	298,000
WATER TREATMENT FACILITIES	1,008,000	252,000	156,000	200,000	2,043,000	3,659,000	11,851,000	15,124,000	30,634,000
FINISHED WATER PUMPING	0	66,000	0	0	0	66,000	3,295,000	0	3,361,000
FINISHED WATER STORAGE	0	0	0	0	0	0	0	0	0
WATER TRANSMISSION AND DISTRIBUTION	2,853,000	2,498,000	2,680,000	3,348,000	4,680,000	16,059,000	33,430,000	37,123,000	86,612,000
WASTEWATER COLLECTION LINES	3,769,000	3,312,000	2,191,000	2,811,000	5,579,000	17,662,000	25,837,000	19,819,000	63,318,000
WASTEWATER PUMP STATIONS	50,000	950,000	1,843,000	58,000	256,000	3,157,000	9,226,000	2,938,000	15,321,000
WASTEWATER TREATMENT AND DISPOSAL	730,000	456,000	1,653,000	5,563,000	3,702,000	12,104,000	21,476,000	27,408,000	60,988,000
CENTRAL OFFICE AND OPERATIONS	100,000	106,000	112,000	116,000	366,000	800,000	2,122,000	2,707,000	5,629,000
INFORMATION SERVICES	300,000	300,000	300,000	300,000	300,000	1,500,000	1,842,000	2,000,000	5,342,000
TOTAL PROJECTED FOR FISCAL YEAR:	\$9,777,000	\$7,967,000	\$8,962,000	\$12,485,000	\$17,083,000	\$56,274,000	\$112,015,000	\$108,847,000	\$277,136,000
PROPOSED 5-YEAR FUNDING SOURCES:									
CASH	\$9,777,000	\$7,967,000	\$8,962,000	\$12,485,000	\$5,254,020	\$44,445,020			
PROPOSED BONDS	0	0	0	0	0	0			
EXISTING BONDS	0	0	0	0	0	0			
GRANTS	0	0	0	0	0	0			
TOTAL PROPOSED FUNDING SOURCES:	\$9,777,000	\$7,967,000	\$8,962,000	\$12,485,000	\$5,254,020	\$44,445,020			

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Section II

Overview of OWASA Departments

Orange Water and Sewer Authority Staff/Department Structure	22
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General and Administrative Departments

01 Office Of Executive Director.....	23
--------------------------------------	----

02 Customer Service	25
---------------------------	----

03 Engineering And Planning	27
-----------------------------------	----

04 Human Resources	29
--------------------------	----

05 Finance	31
------------------	----

07 Information Technology	33
---------------------------------	----

Operating Departments

11 Water Supply And Treatment	35
-------------------------------------	----

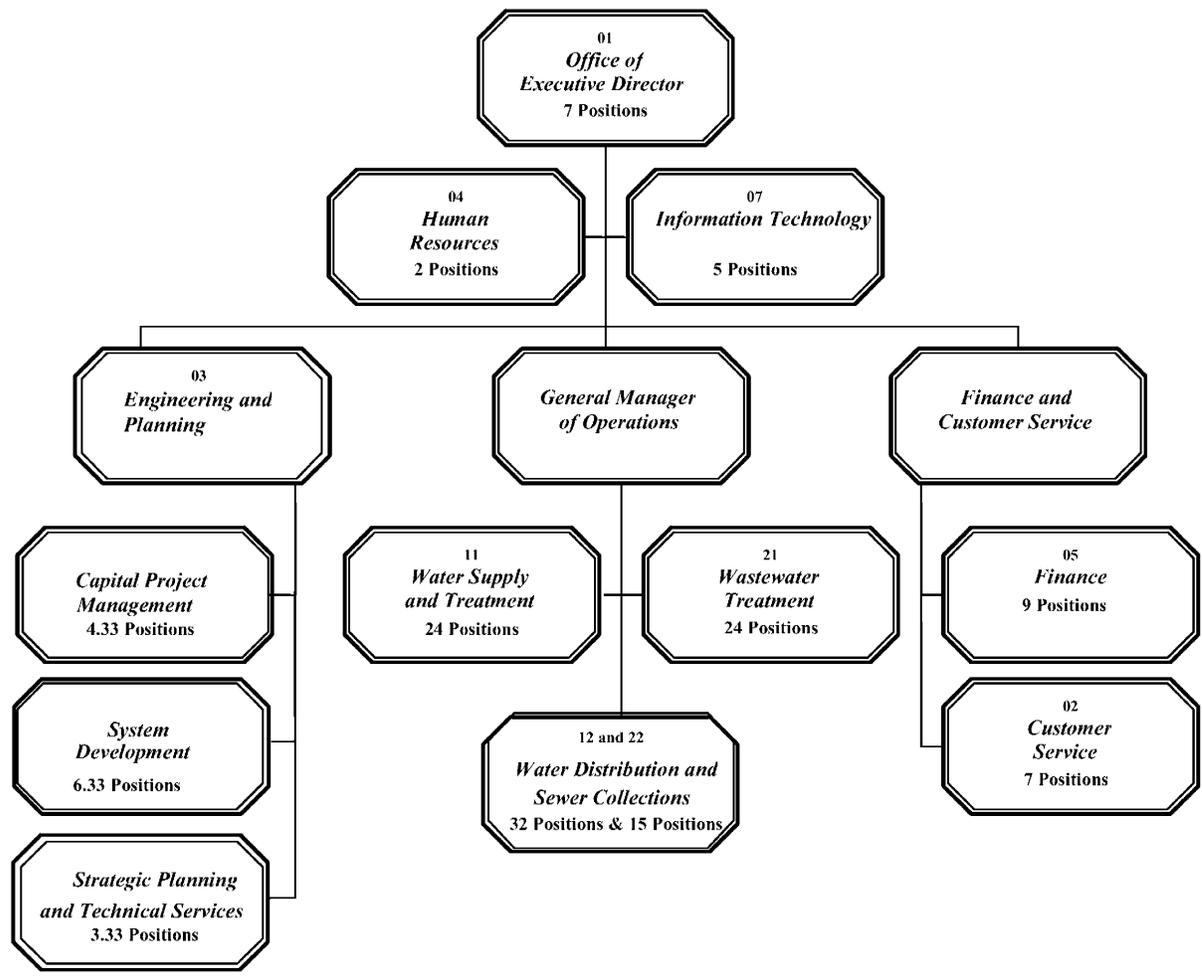
12 Water Distribution	37
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21 Wastewater Treatment	39
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22 Sewer Collection	41
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Orange Water and Sewer Authority Staff/Department Structure



01 OFFICE OF EXECUTIVE DIRECTOR
(General and Administrative)

MISSION

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

The Board of Directors is responsible for managing and operating OWASA in accordance with authority derived from the North Carolina General Statutes, OWASA's Bond Order, OWASA's Bylaws, the 1977 Agreements of Sale and Purchase with The University of North Carolina at Chapel Hill, with the Town of Carrboro, and with the Town of Chapel Hill, and other legal and organizational documents. The Board sets the overall mission and policies of the organization, appoints the Executive Director, General Counsel, and auditors, and provides oversight and monitoring of OWASA's activities.

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

SUMMARY OF ACTIVITIES

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

OFFICE OF THE EXECUTIVE DIRECTOR

**Three-year Comparison
Fiscal Years 2009 - 2011**

	FY 2009	FY 2010	10 Budget to 09 Actual	FY 2010 Projected	10 Proj. Variance to 10 Budget	FY 2011 Budget	11 Budget to 10 Projected
	Actual	Budget					
Personnel Costs							
Salaries and Wages	\$579,457	\$565,069		\$600,839		\$637,004	
Fringe Benefits	<u>200,725</u>	<u>152,615</u>		<u>158,541</u>		<u>198,073</u>	
Total Personnel Costs	780,182	717,684	-8%	759,380	6%	835,078	10%
Other Operating Expense							
Materials and Supplies	4,574	8,320		4,030		7,230	
Utilities	60,356	79,550		62,200		66,500	
Maintenance	0	0		0		0	
Professional Services	217,771	199,400		208,000		204,200	
Insurance	39,017	36,000		40,894		43,483	
Communication	21,781	35,430		23,000		33,930	
Printing and Reproduction	523	875		200		875	
Education and Development	4,692	9,825		5,062		9,960	
Other	<u>20,259</u>	<u>22,425</u>		<u>16,600</u>		<u>19,865</u>	
Total Operating Expenditures	368,973	391,825	6%	359,986	-8%	386,043	7%
Total Expenditures	<u>1,149,155</u>	<u>1,109,509</u>	-3%	<u>1,119,366</u>	1%	<u>1,221,120</u>	9%
Construction Credit	(134,284)	(173,068)		(19,930)		(116,852)	
Net Expense	<u>\$1,014,871</u>	<u>\$936,441</u>	-8%	<u>\$1,099,436</u>	17%	<u>\$1,104,268</u>	0%

Personnel Summary

	FY 2009	FY 2010	FY 2011
Positions	9	9	7

02 CUSTOMER SERVICE DEPARTMENT

MISSION

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

SUMMARY OF ACTIVITIES

- Courteously greet all callers and visitors to OWASA, identifying their needs and providing service.
- Operate and maintain the customer billing system to produce accurate and timely bills.
- Collect payments and deposit revenues in accordance with generally accepted accounting principles.
- Develop, interpret and administer OWASA policies relating to customer service and billing and collection of accounts.
- Provide reports and technical assistance to the organization regarding sales, collections, accounts and other customer service information.
- Develop the knowledge and skills of employees by providing training in computer software, telephone etiquette and workshops in customer service techniques.
- Enforce OWASA rules concerning past due bills, returned checks and water theft.
- Oversee OWASA's Participation in the NC Debt Setoff Program.

CUSTOMER SERVICE

Three-year Comparison Fiscal Years 2009 - 2011

	FY 2009 Actual	FY 2010 Budget	10 Budget to 09 Actual	FY 2010 Projected	10 Proj. Variance to 10 Budget	FY 2011 Budget	11 Budget to 10 Projected
Personnel Costs							
Salaries and Wages	\$284,414	\$270,232		\$278,764		\$295,630	
Fringe Benefits	<u>105,251</u>	<u>99,822</u>		<u>105,146</u>		<u>113,837</u>	
Total Personnel Costs	389,665	370,054	-5%	383,910	4%	409,467	7%
Other Operating Expense							
Materials and Supplies	8,974	3,000		3,000		3,000	
Utilities	0	0		0		0	
Maintenance	0	805		805		1,255	
Professional Services	67,034	48,000		48,000		51,600	
Insurance	0	0		0		0	
Communication	111,837	110,000		110,000		110,000	
Printing and Reproduction	1,211	3,000		3,000		3,000	
Education and Development	5,302	6,200		6,200		7,000	
Other	<u>13,165</u>	<u>72,000</u>		<u>67,072</u>		<u>36,000</u>	
Total Operating Expenditures	207,522	243,005	17%	238,077	-2%	211,855	-11%
Total Expenditures	<u>597,187</u>	<u>613,059</u>	3%	<u>621,987</u>	1%	<u>621,322</u>	0%
Construction Credit	0	0		0		0	
Net Expense	<u>\$597,187</u>	<u>\$613,059</u>	3%	<u>\$621,987</u>	1%	<u>\$621,322</u>	0%

Personnel Summary

	FY 2009	FY 2010	FY 2011
Positions	7.33	7.33	7

Key Performance Measurements

Effectiveness: Percentage of total bills which are delivered to post office on scheduled day.

Call Management - Average length of calls in minutes and percent of abandoned or lost calls.

	FY 2008	FY 2009	FY 2010*
Billing Timeliness; Goal: 100%	91	98	96
Length of Call (minutes); Goal: N/A		1.82	1.91
Abandoned or Lost Calls; Goal: <2%		<1	2

Workload: Total number of customer accounts.

Total number of calls.

	FY 2008	FY 2009	FY 2010*
Total Accounts	19,998	20,137	20,194
Total number of calls.		15,723	15,927

*Through the 2nd quarter of FY 2010.

03 ENGINEERING AND PLANNING DEPARTMENT (General and Administrative)

MISSION

The Engineering and Planning Department is responsible for three primary functions: Management of all third party projects, which includes the review of construction plans and inspection of ongoing construction to ensure that all water and sewer work accomplished by outside entities (private developers, etc.) within the OWASA service area 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 Improvement Program, which includes execution of design and construction for all large-scale repair, renovation, replacement and upgrade projects as necessary to maintain the reliability and efficient operations of OWASA's water and sewer 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 all water and sewer utility work accomplished in the service area.
- Produce small-scale in-house designs, primarily for use by OWASA crews.
- Complete studies and modeling efforts to determine the engineering and economic feasibility of various approaches to the repair and upgrade of OWASA's infrastructure.
- Manage and direct consultant efforts for development of project designs, biddable contract documents and management of all contract administrative requirements.
- Develop the 15 year Capital Improvements Plan.
- Maintain an updated Comprehensive Water and Sewer Master Plan that provides the overall framework for short and long-term water and wastewater facility improvement, expansion, replacement, and rehabilitation.
- Direct all land management issues including acquisition of necessary utility easements and efforts to protect OWASA watersheds.
- Provide engineering support for the operation and maintenance of water and wastewater facilities and infrastructure.
- Manage and maintain a Geographic Information System (GIS) that integrates GIS technology with the many operating and business functions of OWASA.

ENGINEERING AND PLANNING

Three-year Comparison Fiscal Years 2009 - 2011

	FY 2009	FY 2010	10 Budget to	FY 2010	10 Proj. Variance to	FY 2011	11 Budget to 10
	Actual	Budget	09 Actual	Projected	10 Budget	Budget	Projected
Personnel Costs							
Salaries and Wages	\$963,956	\$885,263		\$814,750		\$890,583	
Fringe Benefits	<u>269,535</u>	<u>253,450</u>		<u>252,615</u>		<u>289,853</u>	
Total Personnel Costs	1,233,491	1,138,713	-8%	1,067,365	-6%	1,180,436	11%
Other Operating Expense							
Materials and Supplies	13,710	19,942		17,942		16,710	
Utilities	0	0		0		0	
Maintenance	1,535	1,700		1,700		1,535	
Professional Services	142,269	33,000		55,000		59,000	
Communication	442	600		600		600	
Printing and Reproduction	1,276	2,350		2,350		1,550	
Education and Development	7,148	12,050		9,500		8,250	
Other	<u>2,414</u>	<u>2,538</u>		<u>2,253</u>		<u>7,625</u>	
Total Operating Expenditures	168,794	72,180	-57%	89,345	24%	95,270	7%
Total Expenditures	<u>1,402,285</u>	<u>1,210,893</u>	-14%	<u>1,156,710</u>	-4%	<u>1,275,706</u>	10%
Construction Credit	0	0		0		0	
Net Expense	<u>\$1,402,285</u>	<u>\$1,275,706</u>	-14%	<u>\$1,210,893</u>	-4%	<u>\$1,156,710</u>	10%

Personnel Summary

	FY 2009	FY 2010	FY 2011
Positions	15	13.5	14

Key Performance Measurements

Effectiveness: Actual capital project expenditures as a percentage of total annual capital budget.

The average length of time to review plan from date received to issuance of review letter.

Capital projects communication plans effectiveness ratings.

	FY 2008	FY 2009	FY 2010*
Actual capital project expense to budget; Goal: >80%	66	79	25
Average plan review time; Goal: <15 work days.	11	9	8
Rating by OWASA customers of our manhole rehabilitation program; Goal: 5 on a scale of 1-5.	3.2	4.4	N/A (no projects)

*Through the 2nd quarter of FY 2010.

04 HUMAN RESOURCES DEPARTMENT (General and Administrative)

MISSION

The Human Resources Department is responsible for the development and cultivation of human resources and safety and training initiatives including recruitment, selection, policy compliance and development, benefits administration, pay plan implementation, employee insurance management, and employee records management. The Human Resources Department monitors changes in State and Federal personnel regulations and laws to assure the timely update and compliance of OWASA's safety and personnel practices. The Human Resources 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 the employees that personnel matters are being handled fairly, equitably, and without discrimination in accordance with good personnel practices and in compliance with applicable policies, regulations, and laws.

SUMMARY OF ACTIVITIES

- Promote responsive and courteous customer service in all activities.
- Administer the classification and pay plan for the organization and ensure the organization's pay and benefits package is competitive in the marketplace.
- Recruit candidates for vacant positions.
- Review employee training and development programs, especially related to enhancing competency for promotion.
- Encourage uniformity and timeliness in processing of performance appraisals.
- Actively promote equal employment/affirmative action objectives.
- Promote good employee relations and a positive working environment.
- Review personnel policies and practices and make recommendations for revisions.
- Process employee claims for Life and Long-Term Disability insurance coverage in a timely and appropriate manner.
- Process and monitor employee timesheets to ensure timeliness and correctness.
- Provide a safety program to enhance safety awareness, prevent worker injuries, and promote safe work practices in all operations.
- Promote the general well-being of the work force through counseling, special personal need assistance, and advice to employees and managers through available resources.
- Ensure that all physically challenged job applicants are evaluated in accordance with the Americans with Disabilities Act.

HUMAN RESOURCES

Three-year Comparison Fiscal Years 2009 - 2011

	FY 2009 Actual	FY 2010 Budget	10 Budget to 09 Actual	FY 2010 Projected	10 Proj. Variance to 10 Budget	FY 2011 Budget	11 Budget to 10 Projected
Personnel Costs							
Salaries and Wages	\$233,107	\$217,721		\$185,106		\$194,541	
Fringe Benefits	<u>244,730</u>	<u>192,593</u>		<u>203,221</u>		<u>229,848</u>	
Total Personnel Costs	477,837	410,314	-14%	388,327	-5%	424,389	9%
Other Operating Expense							
Materials and Supplies	5,095	12,481		11,094		5,311	
Utilities	0	0		0		0	
Maintenance	73	0		0		0	
Professional Services	22,799	34,200		12,490		21,500	
Communication	6,436	23,000		16,665		11,320	
Printing and Reproduction	659	1,500		1,057		800	
Education and Development	1,652	6,500		6,055		3,000	
Other	<u>11,682</u>	<u>21,687</u>		<u>19,875</u>		<u>20,187</u>	
Total Operating Expenditures	48,396	99,368	105%	67,236	-32%	62,118	-8%
Total Expenditures	<u>526,233</u>	<u>509,682</u>	-3%	<u>455,563</u>	-11%	<u>486,507</u>	7%
Construction Credit	0	0				0	
Net Expense	<u>\$526,233</u>	<u>\$509,682</u>	-3%	<u>\$455,563</u>	-11%	<u>\$486,507</u>	7%

Personnel Summary

	FY 2009	FY 2010	FY 2011
Positions	6	3.5	3

Key Performance Measurements

- Effectiveness: Vacancies as a percentage of the total number of funded positions.
 Number of EEOC complaints for which the organization was found to have responsibility.
 The racial and gender diversity of OWASA employees.
 The number of injuries, illnesses, or lost workdays compared to a common exposure base of 100 full-time workers.

	FY 2008	FY 2009	FY 2010*
Attrition rate; Goal: <8%	10.6%	7.2%	2.9%
At fault EEOC Complaints; Goal 0	0	0	0
Diversity percentages: Racial: Goal 25-30%	27	24	24
Gender: Goal 25-30%	24	25	25
Industry incident rate: <3	2.6	2.3	1.3

*Through the 2nd quarter of FY 2010.

05 FINANCE DEPARTMENT
(General and Administrative)

MISSION

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

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

SUMMARY OF ACTIVITIES

- Promote responsive and courteous customer service in all activities.
- Manage OWASA's cash and investments to optimize return while maintaining adequate liquidity to meet expenditures in a timely manner.
- Process all invoices in a timely and accurate manner taking advantage of discounts for payments and maintain effective relationships with vendors.
- Process biweekly payroll accurately and timely.
- Provide prompt and accurate management reports.
- Monitor budget performance.
- Develop forecasted budget data for subsequent fiscal year.
- Maintain general ledger and related subsidiary ledgers.
- Maintain a reliable and timely cost accounting system.
- Invest cash to yield maximum interest earnings using fiscally sound investment practices while maintaining adequate working capital.
- Administer the Financial Management Policy.
- Review adequacy of rates and fees to generate necessary revenues to support a fiscally sound organization.

FINANCE

Three-year Comparison Fiscal Years 2009 - 2011

	FY 2009	FY 2010	10 Budget to 09 Actual	FY 2010 Projected	10 Proj. Variance to 10 Budget	FY 2011 Budget	11 Budget to 10 Projected
	Actual	Budget					
Personnel Costs							
Salaries and Wages	\$470,763	\$452,021		\$524,570		\$585,730	
Fringe Benefits	<u>146,414</u>	<u>140,044</u>		<u>179,521</u>		<u>213,431</u>	
Total Personnel Costs	617,177	592,066	-4%	704,091	19%	799,160	14%
Other Operating Expense							
Materials and Supplies	9,492	10,100		10,466		9,830	
Utilities	6,183	4,500		4,500		4,500	
Maintenance	943	3,200		2,412		3,000	
Professional Services	205,746	179,850		300,345		380,000	
Communication	3,702	4,400		2,802		4,300	
Printing and Reproduction	8,940	2,900		3,067		2,600	
Education and Development	8,523	8,680		9,774		12,650	
Other	<u>1,418</u>	<u>2,115</u>		<u>1,439</u>		<u>2,115</u>	
Total Operating Expenditures	244,946	215,745	-12%	334,805	55%	418,995	25%
Total Expenditures	<u>862,123</u>	<u>807,811</u>	-6%	<u>1,038,896</u>	29%	<u>1,218,155</u>	17%
Construction Credit	0	0		0		0	
Net Expense	<u>\$862,123</u>	<u>\$807,811</u>	-6%	<u>\$1,038,896</u>	29%	<u>\$1,218,155</u>	17%

Personnel Summary

	FY 2009	FY 2010	FY 2011
Positions	6.5	6.33	9

Key Performance Measurements

Effectiveness: The sufficiency of capital reserve to defray the cost of operations and meet capital expenditure needs.
 The sufficiency of net revenues to repay debt, and to fund future operating and capital needs.
 The adequacy of net assets in comparison to debt.
 Appropriate constraint of the financial burden OWASA's billings place on our customers.

	FY 2008	FY 2009	FY 2010*
Working Capital Reserve; Goal: the greater of four months operating budget of 20% of the succeeding three year's CIP (\$6.2 Mil. in FY 2010).	\$7.7 Mil.	\$8.5 Mil.	\$9.4 Mil.
Debt Service Coverage Ratio; Goal: 2.0	1.53	1.63	2.13
Debt to Asset Value; Goal: ≤ 50%	39	37	35
Service Affordability; Goal: ≤ 1.5 of Median Household income	1.1	1.4	1.6

*Through the 2nd quarter of FY 2010

07 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).
- Develops, maintains, and implements, 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 or re-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.

INFORMATION TECHNOLOGY

Three-year Comparison Fiscal Years 2009 - 2011

	FY 2009	FY 2010	10 Budget to 09 Actual	FY 2010 Projected	10 Proj. Variance to 10 Budget	FY 2011 Budget	11 Budget to 10 Projected
	Actual	Budget					
Personnel Costs							
Salaries and Wages	\$253,074	\$244,491		\$266,242		\$291,568	
Fringe Benefits	<u>72,393</u>	<u>72,595</u>		<u>74,936</u>		<u>86,214</u>	
Total Personnel Costs	325,467	317,086	-3%	341,178	8%	377,782	11%
Other Operating Expense							
Materials and Supplies	15,888	18,000		18,000		18,000	
Utilities	106,966	106,200		98,264		120,200	
Maintenance	231,127	214,000		214,000		218,400	
Professional Services	22,875	5,000		4,993		41,000	
Communication	50	500		96		0	
Printing and Reproduction	0	0		0		0	
Education and Development	11,148	15,390		15,390		15,390	
Other	<u>39,026</u>	<u>63,000</u>		<u>52,524</u>		<u>48,200</u>	
Total Operating Expenditures	427,080	422,090	-1%	403,267	-4%	461,190	14%
Total Expenditures	<u>752,547</u>	<u>739,176</u>	-2%	<u>744,445</u>	1%	<u>838,972</u>	13%
Construction Credit	0	0		0		0	
Net Expense	<u>\$752,547</u>	<u>\$739,176</u>	-2%	<u>\$744,445</u>	1%	<u>\$838,972</u>	13%

Personnel Summary

	FY 2009	FY 2010	FY 2011
Positions	4	4	4

11 WATER SUPPLY AND TREATMENT DEPARTMENT

MISSION

The Water Supply and Treatment Department is responsible for providing a continuous supply of 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 residuals processing and disposal facilities, and five elevated storage tanks. The department also administers the watershed protection programs.

SUMMARY OF ACTIVITIES

- Efficiently and effectively operate the water treatment, laboratory and maintenance programs in full compliance with all 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.
- Respond to weekend and after-hours water and sewer emergency calls from OWASA customers in a courteous and timely fashion and dispatch appropriate personnel to resolve customer problems.
- Provide responsive and courteous service to address water quality concerns from customers.
- Enhance customer awareness of watershed protection and water treatment by conducting facility tours and provide general information relating to water quality and treatment to augment the education system.
- Ensure continued compliance with the Natural Pollutant Discharge Elimination System's permit requirements for discharging process water generated by the water treatment processes.
- Operate and maintain the recreational facilities at University Lake and Cane Creek Reservoir in a courteous and friendly manner.
- Continue strong emphasis on the development and training of employees to improve their knowledge, skills, and abilities, including professional certifications and safety requirements.
- Reinforce the teamwork approach required by department employees to accomplish objectives within the operation and maintenance of the lakes and water treatment facilities.
- Oversee and manage OWASA owned land and conservation easements in the University Lake and Cane Creek watersheds.

WATER SUPPLY AND TREATMENT

Three-year Comparison Fiscal Years 2009 - 2011

	FY 2009 Actual	FY 2010 Budget	10 Budget to 09 Actual	FY 2010 Projected	10 Proj. Variance to 10 Budget	FY 2011 Budget	11 Budget to 10 Projected
Personnel Costs							
Salaries and Wages	\$1,179,894	\$1,159,622		\$1,140,191		\$1,197,573	
Fringe Benefits	<u>429,706</u>	<u>441,925</u>		<u>458,012</u>		<u>507,557</u>	
Total Personnel Costs	1,609,600	1,601,547	-1%	1,598,203	0%	1,705,131	7%
Other Operating Expense							
Materials and Supplies	139,360	152,147		131,017		135,615	
Chemicals	1,246,910	1,478,491		1,040,629		1,150,000	
Utilities	392,262	420,200		394,013		441,594	
Maintenance	641,237	585,400		538,353		693,373	
Professional Services	92,265	70,500		52,835		67,000	
Insurance	74,188	72,021		90,165		98,734	
Communication	7,175	5,300		3,885		5,300	
Printing and Reproduction	0	0		0		0	
Education and Development	10,887	19,043		10,860		19,710	
Other	<u>7,690</u>	<u>11,061</u>		<u>10,860</u>		<u>15,701</u>	
Total Operating Expenditures	2,611,974	2,814,163	8%	2,272,617	-19%	2,627,027	16%
Total Expenditures	<u>4,221,574</u>	<u>4,415,710</u>	5%	<u>3,870,820</u>	-12%	<u>4,332,157</u>	12%
Construction Credits	\$0	\$0		(\$1,891)		\$0	
Net Expense	<u>\$4,221,574</u>	<u>\$4,415,710</u>	5%	<u>\$3,868,929</u>	-12%	<u>\$4,332,157</u>	12%

Personnel Summary

	FY 2009	FY 2010	FY 2011
Positions	13	13.5	24

Key Performance Measurements

Workload: Measure of the number of gallons of finished drinking water pumped from the Jones Ferry Road.

The percent of solids that were removed from the water treatment process that was treated and recycled for beneficial use.

	FY 2008	FY 2009	FY 2010*
Finished water pumped to distribution system; Goal: N/A.	2,930 Billion	3,008 Billion	1,492 Billion
Solids beneficially reused; Goal: 100%	100%	100%	100%

Effectiveness: Number of primary drinking water standards noncompliances.

Number of secondary drinking water standards noncompliances.

The presence of suspended and colloidal matter in the finished water.

	FY 2008	FY 2009	FY 2010*
Primary drinking water standards noncompliances; Goal: 0	0	0	0
Secondary drinking water standards noncompliances; Goal: 0	0	0	0
Average finished water turbidity; Goal: <0.06 NTU.	0.03	0.03	0.03

*Through the 2nd quarter of FY 2010.

12 WATER DISTRIBUTION DEPARTMENT

MISSION

The Water Distribution Department is responsible for maintaining the drinking water distribution system from the Water Treatment Plant clearwell to the meters at customers' premises with exception of the system's storage tanks and the distribution pipes. The Water Distribution Department develops and implements efficient and effective measures for maintenance and repair of all components of the water distribution infrastructure. The Water Distribution Department is also 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).
- Administer a Backflow Prevention Program to ensure water quality.
- Coordinate the repair and replacement of customer water meters.
- Maintain integrity of water distribution lines by continuing rehabilitation program.

WATER DISTRIBUTION

Three-year Comparison Fiscal Years 2009 - 2011

	FY 2009 Actual	FY 2010 Budget	10 Budget to 09 Actual	FY 2010 Projected	10 Proj. Variance to 10 Budget	FY 2011 Budget	11 Budget to 10 Projected
Personnel Costs							
Salaries and Wages	\$1,111,207	\$1,123,100		\$1,102,252		\$1,187,467	
Fringe Benefits	<u>472,589</u>	<u>489,952</u>		<u>456,439</u>		<u>597,010</u>	
Total Personnel Costs	1,583,796	1,613,052	2%	1,558,691	-3%	1,784,477	14%
Other Operating Expense							
Materials and Supplies	71,611	74,250		73,292		66,250	
Utilities	201,772	204,525		203,023		221,400	
Maintenance	408,690	500,000		483,983		487,822	
Professional Services	16,900	0		0		0	
Insurance	6,607	8,080		9,551		9,998	
Communication	370	500		481		500	
Printing and Reproduction	25	1,400		961		1,300	
Education and Development	7,967	10,550		9,212		10,600	
Other	<u>2,450</u>	<u>3,900</u>		<u>1,786</u>		<u>3,400</u>	
Total Operating Expenditures	716,392	803,205	12%	782,289	-3%	801,270	2%
Total Expenditures	<u>2,300,188</u>	<u>2,416,257</u>	5%	<u>2,340,980</u>	-3%	<u>2,585,747</u>	10%
Construction Credits	(144,175)	(225,693)		(182,556)		(144,270)	
Net Expense	<u>\$2,156,013</u>	<u>\$2,190,564</u>	2%	<u>\$2,158,424</u>	-1%	<u>\$2,441,477</u>	13%

Personnel Summary

	FY 2009	FY 2010	FY 2011
Positions	32	32	32

Key Performance Measurements

Workload: Miles of finished water distribution pipe maintained.

	FY 2008	FY 2009	FY 2010*
Miles of pipe maintained	389	390	390

Effectiveness: The volume of billed finished water compared to the volume of finished water pumped to the distribution system.

The number of main breaks per 100 miles of water distribution pipe.

Percentage of meters read accurately.

	FY 2008	FY 2009	FY 2010*
Accounted for water; Goal: > 90%	93	86	93
Number of main breaks; Goal: < 15 per 100 miles of pipe.	12	10	5
Meter reading accuracy; Goal: 100%	99%	99%	99%

*Through the 2nd quarter of FY 2010.

21 WASTEWATER TREATMENT PLANT

MISSION

The Wastewater Plant is responsible for reliably providing efficient and effective treatment of the wastewater and its residuals generated by OWASA customers. The Department complies with various Local, State, and Federal regulations, that pertain to all the discharges from the OWASA facilities, plus the general operation requirements to meet all applicable standards. These include; National Pollutant Discharge Elimination System (NPDES) Permit, the Land Application Permit (WQ, Non-Discharge), the Storm Water Discharge Permit and Reclaimed Water Permit.

SUMMARY OF ACTIVITIES

- Provide responsive and courteous customer service in all activities.
- Maintain the plant, maintenance, and laboratory programs to ensure that all discharges are in compliance with their operating permits.
- Operate the plant, laboratory and maintenance areas in compliance with all applicable State and Federal requirements.
- Effectively control 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, tracking of equipment history and reliability, and development of a database of suppliers and parts for installed equipment to support company asset management.
- Manage all programs in an environmentally and operationally sound manner.
- Provide training and professional development to employees to improve their knowledge, skills and abilities related to their work area including professional certifications and safety requirements.

WASTEWATER TREATMENT

Three-year Comparison Fiscal Years 2009 - 2011

	FY 2009 Actual	FY 2010 Budget	10 Budget to 09 Actual	FY 2010 Projected	10 Proj. Variance to 10 Budget	FY 2011 Budget	11 Budget to 10 Projected
Personnel Costs							
Salaries and Wages	\$1,297,161	\$1,258,708		\$1,093,408		\$1,183,640	
Fringe Benefits	<u>486,710</u>	<u>490,227</u>		<u>437,639</u>		<u>502,694</u>	
Total Personnel Costs	1,783,871	1,748,935	-2%	1,531,047	-12%	1,686,334	10%
Other Operating Expense							
Materials and Supplies	210,967	269,990		270,717		262,651	
Chemicals	779,277	1,589,761		698,242		1,150,000	
Chemicals - Odor Control	5,000	135,780		12,000		91,444	
Utilities	932,792	975,500		1,045,896		1,028,213	
Maintenance	692,454	530,114		727,765		564,499	
Professional Services	46,888	44,500		53,295		34,424	
Insurance	90,200	90,430		113,173		120,044	
Communication	7,973	8,100		8,146		6,840	
Printing and Reproduction	0	0		0		0	
Education and Development	12,087	18,683		18,682		18,125	
Other	<u>35,460</u>	<u>31,000</u>		<u>31,000</u>		<u>28,062</u>	
Total Operating Expenditures	2,813,098	3,693,858	31%	2,978,916	-19%	3,304,303	11%
Total Expenditures	<u>4,596,969</u>	<u>5,442,793</u>	18%	<u>4,509,963</u>	-17%	<u>4,990,637</u>	11%
Construction Credits	0	0		0		0	
Net Expense	<u>\$4,596,969</u>	<u>\$5,442,793</u>	18%	<u>\$4,509,963</u>	-17%	<u>\$4,990,637</u>	11%

Personnel Summary

	FY 2009	FY 2010	FY 2011
Positions	15	13.5	15

Key Performance Measurements

Workload: The number of gallons of wastewater treated at the WWTP.

	FY 2008	FY 2009	FY 2010*
Wastewater treated; Goal: N/A	2,707 Billion	2,864 Billion	1,428 Billion

Effectiveness: Events of permit noncompliance.

Wastewater overflows at plant

Number of odor events documented regarding the operation of the WWTP.

	FY 2008	FY 2009	FY 2010*
Events of permit noncompliance; Goal: 0	2	1	0
Wastewater overflows; Goal: 0	1	1	0
Odor events: goal: 0	1	1	0

*Through the 2nd quarter of FY 2010.

22 SEWER COLLECTION DEPARTMENT

MISSION

The Sewer Collection Department is responsible for maintaining the public sewer collection system extending from customer's private service lateral at the public sewer main to the Mason Farm Wastewater Treatment Plant. The Sewer Collection Department uses precise and systematic approaches to minimize and prevent overflows of sewage to local creeks and streams. The department operates ongoing programs to clear and mow easements.

SUMMARY OF ACTIVITIES

- Promote 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 sewer collections system.
- Regularly mow and clear easements and clean sewer mains.
- Maintain a computerized maintenance management program for all aspects of the department's operation.
- Ensure proper employee training and development in new methods of maintenance of sewer lines and usage of related equipment. Enhance knowledge and skills of employees to increase proficiency through participation in education and training workshops and in-house programs.
- Administer grease monitoring program.

SEWER COLLECTIONS

Three-year Comparison Fiscal Years 2009 - 2011

	FY 2009 Actual	FY 2010 Budget	10 Budget to 09 Actual	FY 2010 Projected	10 Proj. Variance to 10 Budget	FY 2011 Budget	11 Budget to 10 Projected
Personnel Costs							
Salaries and Wages	\$482,088	\$507,817		\$462,520		\$446,098	
Fringe Benefits	<u>205,929</u>	<u>214,815</u>		<u>194,804</u>		<u>201,419</u>	
Total Personnel Costs	688,017	722,633	5%	657,324	-9%	647,518	-1%
Other Operating Expense							
Materials and Supplies	48,613	60,000		60,275		59,500	
Chemicals	0	71,000		75,773		200,000	
Chemicals - Odor Control	38,258	35,000		31,345		26,000	
Utilities	123,206	133,750		132,971		134,310	
Maintenance	165,871	218,000		214,167		191,000	
Professional Services	0	1,500		0		1,500	
Insurance	6,740	7,582		6,936		9,696	
Communication	269	1,000		709		1,000	
Printing and Reproduction	195	1,000		432		500	
Education and Development	6,623	11,750		9,090		10,750	
Other	<u>1,091</u>	<u>5,200</u>		<u>1,560</u>		<u>3,660</u>	
Total Operating Expenditures	390,865	545,782	40%	533,258	-2%	637,916	20%
Total Expenditures	<u>1,078,882</u>	<u>1,268,415</u>	18%	<u>1,190,582</u>	-6%	<u>1,285,433</u>	8%
Construction Credits	(46,468)	0		(16,288)		0	
Net Expense	<u>\$1,032,414</u>	<u>\$1,268,415</u>	23%	<u>\$1,174,294</u>	-7%	<u>\$1,285,433</u>	9%

Personnel Summary

	FY 2009	FY 2010	FY 2011
Positions	15	15	15

Key Performance Measurements

Workload: Miles of wastewater collection piping maintained from the customers' service laterals to the Mason Farm Wastewater Treatment Plant.

	FY 2008	FY 2009	FY 2010*
Miles of pipe maintained; Goal: N/A.	320	321	321

Effectiveness: Number of reportable wastewater overflows.
Total number of sewer blockages per 100 miles of sewer pipe.

	FY 2008	FY 2009	FY 2010*
Sewer overflows; Goal: 0	4	7	1
Sewer blockages per 100 miles of pipe.	1.6	0.6	0.6

*Through the 2nd quarter of FY 2010.

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Section III

Supplemental Information

Budget Resolution and Ordinance	46
Personnel Authorizations by Department	52
10-Year Historical Performance	55
Miscellaneous Statistical Data	60
Service Area Demographics	61
Chapel Hill Statistical Data	64
Financial Management Policy	67
Glossary	72

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**RESOLUTION ADOPTING THE ANNUAL BUDGET FOR
ORANGE WATER AND SEWER AUTHORITY FOR THE FISCAL YEAR
JULY 1, 2010 THROUGH JUNE 30, 2011**

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

WHEREAS, such budget is to include estimates of revenues of the water, sewer and reclaimed water systems, current Operations and Maintenance expenses, estimated Interest Income and Debt Service costs, and disbursements from the General Fund for Capital Improvements and Equipment purchases.

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 of the Fiscal Year beginning July 1, 2010 through June 30, 2011.

2. That the appropriations for departments, functions, and projects as shown in the attached budget for the respective purposes and in the respective amounts therein specified are hereby made.

3. That the Executive Director shall administer the budget, and is hereby authorized to expend the funds for the purposes set forth therein.

Adopted this 10th day of June, 2010.



Randy Kabrick, P.E., Chair

ATTEST:



Braxton Foushee, Secretary

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

**FY 2011
Annual Budget**

Operating Revenue

Water	\$16,915,376
Sewer	15,842,236
Reclaimed Water	365,697
Service Initiation Fee	143,183
Other	1,274,000
Refunds and Adjustments	<u>(131,039)</u>

Total Operating Revenue **34,409,453**

Operating Expense

General and Administrative	5,544,931
Operations	<u>13,049,706</u>

Total Operating Expense **18,594,637**

Net Operating Income **15,814,816**

Non-operating Revenue

Customer Fees	723,179
Interest	<u>45,294</u>

Total Net Income **16,583,289**

Debt Service

Existing	9,680,213
New	<u>0</u>

Total Debt Service **9,680,213**

Net Income Less Debt Service **\$6,903,076**

Debt Coverage Ratio **1.71**

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

**FY 2011
Annual Budget**

General Fund

Resources

Transfer From Revenue \$6,903,076

Annual Income Available for Capital

6,903,076

Transfer from Construction Fund (Bond Proceeds)

0

**Total Available for
Capital**

6,903,076

Capital Expenditures

Project
ordinances

General Fund Contribution 9,777,000

Funded by Bond Proceeds 0

Total Project
Resolutions

9,777,000

Capital
Equipment

36,900

Total Capital Outlay

9,813,900

Annual General Fund Balance

(2,910,824)

General Fund Beginning Balance

12,801,896

General Fund Ending Balance

\$9,891,072

Project Funding 2,391,523

Reserves

Rate Stabilization 500,000

CIP 800,000

Operating Balance 6,199,549

\$9,891,072

Unallocated General Fund Balance

\$0

REVENUE FUND

	Water	Sewer	Total
Fund Balance July 1, 2010			\$20,000
Receipts			
Operating Revenue			
Customer Billings	16,915,376	15,842,236	32,757,612
Reclaimed Water	365,697	0	365,697
Service Initiation Fee	71,592	71,592	143,183
Other	637,000	637,000	1,274,000
Refunds and Adjustments	<u>(65,520)</u>	<u>(65,520)</u>	<u>(131,039)</u>
Total Operating Revenue	17,924,145	16,485,308	34,409,453
Non-operating Revenue			
Customer Fees	361,590	361,590	723,179
Interest Income	<u>22,647</u>	<u>22,647</u>	<u>45,294</u>
Total Non-operating Revenue	384,237	384,237	768,473
Total Receipts	17,946,792	16,507,955	35,177,926
Expenditures			
Current Expense	(9,669,211)	(8,925,426)	(18,594,637)
Debt Service	<u>(8,518,587)</u>	<u>(1,161,626)</u>	<u>(9,680,213)</u>
Total Expenditures	(18,187,798)	(10,087,051)	(28,274,850)
Net Revenue			6,903,076
To General Fund			(6,903,076)
Fund Balance June 30, 2011			<u>\$20,000</u>
Change in Available Balance			\$0

BOND SERVICE FUND

Fund Balance July 1, 2010		\$7,104,156
Receipts		
Transfers from Revenue Fund	9,648,213	
Interest	<u>32,000</u>	
Total Receipts		9,680,213
Expenditures		
Debt Service	9,680,213	
Total Expenditures		<u>(9,680,213)</u>
Fund Balance June 30, 2011		<u>\$7,104,156</u>
Change in Available Balance		\$0

GENERAL FUND

Fund Balance July 1, 2010		\$12,801,896
Receipts		
Transfer From Revenue fund	6,903,076	
Transfer From Construction Fund (Bond Proceeds)	0	
Interest	13,294	
Assessments	0	
Grants and contributions	<u>0</u>	
Total Receipts		<u>6,916,370</u>
Total Balance Before Expenditures		19,718,266
Expenditures		
Capital Equipment/Leases	36,900	
Project Resolutions	9,777,000	
Transfer to Revenue Fund	<u>13,294</u>	
Total Expenditures		<u>(9,827,194)</u>
Fund Balance June 30, 2011		<u>\$9,891,072</u>
Allocation of Fund Balance June 30, 2011		
Project Funding	2,391,523	
Capital Reserves	<u>7,499,549</u>	
Total Allocation		<u>\$9,891,072</u>
Unallocated General Fund Balance June 30, 2011		<u>\$0</u>
Change in Available Balance		(\$2,910,824)

Personnel Authorizations by Department

Office of the Executive Director	FY 2009	FY 2010	FY 2011
Executive Director	1	1	1
General Manager of Operations	1	1	1
Operations Engineer	1	1	1
Sustainability Manager	0	1	1
Executive Assistant	2	1	1
Public Affairs Administrator	1	1	1
Administrative Assistant	1	1	1
Totals	9	7	7

Customer Service ¹

Customer Service Manager	1	1	1
Senior Customer Service Representative	1	1	1
Customer Service Representative	3	2	2
Clerk/Cashier	3	3	3
Administrative Assistant	0	0.33	0
Totals	8	7.33	7

Engineering and Planning ²

Director of Engineering and Planning	1	1	1
Director of Planning and Development	1	1	1
Engineering Manager	2	2	2
Utilities Engineer	3	2	2
GIS Coordinator	1	1	1
Construction Inspector	2	2	2
Engineering Associate	2	2	2
Engineering Technician	2	2	2
Administrative Assistant	1	0.5	1
Totals	15	13.5	14

Human Resources ³

Director of Human Resources	1	1	0
Human Resources and Safety Manager	0	0	1
Safety and Training Administrator	1	1	0
Human Resources Generalist	1	1	1
Administrative Assistant	1	0.5	0
Totals	6	3.5	2

Finance⁴

	FY 2009	FY 2010	FY 2011
Director of Finance, Customer Service and Purchasing	1	1	1
Finance Manager	1	1	2
Procurement Manager	0	0	1
Accounting Technician II	2	2	2
Accounting Technician I	2	2	2
Administrative Assistant	.5	.5	1
Totals	6.5	6.5	9

Business Information Services⁵

Director of Business Information Services	1	1	1
Network/Database Administrator	1	1	2
Information Services Technical Specialist	2	2	2
Totals	4	4	5

Water Supply and Treatment⁶

Water Supply and Treatment Manager	1	1	1
Operations Supervisor	1	1	1
Treatment Plant Operator	7	7	7
Lake Warden	1	1	1
Senior Assistant Lake Warden	1	1	1
Assistant Lake Warden	2	2	2
Plant Maintenance Supervisor	0	0	1
Senior Maintenance Mechanic	0	0	2
Maintenance Mechanic	0	0	3
Laboratory Supervisor	0	0	1
Laboratory Analyst	0	0	3
Administrative Assistant	0	0	1
Totals	13	13.5	24

Water Distribution⁷

Distribution and Collections Systems Manager	.5	.5	1
Assistant Distribution & Collection System Manager	1	1	1
Senior Crew Leader	1	1	0
Crew Leader	2	2	3
Utility Mechanic III	3	3	3
Utility Mechanic II	8	8	6
Utility Mechanic I	10	14	16
Administrative Assistant	.5	.5	0
Field Service Representative	0	1	1
Service Technician	1	1	1
Totals	27	32	32

Wastewater Treatment⁶

	FY 2009	FY 2010	FY 2010
Wastewater Treatment and Biosolids Recycling Manager	1	1	1
Operations Supervisor	0	1	1
Treatment Plant Operator	8	7	7
Solids Handling Supervisor	1	1	1
Solids Handler	3	3	3
Plants Maintenance Manager	0	0	1
Plants Maintenance Supervisor	0	0	1
Senior Maintenance Mechanic	0	0	2
Instrumentation Control Technician	0	0	1
Maintenance Mechanic	0	0	2
Laboratory Manager	0	0	1
Laboratory Analyst	0	0	3
Administrative Assistant	1	0.5	0
Totals	16	13.5	24

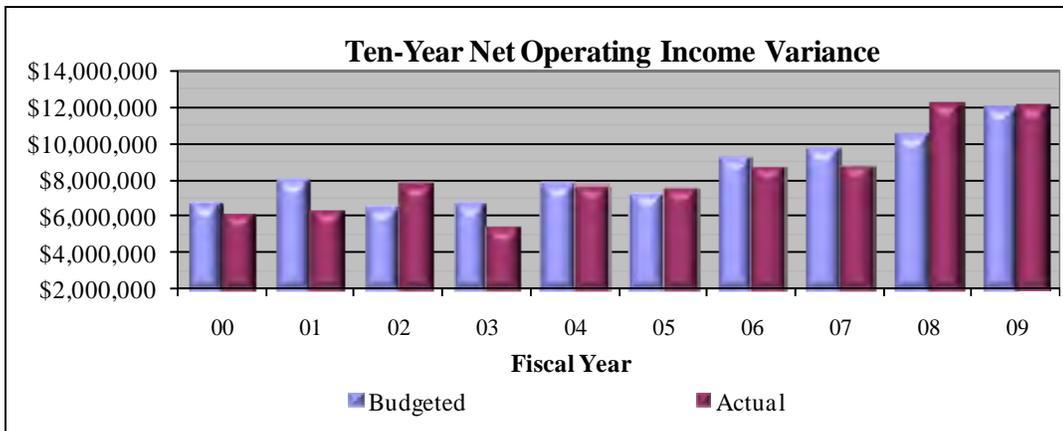
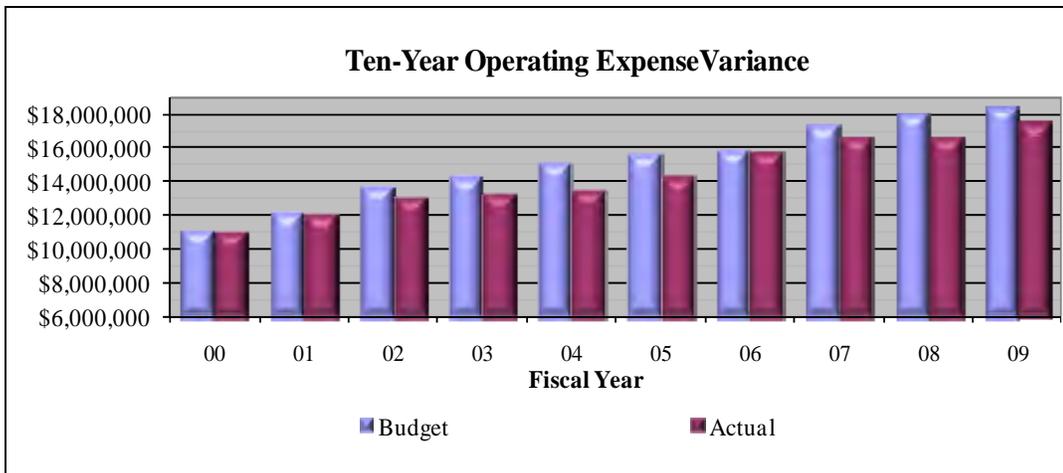
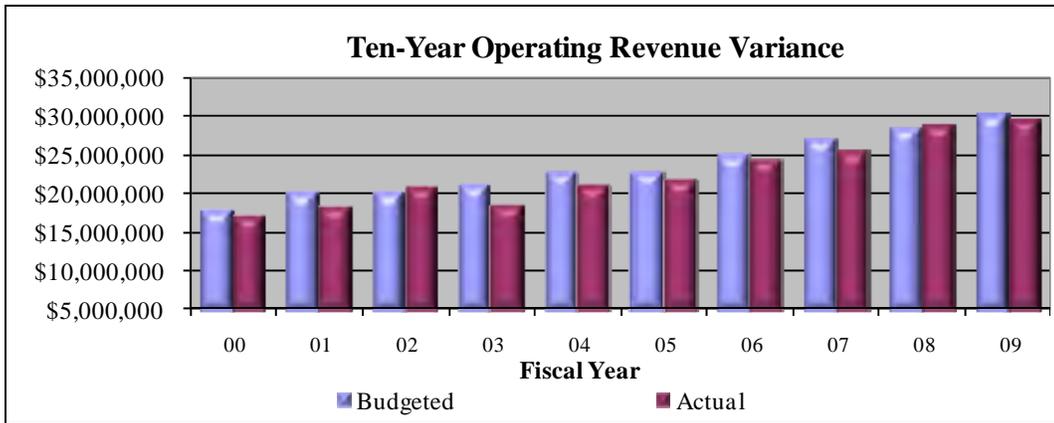
Sewer Collections

Distribution and Collections System Manager	.5	.5	0
Crew Leader	3	3	3
Utility Mechanic II	5	5	2
Utility Mechanic I	6	6	9
Administrative Assistant	.5	.5	1
Totals	15	15	15

Total Positions

150 150 139

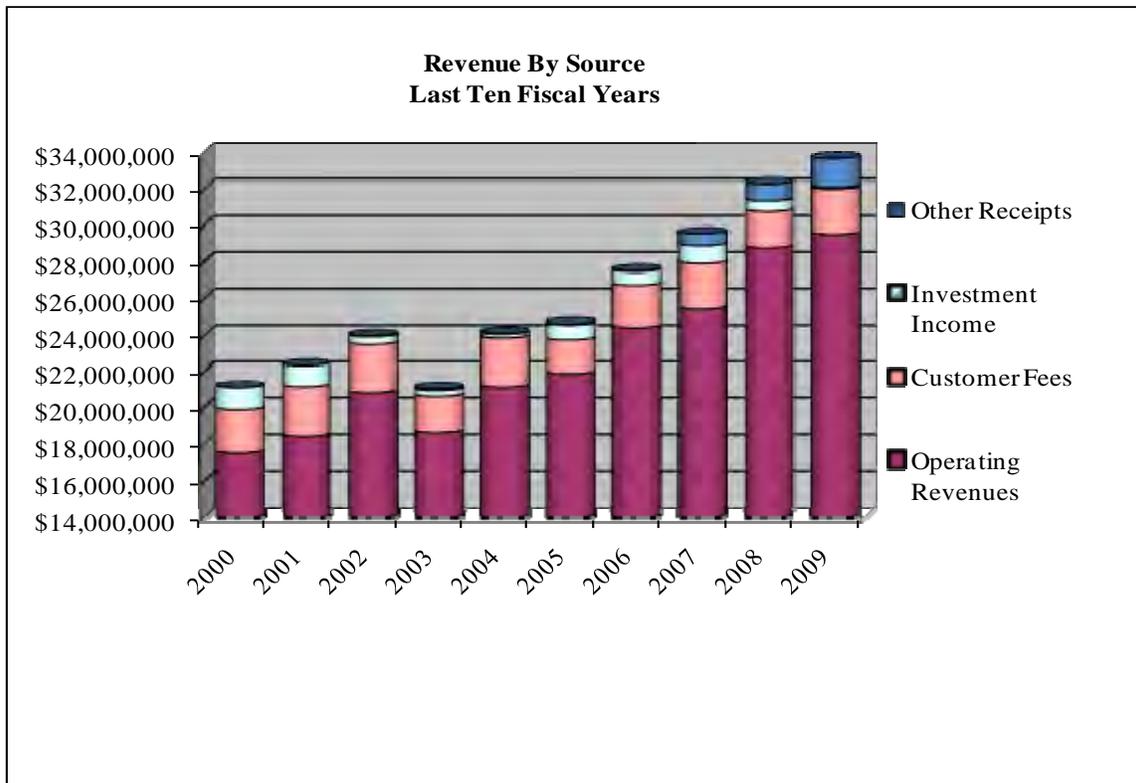
- ¹ Reflects the reallocation of funding for a shared Administrative Assistant to the Finance Department.
- ² Reflects the reallocation of funding for a shared Administrative Assistant to the Engineering Department.
- ³ Reflects the reallocation of funding a shared Administrative Assistant to the Executive Director's Office.
- ⁴ Reflects the consolidation of the Purchasing Department by Finance.
- ⁵ One Information Services Technical Specialist reclassified to Network/Database Administrator.
- ⁶ Maintenance and Laboratory Departments have been reallocated under the Water and Wastewater Treatment Plants.
- ⁷ Distribution and Collections Systems Manager funding was previously allocated between the Distribution and Collection Departments. Administrative Assistant funding now allocated entirely to Collection.



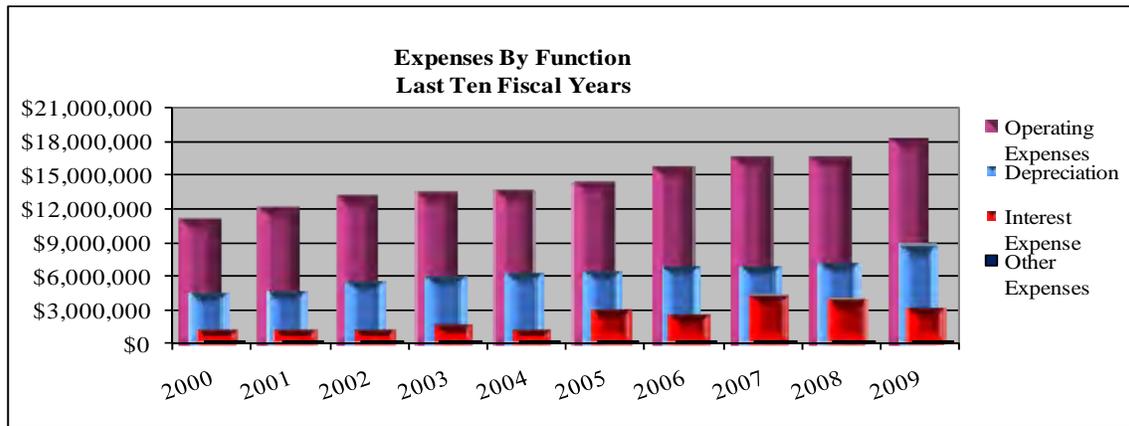
ORANGE WATER AND SEWER AUTHORITY

**Revenues By Source
Last Ten Fiscal Years**

Fiscal Year Ending June 30,	Water and Sewer Operating Revenues	Customer Fees	Investment Income	Other Receipts	Total
2000	\$17,521,513	\$2,358,180	\$1,256,313	\$10,026	\$21,146,032
2001	18,453,564	2,716,765	1,174,852	3,079	22,348,260
2002	20,835,179	2,675,380	432,665	60,761	24,003,985
2003	18,672,964	1,962,517	337,442	106,101	21,079,024
2004	21,156,492	2,716,555	211,708	44,588	24,129,343
2005	21,891,667	1,872,820	821,194	39,569	24,625,250
2006	24,431,382	2,308,651	742,010	58,846	27,540,889
2007	25,413,571	2,514,450	995,354	666,528	29,589,903
2008	28,794,093	1,995,415	584,031	929,369	32,302,908
2009	29,537,290	2,498,459	80,343	1,582,736	33,698,828

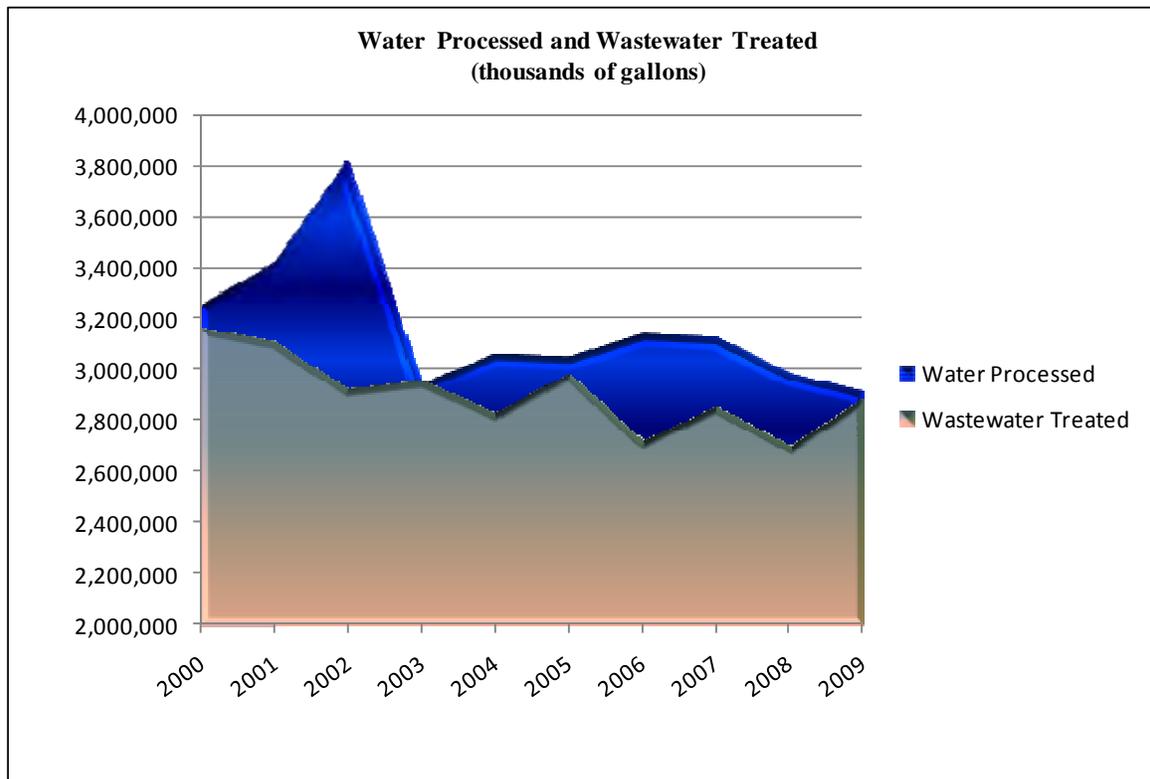


Expenses By Function Last Ten Fiscal Years					
Fiscal Year Ending June 30,	Operating Expenses	Depreciation and Amortization	Interest Expense	Other Expenses	Total
2000	\$10,994,738	\$4,489,896	\$1,256,313	\$233,359	\$16,974,306
2001	12,093,072	4,708,114	1,361,218	224,566	18,386,970
2002	13,097,042	5,543,530	1,326,428	211,629	20,178,629
2003	13,293,397	5,995,331	1,799,578	192,634	21,280,940
2004	13,484,114	6,312,316	1,216,166	163,362	21,175,958
2005	14,309,139	6,538,782	3,140,164	115,063	24,103,148
2006	15,723,917	6,871,350	2,724,951	141,579	25,461,797
2007	16,635,917	6,950,774	4,361,911	96,898	28,045,500
2008	16,643,471	7,215,175	3,832,320	69,940	27,760,906
2009	18,225,142	8,765,924	3,305,193	83,338	30,379,597



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

Fiscal Year Ending June 30,	Water Processed and Pumped to System	Portion of Processed Water Pumped to Hillsborough	Wastewater Treated
2000	3,247,807	1,337	3,162,218
2001	3,418,741	-	3,107,328
2002	3,822,000	-	2,922,000
2003	2,945,900	-	2,955,127
2004	3,065,522	-	2,831,033
2005	3,053,400	-	2,982,831
2006	3,142,494	-	2,721,662
2007	3,129,160	-	2,856,672
2008	2,986,150	-	2,700,270
2009	2,915,405	-	2,889,705



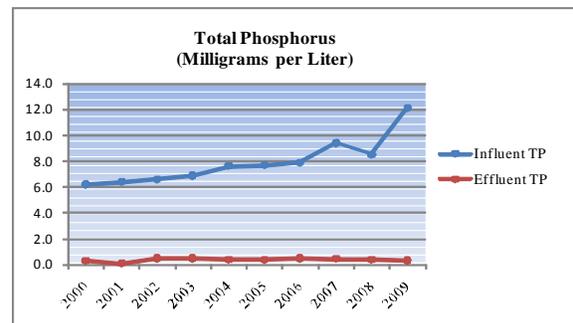
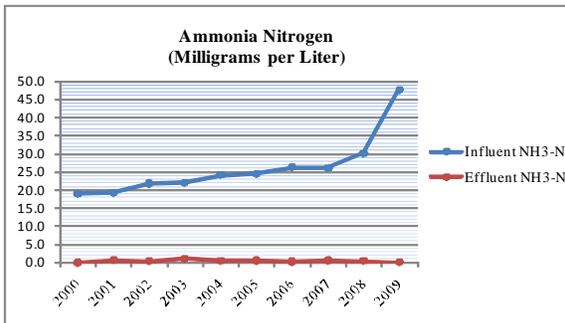
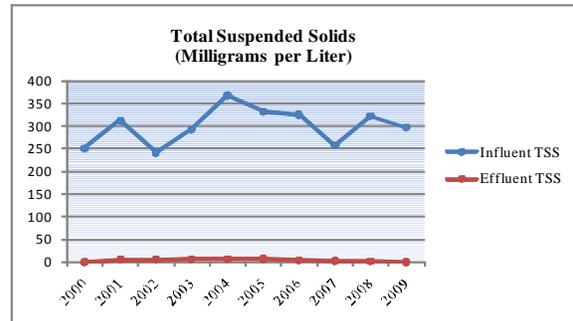
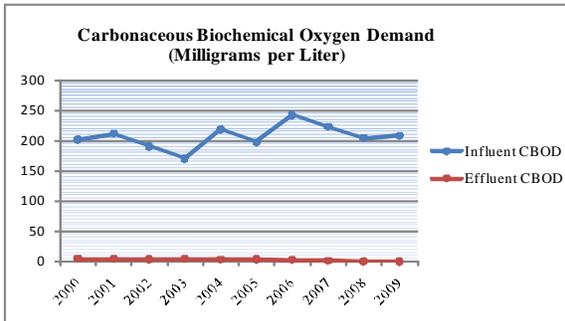
Mason Farm Wastewater Treatment Plant
Plant Loading and Performance (thousands of gallons)
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Average Daily Flow (x1,000=gal)	Influent Measurements (Milligram per Liter)				Effluent Measurements (Milligram per Liter)			
		CBOD	TSS	NH3-N	TP	CBOD	TSS	NH3-N	TP
2000	8,650	201	250	19.0	6.2	3.8	3	0.7	0.3
2001	8,518	211	312	19.3	6.4	4.0	5	0.7	0.1
2002	8,000	190	241	21.8	6.6	3.6	5	0.4	0.5
2003	8,113	170	292	22.0	6.9	4.2	6	1.1	0.5
2004	7,743	218	367	24.1	7.6	2.8	6	0.5	0.4
2005	8,038	197	332	24.5	7.7	3.2	7	0.5	0.4
2006	7,457	242	325	26.3	7.9	1.9	4	0.3	0.5
2007	7,830	222	257	26.0	9.4	1.2	2	0.6	0.5
2008	7,398	204	321	30.1	8.5	<2.0	1	0.4	0.4
2009	7,907	208	296	47.6	12.1	<2.0	0	0.1	0.3

Effluent Maximum Limits Set in NPDES Permit

CBOD5 (Carbonaceous Biochemical Oxygen Demand)
TSS (Total Suspended Solids)
NH3-N (Ammonia Nitrogen)
TP (Total Phosphorus - Mass Load Limit)
mg/l=Milligrams per Liter

Winter (Nov. - March)	Summer (April - Oct.)
8 mg/l	4 mg/l
30 mg/l	30 mg/l
2.0 mg/l	1.0 mg/l
11,030 pounds per year	



ORANGE WATER AND SEWER AUTHORITY
Miscellaneous Statistical Data
For the Fiscal Year Ended June 30, 2009

Year Incorporated	1975
Size of Service Area:	
Square miles	31
Miles of Water Pipe (includes 16 miles of raw water and 3 miles of reclaimed water pipe)	409
Miles of Wastewater Collection Pipe (includes 13 miles of force main)	334
Customer Accounts	20,241
Full-time Equivalent Employees:	
Approved Positions	138
Budgeted Positions	129
Water Treatment Plant Capacity (in MGD):	
Capacity	20.0
Production Average Day (FY 2009)	8.2
Production Peak Day (FY 2009)	13.5
Wastewater Treatment Plant Capacity (in MGD):	
Capacity	14.5
Average Daily Flow (FY 2009)	7.4
Number of Water Supply Resources	3
Total Capacity of Water Supply Resources (Millions of gallons):	
Cane Creek Reservoir	3,000
University Lake	450
Quarry Reservoir	200

Service Area

General. OWASA provides water and sewer services to the residents, businesses and institutions in the Chapel Hill-Carrboro community and outlying areas. 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 sewer system in the future (refer to back cover). The present service area lies almost wholly within Chapel Hill and Carrboro in Orange County; however, there are contiguous extensions of the water and sewer system into southwestern Durham County.

The developed portions of the service area are composed of the University of North Carolina at Chapel Hill (UNC-CH) campus, UNC Hospitals, commercial downtown areas and shopping centers, and residential areas comprised of single family residences and apartment complexes. Most of the development in the service area to date has consisted of residential development, including single family residences, townhouses and condominiums and apartments, and related commercial development, including office buildings, shopping facilities, restaurants and motels. Industrial development in the service area is limited in extent and is generally light manufacturing in nature.

Relative Location and Features of the Service Area. The area served by OWASA’s water and sewer 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 398 square miles. There are four incorporated towns in Orange County. 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 Orange County, are located in the southeast corner of Orange County; and Mebane is located on the western boundary of Orange County. The remainder of Orange County is rural in nature and primarily agriculturally-oriented.

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 41 degrees and an average temperature in July of approximately 79 degrees. The area receives an average of approximately 46 inches of rainfall per year.

The towns of Chapel Hill and Carrboro are located approximately 10 miles 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”), Raleigh and Raleigh-Durham International Airport. The region is served by Interstate 85 extending northeasterly from Durham to Petersburg, Virginia where it intersects Interstate 95, and southwesterly through Greensboro to Charlotte and Atlanta, Georgia. Interstate 40, which extends from Raleigh through Orange County, connects the region directly to both the Atlantic and Pacific coasts of the United States. Rail service is provided by a branch of the Norfolk-Southern Railroad which extends north from Carrboro to a connection with the railroad west of Durham. Amtrak passenger rail service is available in Durham. Commercial air service is provided by Raleigh-Durham International Airport, located 16 miles from Chapel Hill. The area is also served by Horace Williams Airport, which is owned and operated by UNC-CH.

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

The dominant economic sectors in the Chapel Hill-Carrboro area are educational and medical services, including research activities, primarily through UNC-CH and UNC Hospitals. The RTP, located 10 miles east of Chapel Hill, contains approximately 7,000 acres of land which has been reserved for research and research-oriented manufacturing. Since its inception in the 1950s, over 136 private and governmental organizations have located facilities in the RTP. According to the Research Triangle Foundation, the RTP represents a capital investment exceeding \$2.4 billion. 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.

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:

<u>Year</u>	<u>Chapel Hill</u>	<u>Carrboro</u>	<u>Orange County</u>
1980	32,421	8,118	77,055
1990	38,711	12,134	93,622
2000	48,715	16,782	118,227
2008	55,616	18,162	129,083

The growth in population during this period reflects several factors, including the growth of student enrollment at UNC-CH, 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-CH. Fall enrollment at UNC-CH is shown in the following table:

<u>Fall</u>	<u>UNC-CH Enrollment</u>
2002	26,028
2003	26,359
2004	26,878
2005	27,276
2006	27,538
2007	28,136
2008	28,567
2009	28,916

After years of stabilizing growth at UNC-CH at a low rate, the increase in student enrollment reflects significant rise in campus development during the past decade.

UNC-CH is among the most comprehensive educational institutions in the nation and belongs to the select group of research campuses that form the Association of American Universities. UNC-CH offers 77 bachelor's, 107 master's, 69 doctorate and six professional degree programs through 14 schools and the College of Arts and Sciences, which are ranked among the top few in the nation. Ranked one of the eight best in the country, UNC's Honors program enables students to choose from more than 120 honors courses in 30 disciplines.

Together, UNC-CH'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 School of Government, Cancer Research, Environmental Studies, Urban Studies, Marine Sciences and Social Sciences conduct multi-disciplinary research and public service programs.

Employment. The North Carolina Employment Security Commission has estimated the percentage of unemployment in Orange County to be as follows:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
January	4.6%	4.6%	4.1%	3.8%	3.2%	3.2%	3.4	5.8
February	4.2	4.2	3.8	3.9	3.6	3.3	3.6	6.5
March	4.4	4.2	3.8	3.5	3.1	3.0	3.2	6.1
April	4.1	4.2	3.8	3.7	3.0	2.9	3.2	6.0
May	4.1	4.3	4.1	3.8	3.3	3.1	4.0	6.9

June	4.6	5.0	4.5	4.4	3.8	3.7	4.5	7.3
July	4.6	4.7	4.1	4.4	3.9	3.6	4.8	7.4
August	4.5	4.4	3.9	4.1	3.6	3.3	4.3	7.2
September	3.9	4.0	3.0	3.2	3.0	3.0	4.0	6.6
October	4.1	4.0	3.4	3.3	3.0	3.1	4.0	6.5
November	4.4	4.2	3.9	3.6	3.2	3.1	4.7	6.6
December	4.3	3.7	3.6	3.2	2.9	3.0	4.4	6.6

UNC-CH is the largest employer in Orange County. UNC Hospitals, a major medical research facility located adjacent to UNC-CH, and Blue Cross and Blue Shield of North Carolina, both located in Chapel Hill, are the second and third largest employers, respectively. The following table lists the ten largest employers in Orange County:

<u>Company or Institution</u>	<u>Service or Product</u>	<u>Number of Employees</u>
UNC-CH	Public University	1000+
UNC Hospitals	Medical Center	1000+
Chapel Hill/Carrboro City Schools	Public School System	1000+
Blue Cross/Blue Shield of NC	Insurance Company	1000+
Orange County Schools	Public School System	1000+
Orange County Government	County Government	500 - 999
Town of Chapel Hill	Municipal Government	500 - 999
Sports Endeavors Inc.	Mail Order Retail	500 - 999
Harris Teeter, Inc.	Retail Food	250 - 499
HR Prime, LLC	Electrical Equipment	250 - 499

Source: Orange County Economic Development Commission (May, 2010).

Retail Sales. Total retail sales in Orange County for the fiscal years ended June 30, 2001 through 2009 are shown in the following table:

<u>Fiscal Year Ended June 30</u>	<u>Total Retail Sales</u>	<u>Increase Over Previous Year</u>
2001	\$1,215,465,000	11.6
2002	1,256,005,000	3.3
2003	1,353,834,000	7.8
2004	1,375,934,000	1.6
2005	1,436,799,000	4.4
2006	907,564,000	(36.8)
2007	948,303,000	4.5
2008	971,592,000	2.5
2009	926,654,000	(4.6)

Source: Orange County Economic Development Commission (May, 2010).

Construction activity within Orange County for the fiscal years ended June 30, 2001 through 2009 are shown in the following table:

<u>Fiscal Year Ended June 30</u>	<u>Residential Value (in thousands)</u>	<u>Commercial Value (in thousands)</u>	<u>Total Value (in thousands)</u>
2001	229,680	44,676	274,356
2002	227,589	47,136	274,725

<u>Fiscal Year Ended June 30</u>	<u>Residential Value (in thousands)</u>	<u>Commercial Value (in thousands)</u>	<u>Total Value (in thousands)</u>
2003	229,880	59,486	289,366
2004	213,589	26,642	240,231
2005	201,810	54,899	256,709
2006	108,289	12,751	121,040
2007	93,193	20,791	113,984
2008	133,041	149,025	282,066
2009	123,759	54,088	177,847

Source: Inspection divisions of the Towns of Chapel Hill and Carrboro and Orange County.

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the		Collections in Subsequent Years	Total Collections to Date Outstanding		
		Fiscal Year of the Levy	Percentage of Original Levy		Amount	Percentage of Delinquent Adjusted Levy	Taxes
2000	16,598,182	16,453,207	99.13%	*	*	*	*
2001	17,594,559	17,466,542	99.27%	*	*	*	*
2002	20,417,001	20,271,201	99.29%	*	*	*	*
2003	23,067,472	22,919,205	99.36%	*	*	*	*
2004	23,775,375	23,653,530	99.49%	111,079	23,764,609	99.95%	*
2005	25,615,621	25,480,324	99.47%	110,800	25,591,124	99.90%	*
2006	27,718,753	27,578,410	99.49%	124,143	27,702,553	99.94%	377,589 (1)
2007	28,558,565	28,409,166	99.48%	111,769	28,520,935	99.87%	21,087
2008	30,412,485	30,240,782	99.44%	115,691	30,356,473	99.82%	45,041
2009	33,972,050	33,779,873	99.43%	-	33,779,873	99.43%	192,366

* Data not available. The Town contracts with the counties to maintain the tax records and must rely on the records provided.

Notes:

(1) This amount represents the cumulative delinquent taxes for years 2005 and prior.

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

Fiscal Year	Residential Property	Commercial Property	Combined Real Property	Personal Property	Public Service Companies	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Ratio of Assessed Value to Estimated Actual Value
2000	*	*	2,501,345,508	381,872,039	60,948,410	2,944,165,957	0.563	3,546,333,362	83.02%
2001	*	*	2,589,768,417	388,087,936	61,660,255	3,039,516,608	0.578	3,145,846,210	96.62%
2002	*	*	3,556,294,528	403,959,196	60,873,428	4,021,127,152	0.504	4,459,990,186	90.16%
2003	*	*	3,688,289,625	415,023,471	63,868,306	4,167,181,402	0.553	4,725,767,070	88.18%
2004	*	*	3,791,842,402	455,906,761	57,587,809	4,305,336,972	0.553	5,139,473,525	83.77%
2005	*	*	3,918,233,860	482,128,300	57,774,008	4,458,136,168	0.575	4,664,298,146	95.58%
2006	(1)	783,355,893	4,740,036,962	498,524,879	60,840,533	5,299,402,374	0.522	5,905,284,571	89.74%
2007		1,249,997,134	4,890,442,623	520,961,320	61,554,945	5,472,958,888	0.522	6,582,822,815	83.14%
2008		1,313,540,280	5,139,046,478	460,567,284	60,142,623	5,659,756,385	0.522	6,807,501,064	83.14%
2009		1,354,733,971	5,300,211,153	471,708,077	63,678,158	5,835,597,388	0.581	5,896,329,583	98.97%

* The breakdown between residential and commercial property is not available for fiscal years prior to 2006.

Notes:

- (1) Revaluation year.
- (2) Increase due to revaluation and the addition of \$200 million from a major annexation.
- (3) Public service companies valuations are provided by the North Carolina Department of Revenue. These amounts include both real and personal property.
- (4) Per \$100 of value. Includes taxes for general fund, debt service fund and transportation fund.
- (5) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year.
- (6) Source is the Property Tax Division of the North Carolina Department of Revenue.

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

Year	Population (1)	Personal Income (in thousands) (2)	Per		Education Level in Years of Schooling (3)	School Enrollment (4)	Unemployment Rate (5)
			Capita Personal Income (2)	Median Age (3)			
2000	46,019	3,327,229	24,133	24.8	14.72	33,520	1.2%
2001	48,902	3,583,041	24,133	24.8	14.72	34,462	1.8%
2002	50,542	3,800,280	32,126	24.2	15.82	34,628	3.1%
2003	51,005	3,877,363	33,125	24.2	15.82	37,012	4.0%
2004	51,485	3,910,401	33,211	24.2	15.82	37,587	3.0%
2005	51,519	4,384,443	37,121	24.2	15.82	37,308	4.0%
2006	52,397	4,631,572	38,629	24.2	15.82	35,260	3.9%
2007	53,416	5,060,894	41,435	24.2	15.82	38,718	2.9%
2008	54,903	5,060,894	41,435	24.2	15.82	39,864	4.0%
2009	55,616	5,450,187	43,844	24.2	15.82	40,316	4.7%

Notes:

- (1) Town of Chapel Hill Department of Planning.
- (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, May 2009 data.

**ORANGE WATER AND SEWER AUTHORITY
FINANCIAL MANAGEMENT POLICY
MARCH 26, 2009**

SUMMARY

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

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

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

FINANCIAL PERFORMANCE OBJECTIVES		
Measurement	Objective	Section
Working Capital Reserves	The greater of 4 months of O&M 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 Operations & Maintenance (O&M) Budget, or b) 20% of the total estimated cost of the Capital Improvements Program (CIP) identified for the succeeding three years.
- A.2. OWASA shall make conservative, but reasonable estimates of revenues and costs.
- A.3. To the extent practical, the cost of system expansion shall be recovered from parties responsible for the expansion (“growth should pay for growth”).
- A.4. If the Executive Director deems it necessary at any time to submit any Budget or other proposal to the Board that does not comply with the parameters set forth in this document, he/she shall seek specific approval from the Board for such a proposal.

SECTION B. ASSET MANAGEMENT POLICIES

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

SECTION C. INVESTMENT MANAGEMENT POLICIES

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

SECTION D. DEBT MANAGEMENT POLICIES

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

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

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

SECTION E. RATES, FEES AND CHARGES POLICIES

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

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

SECTION F. CUSTOMER CARE

- F.1. OWASA shall operate the water and sewer system at the lowest rates consistent with its obligation to provide proper and efficient services, now and in the future.
- F.2. *Service Affordability* is an important consideration for OWASA. The target for average annual residential water and sewer bill divided by real median household income is $\leq 1.5\%$.
- F.3. When setting rates and evaluating rate structures, OWASA will carefully consider the impact such rates and rate structures will have on low income customers, while ensuring that cost-of-service principles are met.
- F.4. OWASA endorses and will promote the Taste of Hope customer assistance program whereby OWASA customers can voluntarily have their bill rounded to the nearest whole dollar, etc. The money donated 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.

15-Year CIP including a 5-year CIP Budget*: 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.

Preliminary Annual Budget*: A preliminary budget serves as a "back-up" budget should a final budget not be adopted by July 1 of each year.

15-Year Financial Planning Model Report: The planning model 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 (O&M and CIP) and rates. The identification of these key issues will help shape the annual budgeting process.
Cost containment and efficiency review	January/February	Staff will present for the Finance Committee’s review cost containment and/or efficiency opportunities that may impact the O&M or CIP budgets.
Capital Improvements Plan 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.
Operations and Maintenance Budget Review	March/April	The O&M budget provides funding for properly operating and maintaining OWASA’s services and programs. The Finance Committee and Board will review the draft O&M budget.
Financial Modeling and Rate Review	April	Upon completion of CIP and O&M budgets, this information and other planning assumptions shall be entered into the 15-year financial planning model. The model shall be used to interactively generate various scenarios to find an appropriate balance between spending, debt, rate adjustments and fund balance. The effectiveness of each scenario shall be measured by various targets and ratio analyses.
Adopt Preliminary Budget	April	A preliminary budget represents budgeting work in progress and shall serve as a “back-up” budget should a final budget not be adopted by July 1 st of each year.
Conduct Public Hearings	May	The OWASA Board shall hold public hearings on the draft O&M budget; CIP budget; and proposed rates, fees and charges for the coming year.
Adopt Budgets and Rates	June	The OWASA Board shall adopt the O&M 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 presented to the Board of Directors containing the Authority'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 Authority'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 BUDGET (CIB) - Addresses the capital needs and projected resources over a five-year period. The projection of long-range capital budget needs is important for the following reasons: planning for replacement and repair of equipment and facilities; to identify capital projects several years in advance of their actual need; for consideration of less costly alternatives; for the optimal timing of capital projects; to provide for timely application for state and federal grants; and to provide the Board of Directors information upon which to base decisions affecting revenues and expenditures.

CAPITAL IMPROVEMENT PLAN (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 costing \$5,000 or more, which are not lease-purchased.

CAPITAL PROJECT - A project expected to have a useful life greater than 10 years and an estimated total cost of \$25,000 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 existing debt.

DEFICIT - An excess of expenditures over revenues or expense over income.

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.

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 Authority'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.

LEASE-PURCHASE AGREEMENTS - A contractual agreement by which capital outlay, costing in excess of \$10,000, is purchased over a five-year period through lease payments.

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 Authority'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 amount 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 used to pump wastewater from a sewer main of lower elevation to a sewer main 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.

OPERATING EXPENSE - Expenses which are directly related to the Authority's primary activities.

PERFORMANCE MEASURES - A 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 (i.e. maintenance reserve).

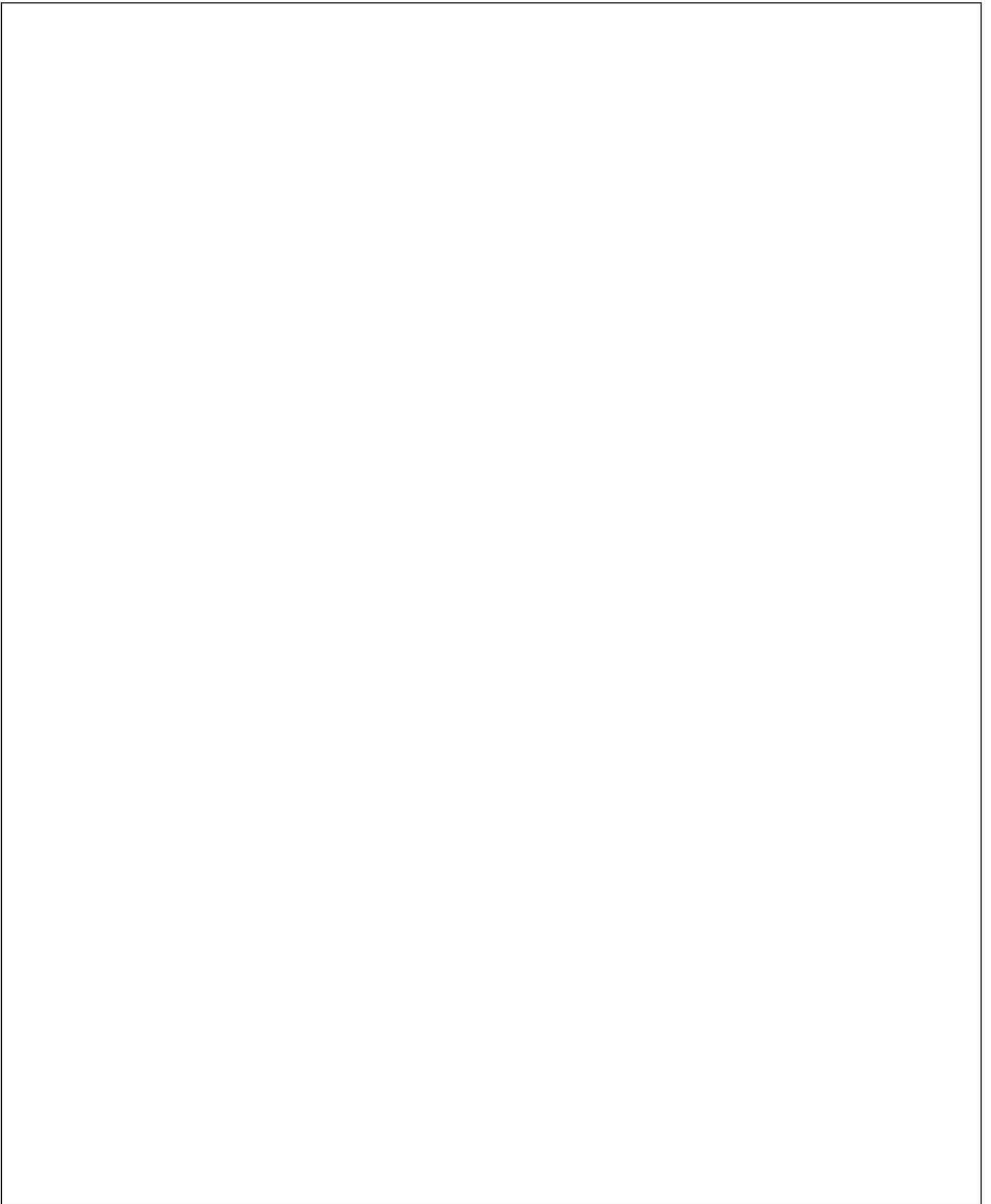
REVENUE BONDS – The primary method used by OWASA for long-term debt; they are repaid from user fees over the life of the assets. In general, these bonds have no claim on money derived from property taxes or special assessments.

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.

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Orange Water And Sewer Authority Service Area



Legend

-  Lakes and Reservoir
-  Major Roadways
-  County Lines
-  Chapel Hill Boundary
-  Carrboro Boundary
-  OWASA Service Boundary

