

Annual Budget

Fiscal Year 2010

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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**Orange Water & Sewer Authority
North Carolina**

For the Fiscal Year Beginning

July 1, 2008

President

Executive Director



ORANGE WATER AND SEWER AUTHORITY

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

**To the
Board of
Directors**

BUDGET MESSAGE

The Annual Budget for the fiscal year from July 1, 2009 through June 30, 2010 (FY 2010) 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*. The OWASA appointed Board of Directors determines, through adoption of an annual budget, 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 the capital improvements project needs identified in the 15-year *Capital Improvements Program (CIP)*, forecasted water, reclaimed water and sewer demands, projected operating costs required to sustain service levels during FY 2010, and the need for revenues sufficient to fund the capital improvements, defray the daily cost of operation and to meet OWASA's debt obligation.

Projected operating revenues reflect a proposed average rate increase of 9.75% to offset a 19% decline over the past decade in customer demand for potable water from a combination of drought induced conservation and our long-term demand reduction strategies, including the newly completed reclaimed water utility. Fees from system growth, or new system connections, are projected to decline for the third year in a row and significant increases in chemical costs have also contributed to the level of the rate increase.

Although the requested operating and maintenance appropriation includes large increases in chemical prices, it represents less than a one percent increase, before construction credits, over the FY 2009 appropriation. To offset the significant increases in chemical costs, the FY 2010 operating appropriation reflects a frugal budget; providing funding for priority programs and services only. Twelve full-time positions have been permanently eliminated and seven additional positions remain unfunded in the FY 2010 appropriation request.

The budget consists of projected revenues and other receipts of \$34.1 million, capital project costs of \$5.7 million, operating and maintenance costs of \$18.5 million, debt service payments of \$9.7 million, and capital equipment purchases of \$41,000. The budget document provides a multi-year comparison of budgeted expenditures and variances, and measurable efforts toward achievement of the goals and objectives are reported through OWASA's *Performance Measurement Report* semi-annually to the Board of Directors.

**Highlights of the
Budget**

Key elements of this budget include:

- Increases of approximately 9.75% for monthly water and wastewater rates, fees and charges. The additional revenue from these rate increases is projected to adequately fund capital projects related to service reliability, adequate system capacity, and regulatory constraints, ensure operating cost recovery, meet debt obligation payments and to 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 customers.
- Under the seasonal water conservation rate structure, the water commodity charge will be \$7.09 per thousand gallons of water consumed during the warmer peak water demand months of May through September. The water commodity charge for the cooler, lower demand months of October through April is \$3.73 per thousand gallons.

Highlights of the Budget (Cont.)

- Continuation of the five-tiered increasing block 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 system cost recovery burden on low volume water users and appropriately reallocating a portion of system cost recovery to high volume customers. Applicable rates are displayed below.

	Volume of Use In Gallons	<u>Proposed Rate</u> <u>per</u> <u>1,000 Gallons</u>
Block 1	1,000 to 2,000	\$2.36
Block 2	3,000 to 5,000	\$5.73
Block 3	6,000 to 10,000	\$7.03
Block 4	11,000 to 15,000	\$9.82
Block 5	All use 16,000 and up	\$17.76

For a typical individually-metered residential customer using 5,000 gallons of water per month, the rate adjustments will increase the average monthly water and sewer bill from \$68.24 to \$74.92, an increase of \$6.68.

- An annual operating budget of \$18.5 million, an increase of 0.7% over the FY 2009 appropriation before construction credits. The increase reflects primarily the rising cost of chemicals. No new positions are proposed for the new budget year and 19 positions have been either eliminated or frozen as OWASA continues to contain costs and evaluate additional savings and efficiency opportunities.
- No merit increase for employee pay is included in the FY 2010 budget.
- Capital improvement spending of \$5.7 million for FY 2010, as identified in the 15-year *Capital Improvements Program*, is significantly reduced from recent annual spending levels; reflecting about a 41% decrease from FY 2009. The majority of capital spending, \$3.7 million, is earmarked for various water and sewer system construction or rehabilitation and replacement projects.
- No new debt will be issued in FY 2010. All capital improvements will be funded through cash, grants and reimbursements.

OWASA's Budget Process

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

- OWASA's *Mission Statement*.
- OWASA's *Financial Management Policy*, a comprehensive and systematic approach to strategic financial planning, related policy decisions, and measurements of financial performance.
- A comprehensive water and sewer master planning process, last updated in October of 2008, 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 debt service coverage ratio, and anticipated service demand levels. Assumptions used in the budget process include projected water sales and 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*.

OWASA's Budget Process (Cont.)

- A budget calendar as developed under the requirements of the *Financial Management Policy*.

The FY 2010 budget process began in September of 2008 and concluded with adoption of an annual budget on June 11, 2009. The Board of Directors adopted a *Preliminary Budget* on April 23, 2009 which would satisfy statutory requirements for an interim budget, should a final budget not be adopted by July 1st.

Throughout the budget process, OWASA staff worked closely with the Board's Finance Committee in developing and refining documents for submittal to the full Board of Directors.

Public hearings on the proposed OWASA budget, CIP and rate adjustments were held at the OWASA Board of Directors' regular meeting on Thursday, May 28, 2009. In accordance with State law, the adopted budget may be amended at any time during the year 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 in balance when estimated revenues and allocated fund balances equal 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.

The OWASA Board's adopted *Mission Statement* sets forth fundamental priorities for serving the community. These priorities address quality water and wastewater services, environmental responsibility, customer service, employee development and well being, fiscal and operational efficiencies, relationships with local governments and effective sustainability.

Priorities and Assumptions

Legal/Regulatory Assumptions

Federal, State, Local and Judicial

- OWASA must prepare and adopt a balanced budget in accordance 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 through 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 shall be made applicable throughout the service area, but fees and charges may vary by customer class when discernable cost factors can be attributed to the varying.
- The Governmental Accounting Standards Board requires 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 and the Towns of Chapel Hill and Carrboro state:

Priorities and Assumptions (Cont.)

- 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 the University of North Carolina at Chapel Hill shall desire, potable water, meeting acceptable purity standards, in such quantity as may be required to meet the University's needs.
- The University will purchase all its potable water requirements from OWASA, unless OWASA is unable to supply sufficient water.
- The University will be provided, now and hereafter, reliable and adequate sewer services to meet its needs.
- If five-year cumulative rate revisions exceed 20%, then the University 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.

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. However, 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 the following: 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 2010 equals \$6.2 million.
 - 20% of planned capital improvements for fiscal years 2011 through 2013 equals \$4.9 million.
 - The General Fund ending balance for FY 2010 is projected to be \$9.7 million.
- The Financial Management Policy identifies funding for a capital reserve fund and a

Priorities and Assumptions (Cont.)

rate/revenue stabilization reserve. The FY 2010 Budget provides \$600,000 and \$250,000 for these reserves, 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 2010 as no new debt will be issued during the year.
- With the approximate 9.75% rate adjustment, the debt service coverage ratio for FY 2010 is projected to be 1.61, and OWASA’s comprehensive financial planning model indicates the following subsequent annual rate increases would be required in order to achieve a debt service coverage ratio of 2.00 by FY 2012:

Projected Rate Adjustments

FY 2011	9.75% Water	9.75% Sewer
FY 2012	9.75% Water	9.75% Sewer
FY 2013	9.75% Water	9.75% Sewer

Please note that these projected rate adjustments are preliminary and will require further analysis during the next year.

- Government projections for economic growth this year have not changed from last year, citing damage from the triple blows of a rapidly escalating energy costs, a housing slump, and major problems in credit markets. With the exception of certain commodities, inflation is likely under control, although higher unemployment is expected.

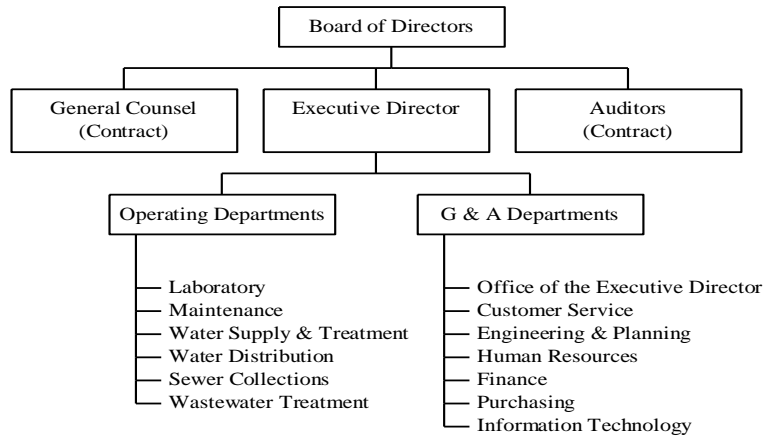
Customer Demand and Service Levels

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

- Water demand in FY 2010 is expected to be substantially lower than projected during the comprehensive rate study in FY 2008 due to the continuing effect of our extensive conservation education and awareness efforts, conservation pricing signals and the start-up of the new reclaimed water system in March, 2009.
- The projected average day water sales volume for FY 2009 was about 7.09 million gallons per day (MGD), and although average daily consumption for the year is projected to approximate that level, essential winter-time water use appears to have been overestimated. Additionally, customer demand for potable water is projected to decrease proportionately to increases in demand for reclaimed water. The estimate for reclaimed water use in FY 2010 is 0.66 MGD. The cumulative effect of these factors results in a projected potable water demand for FY 2010 of 6.50 MGD.
- Historically, customer accounts 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, and attending fees, to rebound next year, and project a decline in revenues from service availability fees in FY 2010. An assumption of no more than 190 new meter equivalents was used for development of the FY 2010 budget.
- Based on state guidelines, a construction cost inflation rate of 8.0% is projected for FY 2010 and beyond.

**Organization
Overview by Division**

Orange Water and Sewer Authority



**Staffing
Summary**

The OWASA Board has authorized a total of 138 positions. Authorized staffing levels (full-time equivalents) are allocated by department as follows:

<u>Operating Departments</u>		<u>G&A Departments</u>	
Water Supply & Treatment	13.5	Office of the Executive Director	7
Water Distribution	31	Customer Service	7.33
Maintenance	13	Engineering & Planning	13.5
Laboratory	7	Human Resources	3.5
Sewer Collections	16	Finance	6.33
Wastewater Treatment	14.5	Purchasing	1.33
		Information Technology	4

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

Description	Resources	Expenses	Balance
Total Operating Revenue	\$32,878,075		
Operations and Maintenance Expenses			
Net Expenses, General and Administrative		\$4,990,129	
Net Expenses, Operations		<u>\$13,543,175</u>	
Net Total Operating Expenses		\$18,533,304	
Net Operating Income			\$14,344,771
Interest	\$72,365		
Availability Fees	\$1,163,650		
Total Net Income			\$15,580,786
Total Debt Service		\$9,678,113	
Debt Coverage Ratio			1.61

Summarized Annual Capital/Nonoperating Income and Expenses (General Fund)

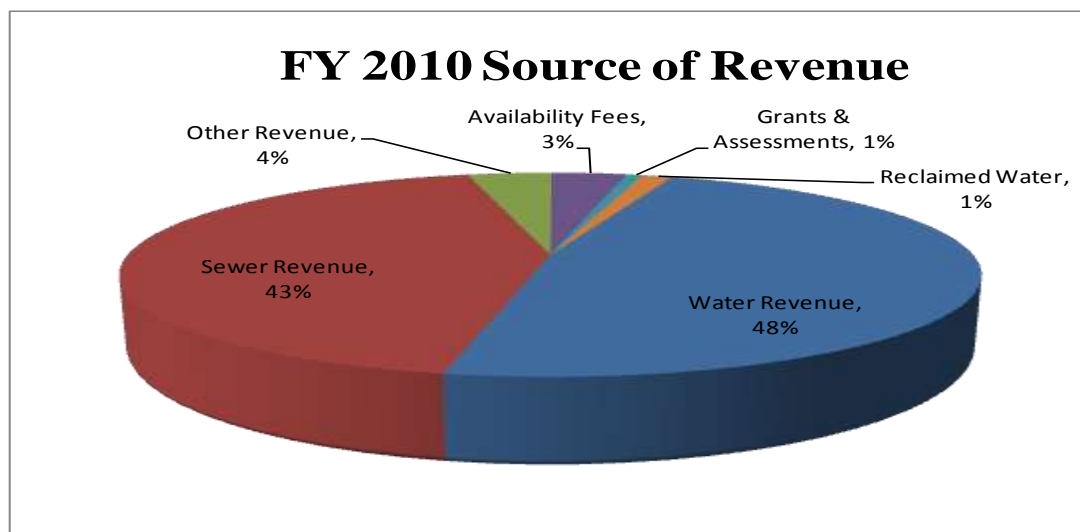
Description	Resources	Expenses	Balance
General Fund Beginning Balance (7/1/09)			\$9,464,666
Transfer From Revenue	\$5,902,673		
Transfers from Construction Fund (Bond Proceeds)	0		
Grants and Assessments	\$253,000		
Funds Available for Expenditures			\$15,620,339
Total Estimated Capital Expenditures		(\$5,742,000)	
General Fund Ending Balance (6/30/2010)			<u>\$9,878,339</u>

Revenue Summary

In providing essential public water, sewer and reclaimed water services to Carrboro, Chapel Hill and portions of southern Orange County, OWASA incurs substantial operating and capital expenses. OWASA operates as a nonprofit enterprise fund and has no legislative authority to levy taxes nor does OWASA receive tax revenues from local governments for ongoing operations. Therefore, OWASA must finance its ongoing water and sewer operations and extensive capital improvements almost entirely through customer paid fees and charges. OWASA establishes rates sufficient to generate revenue to meet operation and maintenance costs, pay debt service, and provide over time at least 30 percent cash funding for the Capital Improvements Program. Rates and fees are periodically adjusted in response to resource needs as determined through the use of a 15-year financial planning model.

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 Fund. Monies in the Revenue Fund are pledged to the repayment of outstanding debt 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 can be used for any lawful purpose, primarily for capital improvements.

The majority of OWASA's revenues are generated by the sale of drinking water and the collection and treatment of wastewater, and related services. As depicted in the following graph, in FY 2010, 48% of total budgeted revenue is anticipated from water services while wastewater services are expected to generate 43%. Service availability fees comprise approximately 3% of total projected revenues. The sale of reclaimed water, plan review and construction observation fees, grants, assessments, rents, royalties, administrative fees and interest income comprise the remaining 6% of total projected revenues.



**Revenue
Summary
(Cont.)**

Fees for water, sewer and reclaimed water 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, a higher 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, and peak-day demand in particular.

Commodity fees for all individually metered residential accounts are billed under an increasing block rate structure. The block rate structure is designed to reallocate the true cost of service recovery from low volume water users to high demand water customers, thereby further promoting long-term water conservation.

OWASA began to collect fees for delivery of reclaimed water services through a new reclaimed water utility that became operational in the Spring of 2009. The system initially serves the University of North Carolina at Chapel Hill only, and will be used for nonpotable purposes such as irrigation and cooling tower make-up water on campus.

OWASA's primary revenue generating fees are summarized below.

Fixed monthly charge	Calculated to recover costs related to certain direct and indirect customer service efforts, meter and lateral maintenance, and capital costs associated with supplying water to, and collecting wastewater from the customers' property and is based on meter size.
Commodity charge	Calculated to recover the remaining direct and indirect costs of water supply and treatment, water distribution, sewer collection and treatment, general administration, and water and sewer capital 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 consumed.
Water and sewer availability fees	Calculated to recover a portion of the capital costs of providing water and sewer system facility capacity. The availability fee is applicable to each new connection to a water 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 three categories: (1) Single-family Residential, (2) Multifamily Residential, Individually Metered, and (3) Nonresidential (including master-metered multifamily apartment complexes and all commercial, University, and institutional accounts). The use of these categories is justified by their distinct patterns of water consumption.
Service initiation fees	The purpose of this charge is to defray the labor and administrative costs associated with the establishment of a water, sewer or reclaimed water account. This includes establishing service and account records for billing. Applicable to all accounts requiring field work, be it setting a meter, reconnection of service or reading the meter.
Tapping fees	The purpose of this charge is for making a tap into a water main, and private sewer lateral into the main sewer line or sewer manhole. The charge will recover the cost for time and equipment plus an allowance for overhead.
Meter installation	The purpose of this charge is to recover costs of extending

service from the distribution system to individual properties, and includes the installation of a service connection from the water or reclaimed water main to the curb or property line and the setting of a meter within the premises.

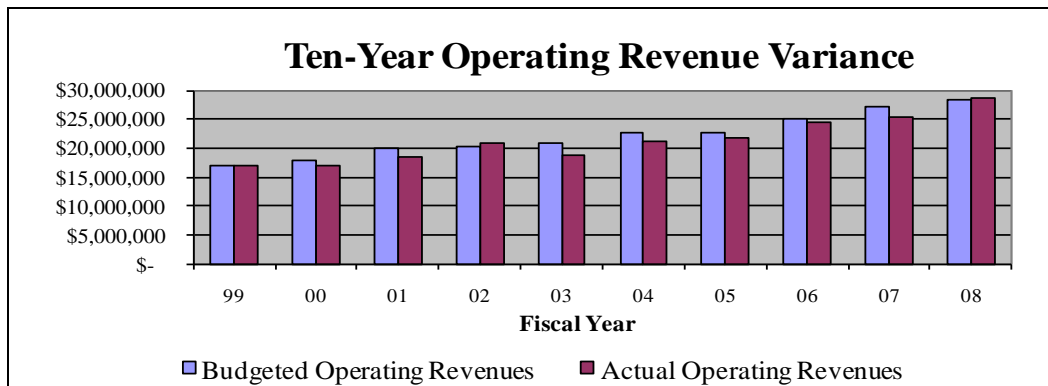
Plan review and construction observation fees

The purpose of this charge is to recover the operating cost for providing review of construction plans for the extension of water and sewer facilities. The charge also recovers the operating cost for providing field observation on the installation of these facilities. The plan review and construction observation fees are applicable to all extensions of the public water and/or sewer system regardless of the party which may be undertaking the improvements. The fees are applied separately to water main 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 enjoyed a steady and predictable rate of growth of approximately 500 new services a year, however, due to the significant slowdown in local construction and development activity, a revised growth projection of only 190 equivalent residential units is assumed for FY 2010. While empirical data indicate stable demand ratios by customer class, weather patterns since FY 2002 and the implementation of a seasonal conservation pricing structure produced a dramatic decrease in total demand by all classes. The additional conservation signal intended with the implementation of the block rate structure in October of 2007, a second drought and mandatory water use restrictions further decreased demand. Revenue projections for FY 2010 assume continued water demand reduction due to greater conservation by our customers and the expected growth in demand for reclaimed water.

In addition to the recovery of the cost of operations in FY 2010, rates and fees must be set at a level sufficient to “seed” fund future capital improvement costs and related debt in order to avoid the recovery of costs entirely during the years when construction related expenditures are made. OWASA uses a 15-year planning horizon to consider future needs when setting current-year rates. Our financial model indicated a 9.75% rate adjustment for water and sewer services would be necessary in FY 2010 to achieve funding for near-future capital improvements, operating needs and financial stability.

The following graph summarizes the historical trend of OWASA’s primary revenue stream, and our track record in projecting those revenues.

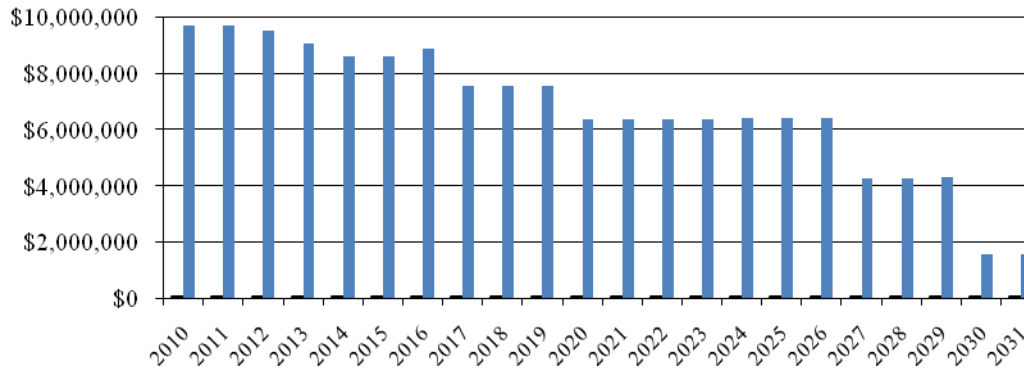


Debt Payment and Policy

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

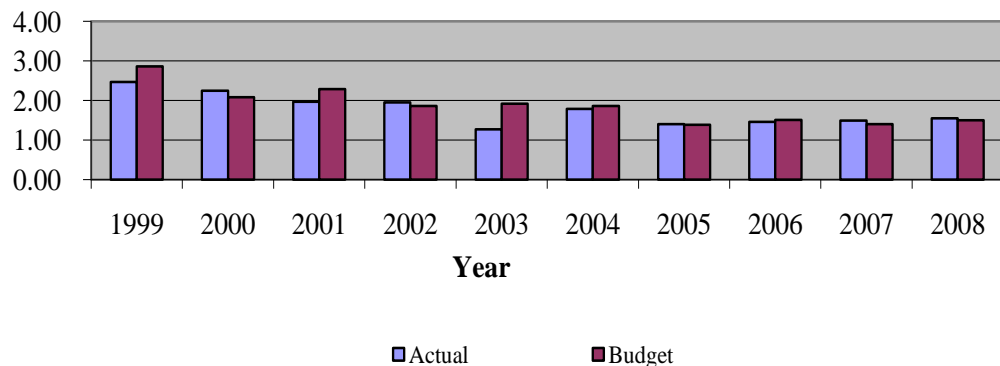
Outstanding debt equaled \$111.5 million at June 30, 2008. The amount outstanding for each issue was as follows; Series 1999 - \$1.4 million, Series 2001 - \$21.2 million, Series 2003 refunding issue - \$7.9 million, Series 2004A and 2004B - \$39.7 million, Series 2005 refunding bonds - \$18.5 million, and Series 2006 - \$22.9 million. Principal payments in FY 2010 will be \$4.8 million. The graph of debt service payments below reflects annual debt service for these outstanding issues.

Existing Debt Service 2010-2031



The ratio of debt coverage to net income is an important measure of OWASA's financial performance and helps gauge an appropriate level of debt. This ratio compares total net income for a given year with the total debt service required in that year. OWASA's Bond Order sets the minimum required debt coverage ratio at 1.2. The OWASA Board of Directors set a goal for minimum debt service coverage of 1.5 from 2001 through 2009 and revised the target to 2.0 for 2010 and beyond.

10-Year Debt Service Coverage Ratio Comparison Of Projected To Actual



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 2010.

**Planned
Operation and
Maintenance
Expenditures
Summary**

The chart below shows the planned operations and maintenance expenditures for OWASA's Operating and General and Administrative departments in FY 2010. The graph illustrates the relative proportions of the total costs by each category of expense.

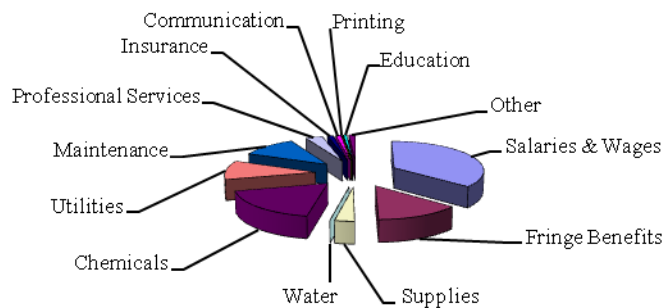
**ORANGE WATER AND SEWER AUTHORITY
EXPENDITURE BY DIVISION/BY CATEGORY
FISCAL YEAR 2010**

	General and Administrative	Operating Departments	Total FY 2010 Budget
Salaries & Wages	\$2,634,798	\$4,037,044	\$6,671,842
Fringe Benefits	911,118	1,635,371	2,546,489
Materials & Supplies	71,843	516,383	588,226
Water Purchases	0	0	0
Chemicals	0	3,363,789	3,363,789
Utilities	190,250	1,733,975	1,924,225
Maintenance	219,705	1,833,514	2,053,219
Professional Services	499,450	116,500	615,950
Insurance	36,000	178,113	214,113
Communication	173,930	14,900	188,830
Printing & Reproduction	10,625	2,400	13,025
Education and Development	58,645	60,025	118,670
Other	183,765	51,161	234,926
Total	<u>\$4,990,129</u>	<u>\$13,543,175</u>	<u>\$18,533,304</u>

**Operation & Maintenance
Expenditures**

(Rounded to Nearest \$1,000)

- Salaries & Wages \$6,672
- Fringe Benefits \$2,550
- Materials & Supplies \$588
- Water Purchases \$0
- Chemicals \$3,364
- Utilities \$1,924
- Maintenance \$2,053
- Professional Services \$616
- Insurance \$214
- Communication \$189
- Printing & Reproduction \$13
- Education and Devel. \$119
- Other \$235



Total: \$18,533,304 (Before Construction Credits)

Capital Equipment Summary

Each year OWASA replaces capital equipment items that have exceeded their useful lives and purchases other new equipment that is added to meet increased operational needs. The following is a summary of the replacements and additions budgeted for FY 2010.

Capital Equipment Summary

1 Items of Replacement or New Equipment \$41,000

Capital Improvements Program Summary

Capital improvements are necessary to renew aging infrastructure and to provide safe, reliable, high quality water, wastewater and reclaimed water services required to meet the needs of OWASA’s current and future customers. These improvements represent the majority of OWASA’s annual expenditures. Capital expenditures are not expensed during the year of outlay; rather they are recorded as capital assets and are depreciated over the economic useful life of the assets.

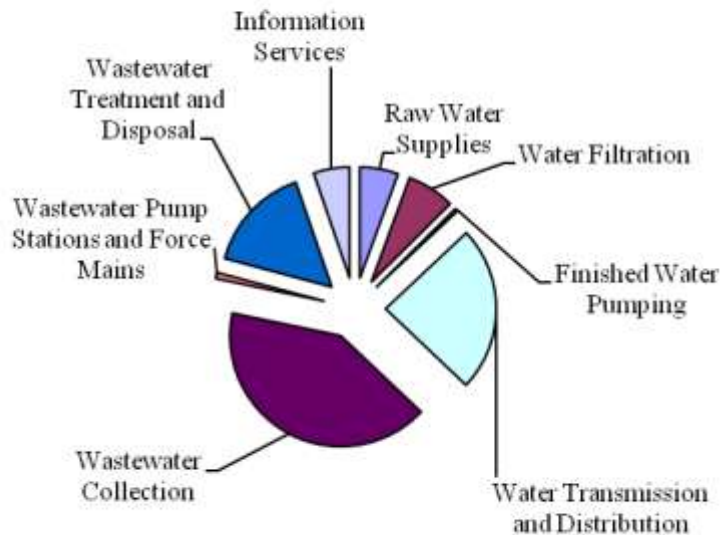
To a large extent, the financing of capital improvements drives the periodic adjustment of rates and fees and the need to issue debt.

A 15-year planning period is used to develop the Capital Improvements Program (CIP) and financing decisions are made for the first five years of that planning period in the form of a Capital Improvement Budget (CIB). Only the first year of the CIB is included in each fiscal year’s budget ordinance. For FY 2010, capital improvement projects total \$5.7 million, as shown below.

Capital Improvements Budget

(Rounded to nearest)

- Raw Water Supplies: \$319
- Water Filtration: \$397
- Finished Water Pumping: \$25
- Water Transmission and Distribution: \$1,372
- Wastewater Collection: \$2,349
- Wastewater Pump Stations and Force Mains: \$50
- Wastewater Treatment and Disposal: \$888
- Information Services: \$301



Total: \$5,701,000

Strategic Issues and Policies

OWASA's *Financial Management Policy* requires the annual preparation of a statement of strategic issues and policies to identify the major issues, policies, and concerns that should be addressed in the upcoming annual budget and capital improvements deliberations. Staff has identified issues including current-year demand and related economic conditions that hold significant financial implications critical to the preparation of the Fiscal Year 2010 annual budget, and those that help to form a strategic underpinning moving forward to FY 2010 and beyond.

CRITICAL FINANCIAL ISSUES

Demand and Growth Projections for FY 2010

We assumed that water shortage restrictions would remain in effect through December, 2008, and the FY 2009 budget reflects water sales 10% to 13% lower than originally projected for FY 2009. Although we returned to year-round advisory status in May, 2008, demand remains difficult to predict. While customer demand exceeded projections by approximately 8% during the first quarter of FY 2009, this was about 16% lower than the same quarter in 2008. Demand data for the second and third quarters indicate production volume appears to be near or slightly above projection but that estimates of winter-time base line water use are significantly overstated.

FY 2010 represents the first year the reclaimed water utility will be online throughout an entire fiscal year. Reclaimed water pricing will reflect cost-of-service rate setting principles. However, the use of reclaimed water will offset potable water use, further reducing potable water revenue.

Expectations for service availability fees during FY 2009 were downsized; approximating actual receipts in FY 2008. On the basis of local development trends and the continued slump in the general economy, we do not expect new service connection activity, and attending fees, to rebound next year. FY 2010 revenues from service availability fees are projected to be about 60% of current year projections.

Increased Operating Costs

Escalating costs will further contribute to the difficult financial challenges we must address in FY 2010. Chemical costs have increased at substantially higher rates than general inflation; exceeding appropriation through April, 2009 by \$512,000. Due to above average rainfall during the first half of FY 2009 (which filled the reservoirs), the rate of land application of biosolids thus far this fiscal year has been much less than expected. As a result, additional operating expenses have been incurred for the more expensive dewatering and composting option of biosolids disposal. This issue is likely to carry forward to next year.

No increase in health care benefits is anticipated for the new year.

Cost of Post Employment Benefits

The Governmental Accounting Standards Board (GASB) recently put forth their Pronouncement Number 45 that requires governments to report their liability for post-employment benefits. This represents another effort to bring governmental financial reporting into conformity with private sector practice. OWASA is required to report this liability as of the year ending June 30, 2009.

Under OWASA's Human Resources Policy, our post-employment benefits consist entirely of retiree health insurance and life insurance premiums. The actuarially determined *annual* contribution (net present value of future costs plus current costs) to fully fund expected benefit costs over thirty years ranges from \$596,000 to \$889,000, depending on actual annual contributions and interest rates earned. Annual contributions represent a new and ongoing funding need. Aside from actual premiums paid, we are not required to fund any portion of the annual contribution under GASB 45, but any unfunded amounts must be reported as an outstanding liability with detrimental implications for the balance sheet. The policy issue begged by GASB 45 is whether to "pay now, or pay later". Staff recommends an annual contribution of at least \$200,000 in future years to avert the need for very large single year funding in the future.

Upward Pressure on Rates

In FY 2008 due to substantial reductions in demand projections, the Board adopted an overall FY 2009 rate increase of approximately 17%. The 15-year financial model at that time indicated the need for an additional 17% increase in FY 2010. Prior to revising the demand assumptions, the projected rate increase for FY 2010 was 7.8%. OWASA's Finance Committee has been clear as to its desire to minimize the FY 2010 rate increase, with a zero percent increase scenario as a starting point. Unfortunately, all of the issues previously identified place an upward pressure on rates.

In the face of continued demand reduction, related revenue shortfalls, and increasing costs, our challenge will be to maintain high quality and reliable services to our customers while maintaining rate increases at acceptable levels. This will also require that we further intensify our efforts to evaluate opportunities to reduce operating and maintenance expenditures for FY 2010 and beyond, including the ongoing baseline functional analysis of current service levels to identify where temporary and permanent reductions can be achieved.

RESOURCE MANAGEMENT ISSUES

Water Supply Plan Update

OWASA's long range Water Supply Plan is currently being updated to reflect revised demand forecasts based on current community growth plans and development scenarios of Carrboro, Chapel Hill, and UNC; and the relative costs and benefits of water supply alternatives that offer additional flexibility and reliability. Supply alternatives that are being evaluated (or re-evaluated) will include expanding the Stone Quarry, University Lake, or the Cane Creek Reservoir; obtaining supplementary water from the Haw River and/or Jordan Lake; purchasing treated water from neighboring utilities, and others. Demand side alternatives will include additional water conservation and the potential for expanded use of reclaimed water in OWASA's service area. The updated water supply plan will help determine the optimum mix of strategies for ensuring a reliable, cost-effective and sustainable water supply to meet the long-term needs of our community. Technical work was completed by the end of March 2009, and will be followed by discussion and feedback with the OWASA Board, local government representatives, and community stakeholders during the summer and fall of 2009.

Capital Improvements Budget

The draft Five-Year Capital Improvements Budget (CIB) for FY 2010 – FY 2014 remains lean and has been reduced by an additional 25% from the projections made last year for the same period. Further capital spending reductions could be required depending on continued discussion of revised demand projections.

Although the next major upgrade for the Mason Farm Wastewater Treatment Plant (from 14.5 to 18.5 MGD) is currently scheduled for FY 2019 – FY 2022, the more stringent annual mass load limits for nitrogen associated with the Jordan Lake Nutrient Management Rules (scheduled to take effect in 2014) may require acceleration of some portion(s) of the upgrade project. It is currently believed that the plant may require additional nitrogen removal capability when the plant's average daily flows reach 10 MGD, which is currently forecasted to occur around 2016 (meaning design would need to begin on any identified capital project no later than FY 2014). Although the FY 2010 study will certainly clarify capital investment requirements at the plant, a place holder project to commence design work for a project to improve nitrogen removal capabilities will be inserted into FY 2014.

The CIP budget includes no funding for: expansion of the reclaimed water distribution system, development of facilities relating to Jordan Lake (or other water supply capacity expansion projects), conservation and demand management initiatives such as plumbing fixture rebate programs and no further investment in water supply watershed land protection.

The CIP will maintain near-term investments at historically low levels in order to help minimize future rate increases. By comparison, investment during the past 10 years (more than \$221 million in current dollars) has been much greater. Although the CIP investment that will be proposed for FY 2010 is considered to be adequate for the relatively near-term needs of our customers, future CIP investment will have to be increased to sustain existing infrastructure at acceptable levels of service and perhaps to meet additional regulatory requirements.

Debt Service Coverage Ratio (DSR)

The DSR, a critical indicator of financial health, is defined as the ratio of net revenue (revenue minus operating expenses) to annual debt service payments. The target ratio was lowered in 2001 from 2.0 to 1.5 to accommodate borrowing needs related to a significant increase in capital spending. In FY 2007 the Board adopted a phased approach to return to a coverage of 2.0 by FY 2012. A debt service coverage ratio of 2.0 creates additional revenue that contributes to a healthy fund balance, provides additional funding for capital spending, and lowers the marginal increase in rate adjustments over the long-term. While bondholders will likely consider the unavailability of the impact of the lingering effect of the recent drought in evaluating our performance in FY 2009, they will also expect OWASA to take those actions necessary to remain on target to achieve a DSR of 2.0 by FY 2012, and to show improvement in the DSR in the intervening years. Failure to do so would not affect interest costs for our outstanding fixed interest debt, but would make future borrowing more expensive, and more importantly, could increase significantly the debt service on our outstanding variable rate debt. OWASA's newly adopted *Financial Management Policy* sets the ratio target of 2.0.

Adequate Annual Revenues and Reserves

The potential shortcomings of our historical approach to financial reserves and the level of operational revenue contributions to infrastructure development are highlighted under current economic conditions and revised growth and demand projections. With capital improvements spending constrained by budgetary considerations, the targeted fund balance reverts to four months of budgeted operational spending. In the face of reduced water sales, increased operating expenses, together with significant annual debt service payments, the four-month target provides at best a marginal end-of-year fund balance reserve. This reserve balance provides little cushion for demand and revenue fluctuations, increases in operating or capital costs, or unforeseen emergencies.

As we face ever increasing infrastructure rehabilitation needs and uncertainty in revenue and spending streams, the current cash funding target for infrastructure development may fall short of its intended purpose. The need to ensure that net income from operations provides sustainable funding for annual infrastructure rehabilitation needs is becoming increasingly apparent. The FY 2010 budget reflects initial funding of both a capital improvements reserve and a rate/revenue stabilization reserve.

Conclusion

We have experienced two droughts of record within a five year period and face unprecedented reductions in customer demand arising from the droughts and demand reduction strategies, combined with an economic downturn that has resulted in significantly lower system growth than previously experienced.

In response, capital spending will be very lean over the next five years and the operating appropriation for FY 2010 reflects significant spending restrictions. Nevertheless, we believe the FY 2010 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 the high quality and reliability of services to our customers.



Ed Kerwin
Executive Director



Kevin M. Ray
Director of Finance and Customer Service

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Section I

Orange Water and Sewer Authority Overview

Orange Water and Sewer Authority Board of Directors Mission Statement

Board of Directors Roster

Staff Roster

Budget Preparation Calendar for Fiscal Year 2009

Appropriations for Fiscal Year 2009

Fund Balance Statements for Fiscal Year 2009

Funds Flow Statement for Fiscal Year 2009

Planned Expenditures by Category and Division for Fiscal Year 2009

Debt Service Schedule for Fiscal Years 2009 – 2031

Approved Capital Equipment Expenditures for Fiscal Year 2009

Capital Improvements Budget for Fiscal Year 2009

Rehabilitation/Replacement Projects (Force Account) for Fiscal Year 2009

Capital Improvements Plan for Fiscal Years 2009 - 2023

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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

CHAIR

Randolph (Randy) M. Kabrick, P.E.
207 Woodleaf Drive
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires 6/30/10

VICE CHAIR

Gordon Merklein
504 Highgrove Drive
Chapel Hill, NC 27516
Appointed by Chapel Hill; Term Expires: 6/30/10

SECRETARY

Braxton Foushee, Secretary
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 6/30/09

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

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

Gene Pease
208 Glandon Drive
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires 6/30/09

Alan Rimer, P.E.
519 Hooper Lane
Chapel Hill, NC 27514
Appointed by Chapel Hill; Term Expires 6/30/10

William R. Stott, III
105 Oleander Road
Carrboro, NC 27510
Appointed by Carrboro; Term Expires 6/30/09

ORANGE WATER AND SEWER AUTHORITY
OWASA MANAGEMENT TEAM

Jan Bryant-Berry, C.L.G.P.O., Procurement Manager
Gwen Burston, S.P.H.R., Director of Human Resources
Stuart Carson, P.E., Engineering Manager (Project Management)
Mason Crum, P.E., Director of Engineering and Planning
Damon Forney, Wastewater Treatment and Biosolids 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 Services
Kevin M. Ray, Director of Finance and Customer Service
Jane Showerman, Customer Service Manager
Todd Spencer, P.E., Engineering Manager (System Development)

GENERAL COUNSEL

Robert Epting, Esquire
Epting and Hackney

Budget Preparation and Calendar for FY 2010

OWASA's budget process is an interaction between the staff and the Board of Directors that starts in November each year. Many key elements are prescribed in the *Strategic Financial Planning and Management Document*. All major milestones are published on 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* (Please refer to the *Glossary* for definitions of these terms). The primary material differences arising from application of the full accrual basis to OWASA's financial record keeping and reporting and the use of the modified accrual basis for budgeting is 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 individual departmental preparation of incremental line-item budget requests for continuation of current operations and if necessary, include detailed estimates for any new initiatives or cost reduction strategies. Revenues are initially estimated based upon current rate structures and current year expenses are projected as accurately as possible. As the *Capital Improvements Plan* is finalized, the funding requirements are loaded into a 15-year Financial Planning Model that is used to evaluate alternatives of possible rate adjustments and debt financing arrangements to meet the funding needs and full cost recovery. Revenue estimates are adjusted to incorporate any changes directed by the Board. The following is the budget calendar followed for preparation of this budget.

September 25, 2008	Finance Committee – discussion of near- and long-term priorities and objectives for the Committee and to identify significant tasks and milestones for the Fiscal Year (FY) 2010 budget process and calendar.
October 23, 2008	Finance Committee – review and discussion of the <i>Quarterly Financial Report for the Quarter Ended September 30, 2008</i> .
November 13, 2008	Distribution of spreadsheets for the preparation of operating and maintenance appropriations, capital equipment request forms and departmental budget narratives.
November 13, 2008	Finance Committee – discussion of a <i>Draft Financial Management Policy</i> .
December 19, 2008	Submission of capital equipment request forms, budget narratives and departmental operations and maintenance budget requests to Budget Officer.
January 8, 2009	Finance Committee – report on municipal market conditions and continued discussion of a <i>Draft Financial Management Policy</i> .
January 15, 2009	Finance Committee - presentation of proposed <i>Statement of Strategic Issues and Policies</i> and <i>Financial Planning Assumptions and Background Information Document</i> .
January 22, 2009	Board of Directors meeting - presentation of proposed <i>Budget Calendar, Statement of Strategic Issues and Policies</i> and <i>Financial Planning Assumptions and Background Information Document</i> .
January, 2009	Departmental appropriation request and cost containment review with the Executive Director, Director of Finance and Customer Service and Budget Officer.
February 12, 2009	Finance Committee – discussion of cost containment efforts and rate adjustment scenarios.

February 12, 2009	Board of Directors meeting – presentation of anticipated significant FY 2010 vs. FY 2009 operating budget variances. Discussion of rate scenarios, cost reduction measures, and draft financial management policy.
March 12, 2009	Finance Committee – receive update on draft O&M and CIP budgets, and draft financial management policy.
March 26, 2009	Board of Directors meeting – discuss financial management policy.
March 30, 2009	Finance Committee – continue discussions of potential financial planning scenario, appropriate operational (O&M) and capital spending, reserve funding and rate adjustments needed to sustain recommended spending levels. Presentation of preliminary financial model results.
April 17, 2009	Delivery of the <i>Draft Preliminary Annual Budget</i> to the Board of Directors.
April 23, 2009	Board of Directors Meeting – adoption of the Preliminary Annual Budget. Update on budget and rate recommendations. Set date for public hearings on budgets and rates.
April 28, 2009	Finance Committee – draft schedule of rates, fees and charges.
May 14, 2009	Finance Committee – discussion of revised demand projections.
May 14, 2009	Board of Directors Meeting – presentation of the <i>First Draft Final Annual Budget, Draft CIP and Draft Schedule of Rates, Fees and Charges</i> .
May 26, 2009	Finance Committee – continue discussion of revised demand projections and implications for the CIP.
May 28, 2009	Board of Directors Meeting – Public Hearing on the <i>Draft Final Annual Budget, the Capital Improvements Budget</i> and Public Hearing on the proposed adjustments to rates, fees, and charges.
June 5, 2009	Delivery of <i>Third Draft Final Annual Budget</i> to the Board of Directors.
June 11, 2009	Board of Directors Meeting – adoption of <i>FY 2010 Annual Budget, CIP and Schedule of Rates, Fees and Other Charges</i> . Adoption of FY2009 budget amendment.
June 30, 2009 (On or About)	Distribution of <i>FY 2010 Annual Budget</i> .

STATEMENT OF INCOME, EXPENSE AND DEBT SERVICE (OPERATING)

	FY 2008	FY 2009		FY 2009	FY 2010		FY 2010
	Actual	Budget	Budget to	Projected	Budget to	Projected	Budget
Operating Revenue							
Water	\$16,378,833	\$15,938,688	-3.74%	\$15,342,780	6.71%		\$16,372,159
Sewer	11,046,437	13,171,544	-2.02%	\$12,905,266	14.11%		14,726,764
Service Initiation Fee	169,603	148,952	-5.10%	141,355	5.37%		148,952
Reclaimed Water	0	108,020		78,520	0.00%		471,112
Other	1,199,220	1,141,874	10.40%	1,260,677	0.94%		1,272,484
Refunds and Adjustments	<u>(119,471)</u>	<u>(103,322)</u>		<u>(78,661)</u>	44.16%		<u>(113,396)</u>
Total Operating Revenue	28,674,622	30,405,756	-2.49%	29,649,937	10.89%		32,878,075
Operating Expense							
General and Administrative Operations	4,467,994	5,501,296	-17.98%	4,512,041	10.60%		4,990,129
	<u>12,175,477</u>	<u>12,906,656</u>	0.07%	<u>12,915,108</u>	4.86%		<u>13,543,175</u>
Total Operating Expense	16,643,471	18,407,952	-5.33%	17,427,149	6.35%		18,533,304
Net Operating Income	<u>12,031,151</u>	<u>11,997,803</u>	1.88%	<u>12,222,788</u>	17.36%		<u>14,344,771</u>
Non-operating Revenue							
Customer Fees	1,995,415	1,965,465	21.75%	2,392,864	-51.37%		1,163,650
Interest	<u>584,031</u>	<u>196,461</u>	-59.10%	<u>80,350</u>	-9.94%		<u>72,365</u>
Total Net Income	14,610,597	14,159,729	3.79%	14,696,002	6.02%		15,580,786
Debt Service							
Existing	9,535,182	9,465,326	-4.62%	9,027,734	7.20%		9,678,113
New	0	<u>0</u>		<u>0</u>			<u>0</u>
Total Debt Service	9,535,182	9,465,326	-4.62%	9,027,734	7.20%		9,678,113
Net Income Less Debt Service	<u>5,075,416</u>	<u>4,694,404</u>	20.75%	<u>5,668,268</u>	4.14%		<u>5,902,673</u>
Debt Coverage Ratio	1.53	1.50		1.63			1.61

Although a departure from pro forma presentation, this income statement discloses the source and application of revenues while accurately 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 2008	FY 2009	FY 2009	FY 2009	FY 2010	FY 2010
	Actual	Budget	Budget to Projected	Projected	Budget to Projected	Budget
General Fund						
Resources						
Transfer From Revenue	5,075,416	4,694,404	20.75%	5,668,268	4.14%	5,902,673
Assessments	1,667	3,000	-86.67%	400	650.00%	3,000
Grants and Contributions	<u>926,504</u>	<u>7,084,706</u>	-25.81%	<u>5,256,298</u>	-95.24%	<u>250,000</u>
Annual Income Available for Capital	6,003,587	11,782,110	-7.27%	10,924,966	-43.65%	6,155,673
Transfer from Construction Fund (Bond Proceeds)	<u>7,633,630</u>	<u>0</u>		<u>459,677</u>	-100.00%	<u>0</u>
Total Available for Capital	13,637,217	11,782,110	-3.37%	11,384,643	-45.93%	6,155,673
Capital Expenditures						
Project Ordinances						
General Fund Contribution	5,395,028	13,792,000	-27.06%	10,060,538	-43.33%	5,701,000
Funded by Bond Proceeds	<u>7,633,630</u>	<u>0</u>		<u>459,677</u>	-100.00%	<u>0</u>
Total Project Resolutions	13,028,658	13,792,000	-23.72%	10,520,215	-45.81%	5,701,000
Capital Equipment	<u>100,000</u>	<u>110,050</u>	0.00%	<u>110,050</u>	-62.74%	<u>41,000</u>
Total Capital Outlay	13,128,658	13,902,050	-23.53%	10,630,265	-45.98%	5,742,000
Annual General Fund Balance	<u>(400,058)</u>	<u>(2,119,941)</u>	-135.58%	<u>754,378</u>	-45.16%	<u>413,673</u>
General Fund Beginning Balance	8,145,680	6,729,868	15.09%	7,745,622	22.19%	9,464,666
General Fund Ending Balance	7,745,622	4,609,927	84.38%	8,500,000	16.22%	9,878,339
Project Funding						
Under Contract	3,584,754	0		2,690,951		2,138,901
Future Years	0	7,939		0		911,670
Reserves						
Rate Stabilization	0	0				250,000
CIP	0	0		0		400,000
Operating Balance	4,160,868	4,601,988		5,809,049		6,177,767
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	\$34,114,090	(\$34,114,090)	\$20,000	\$0
Bond Service Fund	7,077,816	9,702,308	9,678,113	7,102,011	\$24,195
General Fund	9,464,666	6,203,843	5,790,170	9,878,339	\$413,673
Construction Fund	0	0	0	0	\$0
Total	<u>\$ 16,562,482</u>	<u>\$ 50,020,241</u>	<u>\$ (18,645,807)</u>	<u>\$ 85,228,530</u>	<u>\$ 437,868</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.

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. This Fund is comprised of restricted assets and is administered by the Bond Trustee, and is expected to increase by \$23,400 due to interest earnings during the year.

Establishment of the General Fund is required by statute. 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 General Fund is administered by OWASA. The balance of the General fund is not projected to decrease significantly during FY 2010.

Available bond proceeds are credited to the Construction Fund at the closing of a bond sale. As capital project obligations for which bonds were issued are incurred, these proceeds are transferred as reimbursements to the General Fund. No bond proceeds are expected to be available in FY 2010.

REVENUE FUND

	Water	Sewer	Total
Fund Balance July 1, 2009			\$20,000
Receipts			
Operating Revenue			
Customer Billings	16,372,159	14,726,764	31,098,923
Service Initiation Fee	74,476	74,476	148,952
Reclaimed Water	471,112	0	471,112
Other	636,242	636,242	1,272,484
Refunds and Adjustments	<u>(56,698)</u>	<u>(56,698)</u>	<u>(113,396)</u>
Total Operating Revenue	17,497,291	15,380,784	32,878,075
Non-operating Revenue			
Customer Fees	581,825	581,825	1,163,650
Interest Income	<u>36,183</u>	<u>36,183</u>	<u>72,365</u>
Total Non-operating Revenue	618,007	618,007	1,236,015
Total Receipts	17,533,474	15,416,967	34,114,090
Expenditures			
Current Expense	(9,266,652)	(9,266,652)	(18,533,304)
Debt Service	<u>(4,839,056)</u>	<u>(4,839,056)</u>	<u>(9,678,113)</u>
Total Expenditures	(14,105,709)	(14,105,709)	(28,211,417)
Net Revenue			5,902,673
To General Fund			5,902,673
Fund Balance June 30, 2010			<u>\$20,000</u>
Change in Available Balance			\$0

In accordance with OWASA's Amended and Restated Bond Order, Series 2001, all revenues derived 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, by certification to the Trustee, to the General Fund. The Revenue Fund is administered by OWASA.

BOND SERVICE FUND

Fund Balance July 1, 2009		\$7,077,816
Receipts		
Transfers from Revenue Fund	9,678,113	
Interest	<u>24,195</u>	
Total Receipts		9,702,308
Expenditures		
Debt Service	9,678,113	
Total Expenditures		<u>9,678,113</u>
Fund Balance June 30, 2010		<u>\$7,102,011</u>
Change in Available Balance		\$24,195

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 \$24,195 due to interest earnings during the year.

GENERAL FUND

Fund Balance July 1, 2009		\$9,464,666
Receipts		
Transfer From Revenue fund	5,902,673	
Transfer From Construction Fund (Bond Proceeds)	0	
Interest	48,170	
Assessments	3,000	
Grants and contributions	<u>250,000</u>	
Total Receipts		<u>6,203,843</u>
Total Balance Before Expenditures		15,668,509
Expenditures		
Capital Equipment/Leases	\$41,000	
Project Resolutions	5,701,000	
Transfer to Revenue Fund	48,170	
Total Expenditures		<u>5,790,170</u>
Fund Balance June 30, 2010		<u>\$9,878,339</u>
Allocation of Fund Balance June 30, 2010		
Project Funding		
Under Contract	2,138,901	
Future Years	911,670	
Capital Reserves	<u>6,827,768</u>	
Total Allocation		<u>\$9,878,339</u>
Unallocated General Fund Balance June 30, 2010		<u>\$0</u>
Change in Available Balance		\$413,673

Establishment of the General Fund is required by statute. 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 General Fund is administered by OWASA. The balance of the General fund is projected to increase by about \$413,000 due to CIP reductions in FY 2010.

FUNDS FLOW STATEMENT

1. Revenue Fund

Operating Revenue	\$ 32,878,075	
Customer Fees	1,163,650	
Interest Income	<u>72,365</u>	
Total Revenues		34,114,090

Operating and Maintenance Expense	(18,533,304)	
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2. Bond Service Fund (transfers to)

(9,678,113)

Total Expenditures		<u>(28,211,417)</u>
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Excess operating revenue (to be transferred to the General Fund)		5,902,673
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3. General Fund

Beginning Balance 07/01/09	9,464,666	
Transfer from Revenue Fund	5,902,673	
Assessments	3,000	
Grants and Contributions	<u>250,000</u>	

Total General Fund Balance (available for allocation)		15,620,339
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4. Construction Fund - Bond Proceeds

0

Total General Fund and Bond Proceeds		15,620,339
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Project Resolutions	5,701,000	
Capital Equipment and Leases	<u>41,000</u>	

Total General Fund Expenditures		5,742,000
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General Fund Ending Balance 06/30/10		<u>\$ 9,878,339</u>
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Project Resolutions		
Under Contract	2,138,901	
Future Years	911,670	
Reserves	<u>6,827,768</u>	

Total Allocation of General Fund Balance		<u>\$ 9,878,339</u>
--	--	---------------------

**O&MBUDGET BY CATEGORY
FISCAL YEAR 2010**

Category	FY 08 Actual	FY 09 Budget	FY 10 Budget	FY 10 Budget to FY 09 Budget %	FY 10 Budget to FY 09 Budget \$
Salaries & Wages	\$6,988,180	\$7,228,132	\$6,671,842	-7.7%	(\$556,290)
Fringe Benefits	\$2,532,052	\$2,740,668	\$2,546,489	-7.1%	(\$194,179)
Materials & Supplies	\$517,212	\$611,214	\$588,226	-3.8%	(\$22,988)
Water Purchases	\$0	\$0	\$0	0.0%	\$0
Chemicals	\$1,718,032	\$2,127,006	\$3,363,789	58.1%	\$1,236,783
Utilities	\$1,774,789	\$1,881,611	\$1,924,225	2.3%	\$42,614
Maintenance	\$1,995,449	\$2,207,394	\$2,053,219	-7.0%	(\$154,175)
Professional Services	\$758,132	\$783,340	\$615,950	-21.4%	(\$167,390)
Insurance	\$226,406	\$214,115	\$214,113	0.0%	(\$2)
Communication	\$182,165	\$198,977	\$188,830	-5.1%	(\$10,147)
Printing & Reproduction	\$8,733	\$15,825	\$13,025	-17.7%	(\$2,800)
Education and Development	\$83,378	\$118,670	\$118,670	0.0%	\$0
Other	\$257,854	\$280,999	\$234,926	-16.4%	(\$46,073)
Totals	<u>\$17,042,381</u>	<u>\$18,407,952</u>	<u>\$18,533,304</u>	0.7%	<u>\$125,353</u>
Construction Credit	(\$398,910)	(\$165,532)	(\$398,762)	140.9%	<u>(\$233,230)</u>
Net Expense	<u>\$16,643,471</u>	<u>\$18,242,420</u>	<u>\$18,134,542</u>	-0.6%	<u>(\$107,877)</u>

**EXPENDITURE BY DIVISION/BY CATEGORY
FISCAL YEAR 2010**

	General and Administrative	Operating Departments	Total FY 2010 Budget
Salaries & Wages	\$2,634,798	\$4,037,044	\$6,671,842
Fringe Benefits	911,118	1,635,371	2,546,489
Materials & Supplies	71,843	516,383	588,226
Water Purchases	0	0	0
Chemicals	0	3,363,789	3,363,789
Utilities	190,250	1,733,975	1,924,225
Maintenance	219,705	1,833,514	2,053,219
Professional Services	499,450	116,500	615,950
Insurance	36,000	178,113	214,113
Communication	173,930	14,900	188,830
Printing & Reproduction	10,625	2,400	13,025
Education and Development	58,645	60,025	118,670
Other	183,765	51,161	234,926
Total	<u>\$4,990,129</u>	<u>\$13,543,175</u>	<u>\$18,533,304</u>
Construction credit	(\$173,068)	(\$225,694)	(\$398,762)
Net Expense	<u>\$4,817,061</u>	<u>\$13,317,482</u>	<u>\$18,134,542</u>

FISCAL YEAR 2010

Category	FY 08 Actual	FY 09 Budget	FY 10 Budget	FY 10 Budget to FY 09 Budget %	FY 10 Budget to FY 09 Budget \$
Executive Director					
Personnel Costs	\$878,060	\$877,287	\$717,684	-18.2%	(\$159,603)
Operating Expenditures	<u>\$425,189</u>	<u>\$401,835</u>	<u>\$391,825</u>	-2.5%	(\$10,010)
Total Expenditures	\$1,303,249	\$1,279,122	\$1,109,509	-13.3%	(\$169,613)
Customer Service					
Personnel Costs	\$404,219	\$390,753	\$370,054	-5.3%	(\$20,699)
Operating Expenditures	<u>\$267,928</u>	<u>\$267,000</u>	<u>\$243,005</u>	-9.0%	(\$23,995)
Total Expenditures	\$672,147	\$657,753	\$613,059	-6.8%	(\$44,694)
Engineering					
Personnel Costs	\$1,213,844	\$1,283,672	\$1,138,713	-11.3%	(\$144,959)
Operating Expenditures	<u>\$52,248</u>	<u>\$191,199</u>	<u>\$72,180</u>	-62.2%	(\$119,019)
Total Expenditures	\$1,266,092	\$1,474,871	\$1,210,893	-17.9%	(\$263,978)
Human Resources					
Personnel Costs	\$482,831	\$440,801	\$410,314	-6.9%	(\$30,488)
Operating Expenditures	<u>\$100,616</u>	<u>\$127,567</u>	<u>\$99,368</u>	-22.1%	(\$28,199)
Total Expenditures	\$583,447	\$568,368	\$509,682	-10.3%	(\$58,687)
Finance					
Personnel Costs	\$436,966	\$441,688	\$514,324	16.4%	\$72,636
Operating Expenditures	<u>\$217,818</u>	<u>\$187,600</u>	<u>\$195,465</u>	4.2%	\$7,865
Total Expenditures	\$654,785	\$629,288	\$709,789	12.8%	\$80,501
Purchasing					
Personnel Costs	\$108,581	\$121,371	\$77,742	-35.9%	(\$43,629)
Operating Expenditures	<u>\$17,538</u>	<u>\$21,700</u>	<u>\$20,280</u>	-6.5%	(\$1,420)
Total Expenditures	\$126,119	\$143,071	\$98,022	-31.5%	(\$45,049)
Information Technology					
Personnel Costs	\$299,846	\$322,132	\$317,086	-1.6%	(\$5,047)
Operating Expenditures	<u>\$394,206</u>	<u>\$426,690</u>	<u>\$422,090</u>	-1.1%	(\$4,600)
Total Expenditures	\$694,051	\$748,822	\$739,176	-1.3%	(\$9,647)
Total G&A					
	<u>\$5,299,890</u>	<u>\$5,501,296</u>	<u>\$4,990,129</u>	-9.3%	<u>(\$511,167)</u>
Construction Credit	(\$159,798)	(\$71,702)	(\$173,068)		
Net Expense	<u>\$5,140,092</u>	<u>\$5,429,594</u>	<u>\$4,817,061</u>	-11.3%	

**ANNUAL BUDGET - OPERATING DEPARTMENTS
FISCAL YEAR 2010**

Category	FY 08 Actual	FY 09 Budget	FY 10 Preliminary Recom.	FY 10 Recom. to FY 09 Budget %	FY 10 Recom. to FY 09 Budget \$
Water Supply & Treatment					
Personnel Costs	\$878,326	\$884,435	\$883,081	-0.2%	(\$1,354)
Operating Expenditures	<u>\$1,562,702</u>	<u>\$1,666,181</u>	<u>\$2,098,206</u>	25.9%	\$432,025
Total Expenditures	\$2,441,028	\$2,550,616	\$2,981,287	16.9%	\$430,671
Water Distribution					
Personnel Costs	\$1,561,444	\$1,725,808	\$1,613,052	-6.5%	(\$112,756)
Operating Expenditures	<u>\$872,923</u>	<u>\$931,286</u>	<u>\$803,205</u>	-13.8%	(\$128,081)
Total Expenditures	\$2,434,368	\$2,657,094	\$2,416,257	-9.1%	(\$240,837)
Plants Maintenance					
Personnel Costs	\$869,759	\$971,692	\$921,697	-5.1%	(\$49,995)
Operating Expenditures	<u>\$1,011,636</u>	<u>\$1,048,852</u>	<u>\$1,092,352</u>	4.1%	\$43,500
Total Expenditures	\$1,881,395	\$2,020,544	\$2,014,049	-0.3%	(\$6,494)
Laboratory					
Personnel Costs	\$554,899	\$585,120	\$549,495	-6.1%	(\$35,625)
Operating Expenditures	<u>\$233,728</u>	<u>\$327,450</u>	<u>\$310,330</u>	-5.2%	(\$17,120)
Total Expenditures	\$788,627	\$912,570	\$859,825	-5.8%	(\$52,745)
Wastewater Treatment					
Personnel Costs	\$1,046,276	\$1,057,021	\$996,213	-5.8%	(\$60,808)
Operating Expenditures	<u>\$1,935,615</u>	<u>\$2,053,857</u>	<u>\$3,007,128</u>	46.4%	\$953,271
Total Expenditures	\$2,981,891	\$3,110,878	\$4,003,341	28.7%	\$892,463
Sewer Collection					
Personnel Costs	\$788,439	\$867,020	\$722,633	-16.7%	(\$144,387)
Operating Expenditures	<u>\$426,746</u>	<u>\$787,933</u>	<u>\$545,782</u>	-30.7%	(\$242,151)
Total Expenditures	\$1,215,185	\$1,654,953	\$1,268,415	-23.4%	(\$386,538)
Total Operating Departments	<u>\$11,742,493</u>	<u>\$12,906,655</u>	<u>\$13,543,175</u>	4.9%	<u>\$636,519</u>
Construction Credit	(\$239,113)	(\$93,830)	(\$225,693)		
Net Expense	<u>\$11,503,380</u>	<u>\$12,812,825</u>	<u>\$13,317,482</u>	3.9%	

DEBT SERVICE FOR FISCAL YEARS 2010-2031

Schedule of Existing Long Term Bond Debt Service:

	Issue Dates	Interest Rates (Coupon)	Outstanding at 06/30/08
Series 1999 Revenue Bonds	4/15/99	3.8% to 4.25%	\$1,387,683
Series 2001 Revenue Bonds	10/01/01	3.5% to 5.0%	21,153,656
Series 2003 Revenue Refunding Bonds	04/09/03	2.5% to 5.0%	7,882,056
Series 2004A Revenue Bonds	06/17/04	3.0% to 5.25%	19,688,239
Series 2004B Revenue Bonds	06/17/04	Variable	20,000,000
Series 2005 Revenue Refunding Bonds	06/09/05	3.5% to 5.0%	18,468,611
Series 2006 Revenue Bonds	10/26/06	3.5% to 4.5%	<u>22,881,554</u>
Total Bonded Debt			<u>\$111,461,799</u>

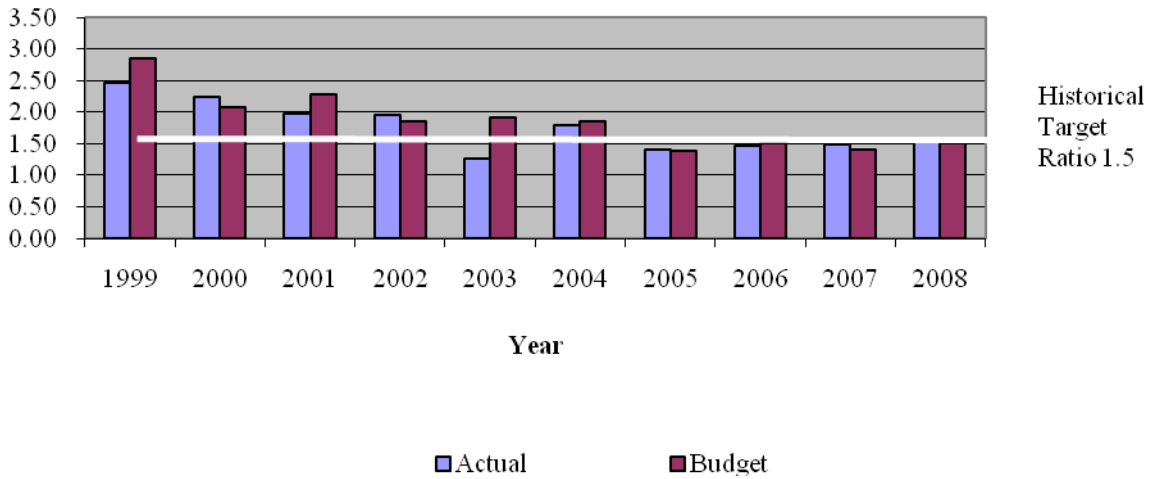
Schedule of Existing and Proposed Annual Debt Service:

Fiscal Year Ending June 30	Existing Debt Service	Proposed Debt Service (Estimated)	Total Existing and Proposed Debt Service
2010	\$9,678,113	\$0	\$9,678,113
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	1,015,752	<u>9,600,602</u>
2016	8,890,225	1,015,752	9,905,977
2017	7,548,462	1,015,752	8,564,214
2018	7,549,375	2,972,559	10,521,934
2019	7,558,625	2,972,559	10,531,184
2020	6,379,169	2,972,559	9,351,278
2021	6,371,175	2,972,559	9,343,734
2022	6,374,019	2,972,559	9,346,578
2023	6,375,844	2,972,559	9,348,403
2024	6,388,919	2,972,559	9,361,478
2025	6,396,944	2,972,559	9,369,503
2026	6,408,944	2,972,559	9,381,503
2027	4,275,425	2,972,559	7,247,984
2028	4,283,525	2,972,559	7,256,084
2029	4,290,300	2,972,559	7,262,859
2030	1,565,500	2,972,559	4,538,059
2031	1,564,500	2,972,559	4,537,059
Total	<u>\$147,311,640</u>	<u>\$44,663,082</u>	<u>\$191,974,272</u>

Historical Debt Service Overview

The debt service coverage ratio (total net income divided by total annual debt service) is an indicator of OWASA's ability to repay its debt while maintaining adequate funding for operations. OWASA's Bond Order sets the minimum required ratio at 1.2. Our internal target since 2001 was 1.5 and the Board of Directors adopted a goal of 2.0 in FY 2008, to be achieved by FY 2012.

**10-Year Debt Service Coverage Ratio
Comparison Of Projected To Actual**



FY 2010 CAPITAL EQUIPMENT LISTING, CONSOLIDATED

<u>Cat.*</u>	<u>(Qty)</u> <u>Department Titles and Item Descriptions</u>	<u>Amount</u>
Sewer Collection Department		
A	(1) 6" Bypass Pump	\$41,000
	Grand Total	<u>\$41,000</u>

*Categories: R = Replacement of existing asset, A = Addition to current assets

CAPITAL IMPROVEMENTS BUDGET

The following are projects from the 15-year Capital Improvement Program funded in FY 2010. The complete 15-year program and the 5-year Capital Improvement Budget undergo annual review and updating. Capital expenditures are defined as those that pay for the addition, rehabilitation and replacement of water and sewer system infrastructure and other depreciable assets.

<u>Cat</u>	<u>Proj.</u>	<u>Title</u>	<u>Amount</u>
270		<u>Raw Water Supplies</u>	
	04	JORDAN LAKE RAW WATER SUPPLY INTAKE AND PUMPING FACILITY	\$12,000
	09	STONE QUARRY ACQUISITION	\$15,000
	11	UNIVERSITY LAKE PUMP STATION IMPROVEMENTS	\$292,000
272		<u>Water Filtration</u>	
	05	WATER TREATMENT PLANT INSTRUMENTATION AND CONTROLS	\$14,000
	10	WATER TREATMENT PLANT REHABILITATION PROJECTS	\$117,000
	14	WATER TREATMENT PLANT SECURITY IMPROVEMENTS	\$146,000
	18	WATER TREATMENT PLANT HYPOCHLORITE IMPROVEMENTS	\$120,000
273		<u>Finished Water Pumping</u>	
	02	CALVANDER PUMP STATION IMPROVEMENTS	\$25,000
275		<u>Water Transmission and Distribution</u>	
	15	WATER MAIN - ROAD IMPROVEMENT PROJECTS	\$99,440
	20	WATER LINE REHABILITATION, REPLACEMENT PROJECTS	\$998,000
	25	REINFORCEMENT PROJECTS	\$74,520
	33	WATER DISTRIBUTION SYSTEM HYDRAULIC MODEL UPDATE	\$200,000
276		<u>Wastewater Collection</u>	
	01	BOLIN CREEK INTERCEPTOR	\$1,105,563
	18	SERVICE AREA SEWER LINE REHABILITATION AND REPLACEMENT PROJECTS	\$494,540
	42	WILLOW DRIVE/ESTES DRIVE & US 15-501/CULBRETH SS	\$400,000
	43	SANITARY SEWER SERVICE AREA STUDY	\$349,000
277		<u>Wastewater Pump Stations and Force Mains</u>	
	01	PUMP STATION IMPROVEMENTS	\$50,000
278		<u>Wastewater Treatment and Disposal</u>	
	11	MASON FARM WWTP REHAB/REPLACEMENT	\$77,000
	13	MASON FARM WWTP - ODOR IMPROVEMENTS	\$471,000
	19	MASON FARM WWTP - HYDRAULIC AND TREATMENT CAPACITY	\$280,000
	34	MASON FARM WWTP - METHANE ENGINE RECONDITIONING	\$60,000
280		<u>Information Services</u>	
	01	INFORMATION SERVICES	\$300,500
		Total	<u>\$5,700,563</u>

REHABILITATION/REPLACEMENT PROJECTS (IN-HOUSE)

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

While these projects are recorded as capital assets, labor and equipment costs are charged to operating departments by way of the interface of payroll and job costing functions with the general ledger. To avoid overstatement of operating expense, labor and equipment costs are recorded as credits to the Water Distribution and Sewer Collection operating budget, thereby offsetting recorded operating expense that has been capitalized. Overhead, which approximates 131% of labor costs, is credited to the General and Administrative operating budget to offset other operating costs associated with the capital projects. Costs for materials are charged directly to each project from an inventory account and therefore are not included in the construction credit amount.

Total funds of \$3,098,103 for water and sewer main rehabilitation and replacement projects are reflected in the Capital Improvements Budget. Of this amount, \$2,168,279 is expected to be completed by contractors and \$929,824 to be completed by OWASA's construction crews. Below is a list with cost component itemization of rehabilitation projects scheduled to be completed by OWASA's construction crews.

Force Account Rehabilitation / Replacement Projects FY 2010 (Construction Credit)

Water System Project Titles	Size	Length (ft.)	Material Cost	Equipment Cost	Labor Cost	Overhead Cost	Total
Briarcliff Project							
Churchill Dr from hydrant to Brigham Rd	8"	650	\$ 36,996	\$ 6,517	\$ 9,200	\$ 12,053	\$ 64,766
Red bud Rd from Honeysuckle Rd to Lakeshore Dr	6"	1000	57,876	10,201	14,401	18,865	101,343
Colony Woods Projects - Phase 4							
Thornwood Rd from Ferrell Ln to Fountain Ridge Rd	6"	1070	60,904	10,732	15,151	19,848	106,636
Tinkerbell Rd N from Ferrell Rd to Fountain Ridge Rd	8"	1155	65,743	11,585	16,355	21,425	115,107
Ferrell Rd from Thornwood Dr to Tinkerbell Rd	6"	450	25,614	4,514	6,372	8,347	44,847
Ridgefield Projects							
Willow Dr from E of bridge to Spruce St	8"	425	24,191	4,263	6,018	7,884	42,355
Cypress Rd from Hemlock Dr to Eden Ln	6"	800	45,536	8,024	11,328	14,840	79,728
Willow Dr from Long Leaf Dr to Ivy Ln	8"	525	29,883	5,266	7,434	9,739	52,321
Willow Dr from Ivy Ln to Emory Dr	8"	770	43,828	7,723	10,903	14,283	76,738
Leclair St from Long Leaf Dr to Belmont St	6"	360	20,491	3,611	5,098	6,678	35,877
Wildwood Dr from Belmont St to Emory Dr	6"	1150	65,927	11,617	16,401	21,485	115,430
Leclair St from Holly Ln to Emory Dr	6"	950	54,074	9,529	13,452	17,622	94,677
Water System Subtotals		9,305	<u>\$ 531,064</u>	<u>\$ 93,580</u>	<u>\$ 132,113</u>	<u>\$ 173,068</u>	<u>\$ 929,825</u>
Water System Const. Credit (Equip + Labor)							\$225,693
Water System Const. Credit (Overhead)							<u>\$173,068</u>
Total Water System Construction Credit							<u>\$398,761</u>
Sewer Collection System Project Titles	Size (in.)	Length (ft.)	Material Cost	Equipment Cost	Labor Cost	Overhead Cost	Total
	N/A	N/A	N/A	N/A	N/A	N/A	<u>\$0</u>
Sewer Collection System Subtotals		\$0	\$0	\$0	\$0	\$0	<u>\$0</u>
Sewer Coll. Dept. Const. Credit (Equip + Labor)					<u>\$0</u>		
Total Budget Yr. Rehabilitation Projects (2010)		<u>9,305</u>	<u>531,064</u>	<u>93,580</u>	<u>132,113</u>	<u>173,068</u>	<u>929,825</u>
2010 Construction Credits							(\$225,693)
2010 Overhead Total							<u>(\$173,068)</u>
2010 Total Construction Credit							<u>(\$398,762)</u>

CAPITAL IMPROVEMENTS PROGRAM 2010-2024

PROJECT CATEGORY:	FIVE-YEAR CAPITAL BUDGETING PERIOD					5-YEAR BUDGET	6 To 15-YEAR PLANNING PERIOD		15-YEAR
	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2010-14</u>	<u>FY 2015-19</u>	<u>FY 2020-24</u>	<u>FY 2010-24</u>
RAW WATER SUPPLY SOURCES	319,000	527,000	27,000	27,000	256,000	1,156,000	1,749,000	218,000	3,123,000
RAW WATER TRANSMISSION	0	0	0	0	0	0	0	0	0
WATER TREATMENT FACILITIES	397,000	626,000	371,000	169,000	1,086,000	2,649,000	1,521,000	4,297,000	8,467,000
FINISHED WATER PUMPING	25,000	0	69,000	0	0	94,000	1,314,000	0	1,408,000
FINISHED WATER STORAGE	0	0	0	0	0	0	0	0	0
WATER TRANSMISSION AND DISTRIBUTION	1,369,000	1,429,000	1,540,000	2,041,000	3,410,000	9,789,000	45,098,000	59,137,000	114,024,000
WASTEWATER COLLECTION LINES	2,352,000	2,786,000	3,198,000	3,314,000	6,212,000	17,862,000	27,506,000	50,415,000	95,783,000
WASTEWATER PUMP STATIONS	50,000	50,000	935,000	1,681,000	198,000	2,914,000	11,288,000	3,419,000	17,621,000
WASTEWATER TREATMENT AND DISPOSAL	888,000	1,935,000	1,497,000	1,400,000	993,000	6,713,000	11,790,000	60,968,000	79,471,000
CENTRAL OFFICE AND OPERATIONS	0	0	0	0	0	0	110,000	222,000	332,000
INFORMATION SERVICES	301,000	330,000	330,000	330,000	330,000	1,621,000	1,795,000	2,000,000	5,416,000
TOTAL PROJECTED FOR FISCAL YEAR:	\$5,701,000	\$7,683,000	\$7,967,000	\$8,962,000	\$12,485,000	\$42,798,000	\$102,171,000	\$180,676,000	\$325,645,000
PROPOSED 5-YEAR FUNDING SOURCES:	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2010-14</u>			
CASH	5,701,000	7,683,000	7,967,000	8,962,000	12,485,000	42,798,000			
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:	\$5,701,000	\$7,683,000	\$7,967,000	\$8,962,000	\$12,485,000	\$42,798,000			

Section II

Overview of OWASA Departments

Organization Chart

General and Administrative Departments

Office of the Executive Director

Customer Service

Engineering and Planning

Human Resources

Finance

Purchasing

Information Technology

Operating Departments

Water Supply and Treatment

Water Distribution

Maintenance

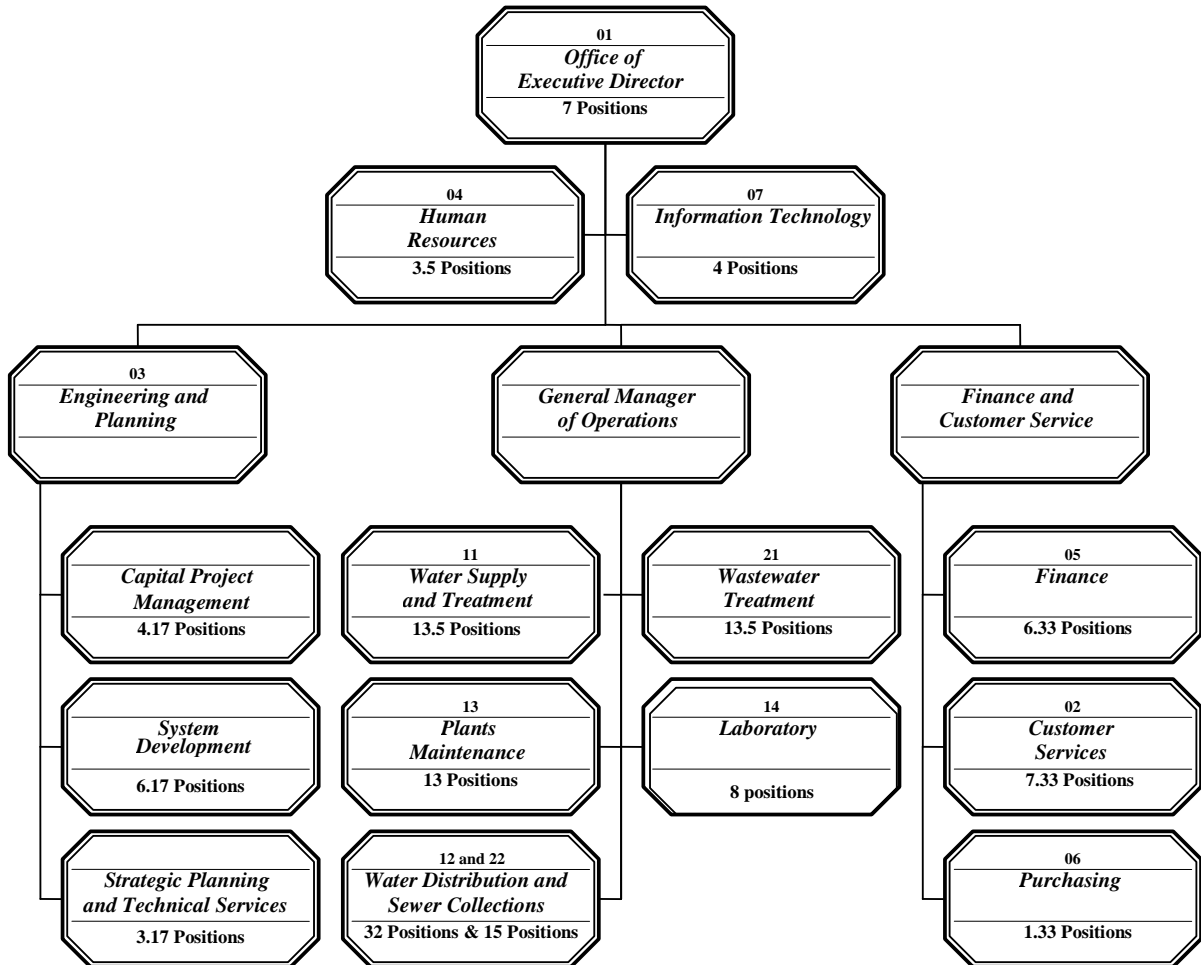
Laboratory

Wastewater Treatment

Sewer Collections

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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 Budget Comparison
Fiscal Years 2008 - 2010**

	FY 2008	08 Actual to 09 Budget	FY 2009	09 Budget to 09 Proj.	FY 2009	09 Budget to 10 Budget	FY 2010
	Actual	Change	Budget	Variance	Projected	Change	Budget
Personnel Costs							
Salaries and Wages	\$663,332		\$681,965		\$569,546	-17%	\$565,069
Fringe Benefits	<u>214,728</u>		<u>195,322</u>		<u>158,184</u>	-22%	<u>152,615</u>
Total Personnel Costs	878,060	0%	877,287	-17%	727,729	-18%	717,684
Other Operating Expense							
Materials and Supplies	7,407		7,765		4,033	7%	8,320
Utilities	60,778		72,000		63,080	10%	79,550
Maintenance	0		0		0	0%	0
Professional Services	199,450		184,700		223,265	8%	199,400
Insurance	36,479		36,000		40,009	0%	36,000
Communication	35,185		44,875		25,043	-21%	35,430
Printing and Reproduction	643		875		462	0%	875
Education and Development	7,003		17,790		5,500	-45%	9,825
Other	<u>78,244</u>		<u>37,830</u>		<u>17,644</u>	-41%	<u>22,425</u>
Total Operating Expenditures	425,189	-5%	401,835	-6%	379,035	-2%	391,825
Total Expenditures	<u>1,303,249</u>	-2%	<u>1,279,122</u>	-13%	<u>1,106,765</u>	-13%	<u>1,109,509</u>
Construction Credit	(159,798)		(71,702)		(50,476)		(173,068)
Net Expense	<u>\$1,143,451</u>	6%	<u>\$1,207,420</u>	-13%	<u>\$1,056,289</u>	-22%	<u>\$936,441</u>

Personnel Summary

	FY 2008 Actual	FY 2009 Budget	FY 2010 Budget
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 collection of water and sewer accounts, septage accounts, and special assessments; receiving and 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 acceptable accounting principles.
- Develop, interpret and administer OWASA policies relating to customer service and billing and collection of delinquent accounts.
- Provide technical assistance to the organization in projecting water sales, growth trends and reports on unserved areas.
- 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 Budget Comparison Fiscal Years 2008 - 2010

	08 Actual to FY 2008 Actual	09 Budget to FY 2009 Budget	09 Budget to 09 Proj. Variance	FY 2009 Projected	09 Budget to 10 Budget Change	FY 2010 Budget
Personnel Costs						
Salaries and Wages	\$308,315			\$274,354	-6%	\$270,232
Fringe Benefits	<u>95,904</u>			<u>100,397</u>	-4%	<u>99,822</u>
Total Personnel Costs	404,219	-3%	390,753	-4%	374,750	-5%
Other Operating Expense						
Materials and Supplies	2,636		3,000	8,887	0%	3,000
Utilities	0		0	0	0%	0
Maintenance	0		0	0	0%	805
Professional Services	90,588		78,000	69,361	-38%	48,000
Insurance	1,968		0	0	0%	0
Communication	110,657		100,000	113,000	10%	110,000
Printing and Reproduction	1,044		3,000	1,399	0%	3,000
Education and Development	957		3,000	5,199	107%	6,200
Other	<u>60,078</u>		<u>80,000</u>	<u>11,389</u>	-10%	<u>72,000</u>
Total Operating Expenditures	267,928	0%	267,000	209,236	-9%	243,005
Total Expenditures	<u>672,147</u>	-2%	<u>657,753</u>	-11%	<u>583,986</u>	-7%
Construction Credit	0		0	0		0
Net Expense	<u>\$672,147</u>	-2%	<u>\$657,753</u>	-11%	<u>\$583,986</u>	-7%

Personnel Summary

	FY 2008 Actual	FY 2009 Budget	FY 2010 Budget
Positions	8	8	7.33

Key Performance Measurements

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

Billing timeliness	FY 2007	FY 2008	FY 2009*
Goal: 100%	92	91	96

Total accounts. Total number of customer accounts.

Total Accounts	FY 2007	FY 2008	FY 2009*
Goal: N/A	19,875	19,998	20,054

* Year 2009 measurements are through the 2nd quarter of FY 2009.

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 revision 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.
- Accomplish small-scale in-house designs, primarily for accomplishment by OWASA crews.
- Complete studies and modeling efforts to determine the engineering and economic feasibility of various approaches to repair and upgrade 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 proactively integrates GIS technology with the many operating and business functions of OWASA.

ENGINEERING AND PLANNING

**Three-year Budget Comparison
Fiscal Years 2008 - 2010**

	FY 2008 Actual	08 Actual to 09 Budget Change	FY 2009 Budget	09 Budget to 09 Proj. Variance	FY 2009 Projected	09 Budget to 10 Budget Change	FY 2010 Budget
Personnel Costs							
Salaries and Wages	\$963,014		\$996,325		\$943,822	-11%	\$885,263
Fringe Benefits	<u>250,830</u>		<u>287,347</u>		<u>266,912</u>	-12%	<u>253,450</u>
Total Personnel Costs	1,213,844	6%	1,283,672	-6%	1,210,734	-11%	1,138,713
Other Operating Expense							
Materials and Supplies	13,602		17,076		12,832	17%	19,942
Utilities	23		0		0	0%	0
Maintenance	1,523		3,600		1,356	-53%	1,700
Professional Services	18,309		152,500		134,863	-78%	33,000
Communication	539		560		515	7%	600
Printing and Reproduction	2,086		2,350		1,531	0%	2,350
Education and Development	13,695		11,920		8,277	1%	12,050
Other	<u>2,471</u>		<u>3,193</u>		<u>2,562</u>	-21%	<u>2,538</u>
Total Operating Expenditures	52,248	266%	191,199	-15%	161,937	-62%	72,180
Total Expenditures	<u>1,266,092</u>	16%	<u>1,474,871</u>	-7%	<u>1,372,671</u>	-18%	<u>1,210,893</u>
Construction Credit	0		0		0		0
Net Expense	<u>\$1,266,092</u>	16%	<u>\$1,474,871</u>	-7%	<u>\$1,372,671</u>	-18%	<u>\$1,210,893</u>

Personnel Summary

	FY 2008 Actual	FY 2009 Budget	FY 2010 Budget
Positions	15	15	13.5

Key Performance Measurements

Actual capital project expense to budget (planned vs. actual). Actual capital project expenditures as an annualized percentage of total capital budget.

1-5 (5 Highest)	FY 2007	FY 2008	FY 2009*
Goal: >80%	73	66	46

Average plan review time. Average length of time to review plan from date received to review of letter.

Work Days	FY 2007	FY 2008	FY 2009*
Goal: <15	11	11	8

Capital projects communication plans effectiveness ratings. Rating from 1 to 5 (5 being highest) by OWASA customers of our manhole rehabilitation program.

Percent of Total Capital Budget	FY 2007	FY 2008	FY 2009*
Goal: > 4 (Scale of 1-5)	4.2	3.2	4

*Year 2009 measurements are through the 2nd quarter of FY 2009.

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 in a competitive compensation relationship with the labor market. The role of the Department is to assure both management and the employees that personnel matters are being handled both 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 organizations pay and benefits package is competitive in the market place.
- Recruit capable 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 in a timely and appropriate manner employee claims for Life and Long-Term Disability insurance coverage.
- 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 Budget Comparison Fiscal Years 2008 - 2010

	08 Actual to FY 2008 Actual		09 Budget to FY 2009 Budget		09 Budget to FY 2010 Budget		
	FY 2008 Actual	09 Budget Change	FY 2009 Budget	09 Proj. Variance	FY 2009 Projected	10 Budget Change	FY 2010 Budget
Personnel Costs							
Salaries and Wages	\$244,009		\$251,740		\$233,520	-14%	\$217,721
Fringe Benefits	<u>238,822</u>		<u>189,062</u>		<u>254,564</u>	2%	<u>192,593</u>
Total Personnel Costs	482,831	-9%	440,801	11%	488,084	-7%	410,314
Other Operating Expense							
Materials and Supplies	16,636		16,825		6,311	-26%	12,481
Utilities	0		0		0	0%	0
Maintenance	162		1,000		88	0%	0
Professional Services	35,648		37,840		25,775	-10%	34,200
Communication	14,522		31,552		6,216	-27%	23,000
Printing and Reproduction	754		1,500		285	0%	1,500
Education and Development	5,307		8,000		1,961	-19%	6,500
Other	<u>27,587</u>		<u>30,850</u>		<u>10,411</u>	-30%	<u>21,687</u>
Total Operating Expenditures	100,616	27%	127,567	-60%	51,046	-22%	99,368
Total Expenditures	<u>583,447</u>	-3%	<u>568,368</u>	-5%	<u>539,130</u>	-10%	<u>509,682</u>
Construction Credit	0						0
Net Expense	<u>\$583,447</u>	-3%	<u>\$568,368</u>	-5%	<u>\$539,130</u>	-10%	<u>\$509,682</u>

Personnel Summary

	FY 2008	FY 2009	FY 2010
Positions	6	6	3.5

Key Performance Measurements

Attrition Rate. The percentage of vacancies of the total number of authorized positions.

Percentage of vacancies	FY 2007	FY 2008	FY 2009*
Goal: <8%	9.70%	10.60%	5.30%

At fault EEOC complaints. Number of EEOC complaints for which the organization was found to have responsibility.

Each	FY 2007	FY 2008	FY 2009*
Goal: 0	0	0	0

*Year 2009 measurements are through the 2nd quarter of FY 2009.

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, 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 supplies the Board of Directors, Executive Director, and department managers information needed to make important financial decisions regarding OWASA's present status and future operation and development.

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 based on the general ledger and cost accounting system.
- Monitor budgeted funds for operations and capital appropriations.
- Develop forecasted budget data for subsequent fiscal year.
- Maintain general ledger and related subsidiary ledgers.
- Maintain a reliable and timely cost accounting system.
- Investment of 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 physically sound organization.

FINANCE

Three-year Budget Comparison Fiscal Years 2008 - 2010

	08 Actual to FY 2008 Actual	09 Budget to FY 2009 Budget	09 Budget to FY 2009 Proj. Variance	09 Budget to FY 2009 Projected	09 Budget to FY 2010 Budget
Personnel Costs					
Salaries and Wages	\$326,239		\$328,899	\$415,765	19%
Fringe Benefits	<u>110,727</u>		<u>112,789</u>	<u>125,958</u>	8%
Total Personnel Costs	436,966	1%	441,688	541,724	16%
Other Operating Expense					
Materials and Supplies	4,072		4,200	3,208	-24%
Utilities	0		0	0	0%
Maintenance	0		0	0	0%
Professional Services	202,626		167,700	186,092	7%
Communication	3,826		5,100	2,743	-22%
Printing and Reproduction	3,733		5,500	2,945	-50%
Education and Development	2,671		4,400	4,545	1%
Other	<u>890</u>		<u>700</u>	<u>644</u>	74%
Total Operating Expenditures	217,818	-14%	187,600	200,176	4%
Total Expenditures	<u>654,785</u>	-4%	<u>629,288</u>	<u>741,900</u>	13%
Construction Credit	0		0	0	
Net Expense	<u>\$654,785</u>	-4%	<u>\$629,288</u>	<u>\$741,900</u>	13%

Personnel Summary

	FY 2008	FY 2009	FY 2010
Positions	6.5	6.5	6.33

Key Performance Measurements

Debt per customer account. Monetary allocation of the organization's outstanding debt over the cus

Debt per customer account	FY 2007	FY 2008	FY 2009*
\$/ACCT: N/A	5,863	5,543	5,309

Actual Operations & Maintenance (O&M) expenses to budget. Percentage of actual operating expen budgeted expenses.

Actual O&M expenses to budget	FY 2007	FY 2008	FY 2009*
Goal: < 98%	93	91	98

Revenue to budget. Revenue actually collected as a % of the amount projected in the current budget.

Revenue to budget	FY 2007	FY 2008	FY 2009*
Goal: 100%	94	99	102

*Year 2009 measurements are through the 2nd quarter of FY 2009

06 PURCHASING DEPARTMENT

(General and Administrative)

MISSION

To enhance the operations of OWASA, its staff and Board by providing effective purchasing contract administration and inventory management. Serve as the central procuring activity for selected commodities and services and be the management and control point for the acquisition systems which are executed on a decentralized basis throughout the organization, and train the staff on purchasing procedures and policies. Review contract documents, negotiating required changes or additions to protect OWASA's interests, conduct all formal bids for supplies and equipment, conduct competitive acquisitions through Request For Proposal process, develop procurement policy recommendations, and advise the Board and Executive Director. Monitor and provide oversight for the historically underutilized business program. To acquire and account for an inventory of repair parts for the water and sewer systems, provide centralized receiving functions and operate a pool of common use administrative vehicles. Produce revenue through disposal of surplus personal property by coordinating sales and exchanges of property in accordance with OWASA policy.

SUMMARY OF ACTIVITIES

- Promote responsive and courteous customer service in all activities.
- Review and modify contract documents and agreements to ensure fair and legal terms and conditions for OWASA and to reduce or eliminate risks by carefully structuring requirements.
- Establish and monitor small purchase procurement procedures for use by all operating departments within the organization, which enhance their ability to perform their assigned missions, providing them maximum flexibility while maintaining adequate internal controls.
- Provide training to all OWASA staff members who have procurement responsibilities.
- Maintain an inventory of the water and sewer system repair parts required to meet the operating needs of the Distribution and Collections Department. Track reported consumption and replenishment of these parts with at least 95 percent accuracy. Conduct inventories document adjustments. Report inventory value monthly.
- Process purchase actions within three working days.
- Create, or update the policies procedures that govern acquisition functions to promote greater efficiency and stronger internal control.
- Monitor and provide oversight for the historically underutilized business program

PURCHASING

**Three-year Budget Comparison
Fiscal Years 2008 - 2010**

	FY 2008 Actual	08 Actual to 09 Budget Change	FY 2009 Budget	09 Budget to 09 Proj. Variance	FY 2009 Projected	09 Budget to 10 Budget Change	FY 2010 Budget
Personnel Costs							
Salaries and Wages	\$85,365		\$93,459		\$63,823	-37%	\$59,140
Fringe Benefits	<u>23,216</u>		<u>27,912</u>		<u>17,809</u>	-33%	<u>18,602</u>
Total Personnel Costs	108,581	12%	121,371	-33%	81,632	-36%	77,742
Other Operating Expense							
Materials and Supplies	5,631		7,250		4,636	-5%	6,900
Utilities	4,377		4,500		4,386	0%	4,500
Maintenance	1,664		3,300		1,110	-3%	3,200
Professional Services	0		0		0	0%	0
Communication	58		750		167	-47%	400
Printing and Reproduction	0		200		0	-25%	150
Education and Development	4,981		4,700		3,801	-10%	4,230
Other	<u>827</u>		<u>1,000</u>		<u>774</u>	-10%	<u>900</u>
Total Operating Expenditures	17,538	24%	21,700	-31%	14,874	-7%	20,280
Total Expenditures	<u>126,119</u>	13%	<u>143,071</u>	-33%	<u>96,505</u>	-31%	<u>98,022</u>
Construction Credit	0		0		0		0
Net Expense	<u>\$126,119</u>	13%	<u>\$143,071</u>	-33%	<u>\$96,505</u>	-31%	<u>\$98,022</u>

Personnel Summary

	FY 2008	FY 2009	FY 2010
Positions	2.5	2.5	1.33

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, pagers, office equipment (fax, copiers, and printers).
- Develops, maintains, and implements, a long-range technology 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 changes procedures for OWASA's information system.
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INFORMATION TECHNOLOGY

Three-year Budget Comparison Fiscal Years 2008 - 2010

	08 Actual to FY 2008 Actual	09 Budget to FY 2009 Budget	09 Budget to 09 Proj. Variance	FY 2009 Projected	09 Budget to 10 Budget Change	FY 2010 Budget
Personnel Costs						
Salaries and Wages	\$240,626			\$249,995	-2%	\$244,491
Fringe Benefits	<u>59,219</u>			<u>72,138</u>	1%	<u>72,595</u>
Total Personnel Costs	299,846	7%		322,132	-5%	305,136
Other Operating Expense						
Materials and Supplies	16,703			16,000	13%	18,000
Utilities	105,572			100,500	6%	106,200
Maintenance	170,056			230,000	-7%	214,000
Professional Services	36,778			5,000	0%	5,000
Communication	5,870			500	0%	500
Printing and Reproduction	53			0	0%	0
Education and Development	9,988			10,690	44%	15,390
Other	<u>49,185</u>			<u>64,000</u>	-2%	<u>63,000</u>
Total Operating Expenditures	394,206	8%		426,690	0%	426,156
Total Expenditures	<u>694,051</u>	8%		<u>748,822</u>	-2%	<u>731,292</u>
Construction Credit	0			0		0
Net Expense	<u>\$694,051</u>	8%		<u>\$748,822</u>	-2%	<u>\$731,292</u>

Personnel Summary

	FY 2008	FY 2009	FY 2010
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 of two water supply reservoirs with public recreation facilities, the Jones Ferry Road Water Treatment Plant, water treatment residuals processing and disposal facilities; and the operation of five elevated storage tanks within the distribution system. The department administers the watershed protection programs.

SUMMARY OF ACTIVITIES

- Efficiently and effectively operate the raw water storage and water treatment facilities in full compliance with all Federal and State regulations while providing high quality drinking water that is aesthetically pleasing to OWASA customers.
- Answer all 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.
- 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 State operator certification.
- Reinforce the teamwork approach collective commitments required by department employees to accomplish objectives within the operation 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 Budget Comparison Fiscal Years 2008 - 2010

	08 Actual to FY 2008 Actual	09 Budget to FY 2009 Budget	09 Budget to 09 Proj. Variance	FY 2009 Projected	09 Budget to 10 Budget Change	FY 2010 Budget
Personnel Costs						
Salaries and Wages	\$653,154			\$628,086	0%	\$635,995
Fringe Benefits	<u>225,172</u>			<u>254,131</u>	-1%	<u>247,086</u>
Total Personnel Costs	878,326	1%		882,217	0%	883,081
Other Operating Expense						
Materials and Supplies	31,060		28,490	23,568	43%	40,751
Water Purchases	0		0	0	0%	0
Chemicals	902,759		1,077,729	1,212,521	37%	1,478,491
Utilities	462,773		415,113	382,209	1%	419,700
Maintenance	20,694		10,843	27,238	76%	19,043
Professional Services	66,886		53,700	86,876	13%	60,500
Insurance	64,123		60,200	63,338	0%	60,200
Communication	598		870	441	-8%	800
Printing and Reproduction	0		0	0	0%	0
Education and Development	4,833		9,310	7,074	-8%	8,560
Other	<u>8,974</u>		<u>9,926</u>	<u>7,690</u>	2%	<u>10,161</u>
Total Operating Expenditures	1,562,701	7%	1,666,181	1,810,955	26%	2,098,206
Total Expenditures	<u>2,441,027</u>	4%	<u>2,550,616</u>	<u>2,693,172</u>	17%	<u>2,981,287</u>
Construction Credit	\$0		\$0	\$0		\$0
Net Expense	<u>\$2,441,027</u>	4%	<u>\$2,550,616</u>	<u>\$2,693,172</u>	17%	<u>\$2,981,287</u>

Personnel Summary

	FY 2008	FY 2009	FY 2010
Positions	13	13	13.5

Key Performance Measurements

Million gallons treated. Measurement of the number of million gallons of raw water treated as determined by influent flow meters at the Jones Ferry Road Water Treatment Plant.

Number of gallons treated	FY 2007	FY 2008	FY 2009*
Goal: N/A	3,126 Billion	3,008 Billion	1,518 Billion

Average finished water turbidity. A measure of the presence of suspended and colloidal matter in the finished water. The analytical measurement is reported in nephelometric turbidity units (NTU).

Average finished water turbidity (NTU)	FY 2007	FY 2008	FY 2009*
Goal: <0.10	0.04	0.03	0.03

Number of primary drinking water standards noncompliances. A monthly report is filed with the North Carolina Division of Environmental Health regarding the quality of the drinking water. Any noncompliance of primary drinking water standards would be reported.

Number of water standards noncompliances	FY 2007	FY 2008	FY 2009*
Goal: 0	0	0	0

*Year 2009 measurements are through the 2nd quarter of FY 2009.

12 WATER DISTRIBUTION DEPARTMENT

MISSION

The Water Distribution Department is responsible for maintaining the finished 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 in the reclaimed water system. 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 the pipes in the new reclaimed water 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.
- Explore ways to increase productivity in new pipe installation (water line rehabilitation projects).
- Coordinate the repair and replacement of billing meters.
- Maintain integrity of water distribution lines by continuing rehabilitation program.

WATER DISTRIBUTION

Three-year Budget Comparison Fiscal Years 2008 - 2010

	08 Actual to FY 2008 Actual		09 Budget to FY 2009 Budget		09 Budget to FY 2010 Budget	
	09 Budget Change	FY 2009 Budget	09 Proj. Variance	FY 2009 Projected	10 Budget Change	FY 2010 Budget
Personnel Costs						
Salaries and Wages	\$1,116,303	\$1,199,166		\$1,070,425	-6%	\$1,123,100
Fringe Benefits	<u>445,141</u>	<u>526,642</u>		<u>491,350</u>	-7%	<u>489,952</u>
Total Personnel Costs	1,561,444	1,725,808	-10%	1,561,775	-7%	1,613,052
Other Operating Expense						
Materials and Supplies	93,133	75,700		76,415	-2%	74,250
Utilities	193,842	235,506		205,558	-13%	204,525
Maintenance	560,166	576,600		431,495	-13%	500,000
Professional Services	2,995	20,000		14,948	0%	0
Insurance	7,504	8,080		6,570	0%	8,080
Communication	226	400		387	25%	500
Printing and Reproduction	737	1,400		30	0%	1,400
Education and Development	12,300	11,000		8,681	-4%	10,550
Other	<u>2,020</u>	<u>2,600</u>		<u>2,343</u>	50%	<u>3,900</u>
Total Operating Expenditures	872,923	931,286	-20%	746,427	-14%	803,205
Total Expenditures	<u>2,434,368</u>	<u>2,657,094</u>	-13%	<u>2,308,202</u>	-9%	<u>2,416,257</u>
Construction Credit	(158,610)	(93,830)		(124,073)		(225,693)
Net Expense	<u>\$2,275,757</u>	<u>\$2,563,264</u>	-15%	<u>\$2,184,129</u>	-15%	<u>\$2,190,564</u>

Personnel Summary

	FY 2008	FY 2009	FY 2010
Positions	32	32	32

Key Performance Measurements

Miles of pipe maintained. Miles of water distribution piping maintained from the Jones Ferry Road Water Treatment Plant to the customers' service lines.

Miles of pipe maintained	FY 2007	FY 2008	FY 2009*
Goal: N/A	389	390	391

Percentage water accounted for. The volume of finished water billed, divided by the volume of finished water pumped to the distribution system.

Percentage water accounted for	FY 2007	FY 2008	FY 2009*
Goal: > 90%	90	93	91

*Year 2009 measurements are through the 2nd quarter of FY 2009.

13 MAINTENANCE DEPARTMENT

MISSION

The Maintenance Department is responsible for the efficient and effective program for predictive, preventive, and corrective maintenance for the water and wastewater treatment plants and related equipment. The maintenance department is responsible for ensuring that all necessary facilities and equipment are available for use and to ensure that the water and sewer needs of all customers are reliably met. Provide and operate a centralized pool of common use administrative vehicles. Provide current equipment status and cost information for asset management. Maintain high state of readiness for vehicles and equipment by being the central point of coordination for maintenance and repair services combining in-house capabilities with contracted repair services to attain the highest possible fleet reliability and the lowest possible operating cost. Track operating costs and repair histories on all equipment and vehicles, and assist operating departments with the acquisition of new vehicles.

SUMMARY OF ACTIVITIES

- Maintain all equipment necessary to provide an uninterrupted supply of water to OWASA customers, in compliance with all applicable regulatory requirements.
- Maintain all equipment necessary to provide reliable pumping of wastewater without spillage or overflow.
- Maintain all equipment necessary to provide continuous treatment of wastewater to meet operating permits and regulatory compliance.
- Maintain OWASA facilities in good condition with respect to structural integrity and appearance.
- Obtain the most value from installed equipment by effective maintenance, and replace obsolete equipment with current technologies when reliability or cost of continued maintenance exceeds replacement cost. Apply non-proprietary technology with a goal of equipment standardization throughout OWASA.
- Maintain a computerized maintenance management system 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.
- Provide training and professional development for maintenance staff in order to keep current with changing technologies, equipment, and work practices, including safety regulations.
- Actively participate in the design review of new OWASA facilities and capital equipment.
- Operate a maintenance and repair program for the fleet of operational vehicles and equipment, which produces a high rate of availability and reliability with low operating expenses across the organization.

PLANTS MAINTENANCE

**Three-year Budget Comparison
Fiscal Years 2008 - 2010**

	08 Actual to FY 2008 Actual	09 Budget to FY 2009 Budget	09 Budget to 09 Proj. Variance	FY 2009 Projected	09 Budget to 10 Budget Change	FY 2010 Budget
Personnel Costs						
Salaries and Wages	\$646,978			\$709,215	\$640,408	-6%
Fringe Benefits	<u>222,781</u>			<u>262,477</u>	<u>242,363</u>	-3%
Total Personnel Costs	869,759	12%		971,692	-9%	882,770
					-5%	921,697
Other Operating Expense						
Materials and Supplies	38,556			41,012	81,340	-27%
Utilities	309			1,000	734	0%
Maintenance	947,593			942,481	1,112,832	7%
Professional Services	236			29,000	0	0%
Insurance	17,635			16,499	16,713	0%
Communication	851			1,000	1,842	0%
Printing and Reproduction	0			0	0	0%
Education and Development	6,086			12,860	3,816	16%
Other	<u>370</u>			<u>5,000</u>	<u>4,265</u>	0%
Total Operating Expenditures	1,011,636	4%		1,048,852	1,221,544	4%
						1,092,352
Total Expenditures	<u>1,881,395</u>	7%		<u>2,020,544</u>	<u>2,104,314</u>	0%
Construction Credit	0			0	0	0
Net Expense	<u>\$1,881,395</u>	7%		<u>\$2,020,544</u>	<u>\$2,104,314</u>	0%
						<u>\$2,014,049</u>

Personnel Summary

	FY 2008	FY 2009	FY 2010
Positions	15	15	13

Key Performance Measurements

Number of wastewater pumping station overflows. The number of reportable wastewater overflows that occur at any of OWASA's pumping stations because of equipment failure.

Wastewater	FY 2007	FY 2008	FY 2009*
Goal: 0	0	0	0

Equipment availability percentage. Percentage of critical equipment which is available for service. A 100% index for this standard would indicate that every piece of equipment is ready to operate at all times.

Percent of	FY 2007	FY 2008	FY 2009*
Goal: > 98%	99.9%	99.9%	99.9%

Fleet reliability. Percent of vehicles available for service. A 100% index for this standard would mean that all vehicles are ready to operate at all times.

Percentage of	FY 2007	FY 2008	FY 2009*
Goal: > 95%	99.9%	99.9%	99.9%

*Year 2009 measurements are through the 2nd quarter of FY 2009.

14 LABORATORY DEPARTMENT

MISSION

The Laboratory Department provides analytical support and expertise for water, wastewater and reclaimed water operations. All State and Federal certifications for the water and wastewater laboratories are maintained. The laboratory provides reliable analytical data for the water and wastewater plants regulatory reporting and process control, distribution system water quality monitoring, watershed management, pretreatment, sewer use ordinance, reclaimed water and biosolids programs.

SUMMARY OF ACTIVITIES

- Provide responsive and courteous customer service in all activities.
- Maintain laboratory support to ensure a high quality drinking water supply to OWASA customers.
- Maintain the laboratory program to ensure that the wastewater discharge is in compliance with its operating permit.
- Continue the analytical monitoring of the pretreatment operations, sewer use ordinance, reclaimed water, and biosolids handling programs.
- Continue to operate the laboratory in compliance with all applicable State and Federal requirements.
- Maintain a Quality Assurance and a Quality Control Program for the laboratory in accordance with State and Federal requirements.
- Improve data handling procedures to provide timely analytical monitoring data for process control and regulatory reporting.
- Continue to train and develop employees to improve their technical knowledge, skills, as well as maintain a full staff of experienced analysts.

LABORATORY

**Three-year Budget Comparison
Fiscal Years 2008 - 2010**

	08 Actual to FY 2008 Actual	09 Budget to FY 2009 Budget	09 Budget to 09 Proj. Variance	FY 2009 Projected	09 Budget to 10 Budget Change	FY 2010 Budget
Personnel Costs						
Salaries and Wages	\$412,440			\$397,192	-5%	\$402,711
Fringe Benefits	<u>142,459</u>			<u>151,183</u>	-9%	<u>146,784</u>
Total Personnel Costs	554,899	5%	585,120	-6%	548,375	-6%
Other Operating Expense						
Materials and Supplies	168,705		239,465	203,295	-4%	229,545
Utilities	0		0	0	0%	0
Maintenance	36,898		47,940	66,247	-15%	40,710
Professional Services	6,413		12,000	10,777	0%	12,000
Insurance	8,524		7,975	7,975	0%	7,975
Communication	9,087		11,170	12,640	-2%	11,000
Printing and Reproduction	0		0	0	0%	0
Education and Development	2,447		6,000	4,610	3%	6,200
Other	<u>1,654</u>		<u>2,900</u>	<u>2,586</u>	0%	<u>2,900</u>
Total Operating Expenditures	233,728	40%	327,450	-6%	308,129	-5%
Total Expenditures	<u>788,627</u>	16%	<u>912,570</u>	-6%	<u>856,505</u>	-6%
Construction Credit	0		0	0		0
Net Expense	<u>\$788,627</u>	16%	<u>\$912,570</u>	-6%	<u>\$856,505</u>	-6%

Personnel Summary

	FY 2008	FY 2009	FY 2010
Positions	10	9	8

21 WASTEWATER TREATMENT DEPARTMENT

MISSION

The Wastewater Treatment Department is responsible for reliably providing efficient and effective treatment of the wastewater and treatment residuals generated daily by all OWASA customers. Primary Departmental functions include operation of the Mason Farm Wastewater Treatment Plant and Reclaimed Water Facility, the biosolids recycling program, monitoring the operation of the wastewater pump stations and the odor control programs at the plant and in the collection system. This involves operating and controlling a variety of physical, chemical, and biological treatment processes plus operating specialized equipment for the recycling of biosolids. Additional responsibilities include the Pretreatment, and Septage Disposal Programs. The Wastewater Treatment Department complies with the plant's National Pollutant Discharge Elimination System (NPDES) Permit, the Land Application Permit (WQ, Non-Discharge), the new Stormwater Discharge Permit plus various Local, State, and Federal regulations that pertain to both discharges from the OWASA facilities plus the general operation requirements to meet all applicable standards.

SUMMARY OF ACTIVITIES

- Provide responsive and courteous customer service in all activities.
- Maintain continuous compliance with State and Federal wastewater discharge standards.
- Manage biosolids recycling in an environmentally and operationally sound manner.
- Continue the existing program of monitoring wastewater lift station operation emphasizing performance and reliability.
- Effectively control odors and provide prompt response to public inquires.
- Continue strong emphasis on the development and training of employees to improve their knowledge, skills, and abilities, including state operator certification.
- Manage the safe operation of the Reclaimed Water Facility to meet the water quality standards.

WASTEWATER TREATMENT

Three-year Budget Comparison Fiscal Years 2008 - 2010

	08 Actual to FY 2008 Actual	09 Budget to FY 2009 Budget	09 Budget to 09 Proj. Variance	FY 2009 Projected	09 Budget to 10 Budget Change	FY 2010 Budget
Personnel Costs						
Salaries and Wages	\$773,498			\$713,178	-7%	\$712,016
Fringe Benefits	<u>272,778</u>			<u>279,937</u>	-3%	<u>284,197</u>
Total Personnel Costs	1,046,276	1%	1,057,021	-6%		996,213
Other Operating Expense						
Materials and Supplies	64,048		94,431	56,045	-13%	81,800
Chemicals	735,941		779,277	1,201,531	109%	1,629,761
Chemicals - Odor Control	0		5,000	0	2616%	135,780
Utilities	832,814		932,792	965,298	5%	975,000
Maintenance	97,834		81,630	60,861	-38%	50,910
Professional Services	94,421		41,500	17,355	-43%	23,500
Insurance	82,921		77,777	77,182	0%	77,777
Communication	522		1,200	620	-50%	600
Printing and Reproduction	0		0	0	0%	0
Education and Development	7,524		8,250	4,467	-3%	8,000
Other	<u>19,590</u>		<u>32,000</u>	<u>16,930</u>	-25%	<u>24,000</u>
Total Operating Expenditures	1,935,615	6%	2,053,857	17%	2,400,289	46%
Total Expenditures	<u>2,981,891</u>	4%	<u>3,110,878</u>	9%	<u>3,393,404</u>	29%
Construction Credit	0		0	0		0
Net Expense	<u>\$2,981,891</u>	4%	<u>\$3,110,878</u>	9%	<u>\$3,393,404</u>	29%

Personnel Summary

	FY 2008	FY 2009	FY 2010
Positions	14	15	13.5

Key Performance Measurements

Million gallons treated. Measurement of the number of million gallons treated at the Mason Farm Wastewater Treatment Plant as determined by the influent flow meters.

Wastewater treated	FY 2007	FY 2008	FY 2009*
Goal: N/A	2,855 Billion	2,707 Billion	1,393 Billion

Number of wastewater overflows. The number of reportable wastewater overflows that occur at the Wastewater Treatment Plant.

Wastewater overflows (at WWTP)	FY 2007	FY 2008	FY 2009*
Goal: 0	1	1	1

Number of National Pollutant Discharge Elimination System (NPDES) permit noncompliances. The number of NPDES permit noncompliances as reported by the Mason Farm Wastewater Treatment Plant on the monthly report to the North Carolina Division of Water Quality.

Number of permit noncompliances	FY 2007	FY 2008	FY 2009*
Goal: 0	0	2	0

*Year 2009 measurements are through the 2nd quarter of FY 2009.

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 and maintain sewer and reclaimed water lines.

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.
- Annually mow and clear easements and regularly clean sewer mains.
- Maintain a computerized maintenance management programs for all aspects of its 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 and control program.

SEWER COLLECTIONS

Three-year Budget Comparison Fiscal Years 2008 - 2010

	08 Actual to		09 Budget to		09 Budget to		
	FY 2008 Actual	09 Budget Change	FY 2009 Budget	09 Proj. Variance	FY 2009 Projected	10 Budget Change	FY 2010 Budget
Personnel Costs							
Salaries and Wages	\$558,168		\$605,466		\$479,673	-16%	\$507,817
Fringe Benefits	<u>230,271</u>		<u>261,554</u>		<u>208,240</u>	-18%	<u>214,815</u>
Total Personnel Costs	788,439	10%	867,020	-21%	687,913	-17%	722,633
Other Operating Expense							
Materials and Supplies	55,021		60,000		53,427	0%	60,000
Chemicals	(30,180)		140,000		0	-49%	71,000
Chemicals - Odor Control	109,512		125,000		38,703	-72%	35,000
Utilities	114,324		120,200		126,050	11%	133,750
Maintenance	158,858		310,000		166,326	-30%	218,000
Professional Services	205		1,400		0	0%	1,500
Insurance	7,252		7,582		6,718	0%	7,582
Communication	224		1,000		272	0%	1,000
Printing and Reproduction	0		1,000		234	0%	1,000
Education and Development	5,583		10,750		7,243	9%	11,750
Other	<u>5,947</u>		<u>11,000</u>		<u>811</u>	-53%	<u>5,200</u>
Total Operating Expenditures	426,746	85%	787,932	-49%	399,783	-31%	545,782
Total Expenditures	<u>1,215,185</u>	36%	<u>1,654,952</u>	-34%	<u>1,087,696</u>	-23%	<u>1,268,415</u>
Construction Credit	(80,503)		0		0		0
Net Expense	<u>\$1,134,682</u>	46%	<u>\$1,654,952</u>	-34%	<u>\$1,087,696</u>	-23%	<u>\$1,268,415</u>

Personnel Summary

	FY 2008	FY 2009	FY 2010
Positions	15	15	15

Key Performance Measurements

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

Miles of pipe maintained	FY 2007	FY 2008	FY 2009*
Goal: N/A	296	312	314

Sewer overflows. Number of reportable wastewater overflows that occur in the OWASA wastewater collection system.

Sewer overflows	FY 2007	FY 2008	FY 2009*
Goal: 0	10	2	2

Number of sewer blockages per 100 miles of pipe maintained. Total number of sewer blockages divided by the number of miles of sewer pipes.

Number of blockages per miles of pipe	FY 2007	FY 2008	FY 2009*
Goal: TBD	9.2	5.1	0.3

*Year 2009 measurements are through the 2nd quarter of FY 2009.

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Section III

Supplemental Information

Resolution Adopting the Annual Budget for Fiscal Year 2009
(With Attachments)

Personnel Authorization by Department

Historical Operating Variance

OWASA Statistical Information

Service Area Demographics

Chapel Hill Statistical Data

Financial Management Policy

Glossary

**RESOLUTION ADOPTING THE ANNUAL BUDGET FOR
ORANGE WATER AND SEWER AUTHORITY FOR THE FISCAL YEAR
JULY 1, 2009 THROUGH JUNE 30, 2010**

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 1 through 5 be, and they hereby are, adopted as the official Budget of Orange Water and Sewer Authority of the Fiscal Year beginning July 1, 2009 through June 30, 2010.

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 11th day of June, 2009.



Randy Kabrick, P.E., Chair

ATTEST:



Braxton Foushee, Secretary

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

**FY 2010
Annual Budget**

Operating Revenue

Water	\$16,372,159
Sewer	14,726,764
Reclaimed Water	471,112
Service Initiation Fee	148,952
Other	1,272,484
Refunds and Adjustments	<u>(113,396)</u>

Total Operating Revenue **32,878,075**

Operating Expense

General and Administrative	4,990,129
Operations	<u>13,543,175</u>

Total Operating Expense **18,533,304**

Net Operating Income **14,344,771**

Non-operating Revenue

Customer Fees	1,163,650
Interest	<u>72,365</u>

Total Net Income **15,580,786**

Debt Service

Existing	9,678,113
New	<u>0</u>

Total Debt Service **9,678,113**

Net Income Less Debt Service **\$5,902,673**

Debt Coverage Ratio **1.61**

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

**FY 2010
Annual Budget**

General Fund

Resources

Transfer From Revenue	\$5,902,673
Assessments	3,000
Grants and Contributions	<u>250,000</u>

Annual Income Available for Capital **6,155,673**

Transfer from Construction Fund (Bond Proceeds) **0**

Total Available for Capital **6,155,673**

Capital Expenditures

Project ordinances	
General Fund Contribution	5,701,000
Funded by Bond Proceeds	<u>0</u>

Total Project Resolutions **5,701,000**

Capital Equipment **41,000**

Total Capital Outlay **5,742,000**

Annual General Fund Balance **413,673**

General Fund Beginning Balance **9,464,666**

General Fund Ending Balance **\$9,878,339**

Project Funding

Under Contract	2,138,901
Future Years	911,670

Reserves

Rate Stabilization	250,000
CIP	400,000
Operating Balance	<u>6,177,768</u>

\$9,878,339

Unallocated General Fund Balance **\$0**

REVENUE FUND

	Water	Sewer	Total
Fund Balance July 1, 2009			\$20,000
Receipts			
Operating Revenue			
Customer Billings	16,372,159	14,726,764	31,098,923
Service Initiation Fee	74,476	74,476	148,952
Reclaimed Water	471,112	0	471,112
Other	636,242	636,242	1,272,484
Refunds and Adjustments	<u>(56,698)</u>	<u>(56,698)</u>	<u>(113,396)</u>
Total Operating Revenue	17,497,291	15,380,784	32,878,075
Non-operating Revenue			
Customer Fees	581,825	581,825	1,163,650
Interest Income	<u>36,183</u>	<u>36,183</u>	<u>72,365</u>
Total Non-operating Revenue	618,007	618,007	1,236,015
Total Receipts	17,533,474	15,416,967	34,114,090
Expenditures			
Current Expense	(9,266,652)	(9,266,652)	(18,533,304)
Debt Service	<u>(4,839,056)</u>	<u>(4,839,056)</u>	<u>(9,678,113)</u>
Total Expenditures	(14,105,709)	(14,105,709)	(28,211,417)
Net Revenue			5,902,673
To General Fund			5,902,673
Fund Balance June 30, 2010			<u>\$20,000</u>
Change in Available Balance			\$0

BOND SERVICE FUND

Fund Balance July 1, 2009		\$7,077,816
Receipts		
Transfers from Revenue Fund	9,678,113	
Interest	<u>24,195</u>	
Total Receipts		9,702,308
Expenditures		
Debt Service	9,678,113	
Total Expenditures		<u>9,678,113</u>
Fund Balance June 30, 2010		<u>\$7,102,011</u>
Change in Available Balance		\$24,195

GENERAL FUND

Fund Balance July 1, 2009		\$9,464,666
Receipts		
Transfer From Revenue fund	5,902,673	
Transfer From Construction Fund (Bond Proceeds)	0	
Interest	48,170	
Assessments	3,000	
Grants and contributions	<u>250,000</u>	
Total Receipts		<u>6,203,843</u>
Total Balance Before Expenditures		15,668,509
Expenditures		
Capital Equipment/Leases	\$41,000	
Project Resolutions	5,701,000	
Transfer to Revenue Fund	48,170	
Total Expenditures		<u>5,790,170</u>
Fund Balance June 30, 2010		<u>\$9,878,339</u>
Allocation of Fund Balance June 30, 2010		
Project Funding		
Under Contract	2,138,901	
Future Years	911,670	
Capital Reserves	<u>6,827,768</u>	
Total Allocation		<u>\$9,878,339</u>
Unallocated General Fund Balance June 30, 2010		<u>\$0</u>
Change in Available Balance		\$413,673

Personnel Authorizations by Department

Office of the Executive Director	FY 2008	FY 2009	FY 2010
Executive Director	1	1	1
General Manager of Operations	1	1	1
Operations Engineer	1	1	1
Sustainability Administrator	1	1	0
Sustainability Manager	0	0	1
Utility Manager Generalist	0	1	0
Executive Assistant	2	2	1
Public Affairs Administrator	1	1	1
Administrative Assistant	2	1	1
Totals	9	9	7

Customer Service

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

Engineering and Planning

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

Human Resources

Director of Human Resources	1	1	1
Human Resources Generalist	1	1	1
Safety and Training Administrator	1	1	1
Courier	1	1	0
Custodian	1	1	0
Administrative Assistant	1	1	.5
Totals	6	6	3.5

Finance	FY 2008	FY 2009	FY 2010
Director of Finance, Customer Service and Purchasing	1	1	1
Finance Manager	1	1	1
Accounting Technician II	2	2	2
Accounting Technician I	2	2	2
Administrative Assistant	.5	.5	.33
Totals	6.5	6.5	6.33

Purchasing			
Procurement Manager	1	1	1
Purchasing Specialist	1	1	0
Administrative Assistant	.5	.5	.33
Totals	2.5	2.5	1.33

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

Water Supply and Treatment			
Water Supply and Treatment Manager	1	1	1
Chief Plant Operator	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
Administrative Assistant	0	0	.5
Totals	13	13	13.5

Water Distribution			
Distribution and Collections Systems Manager	.5	.5	.5
Assistant Distribution & Collection System Manager	1	1	1
Senior Crew Leader	1	1	1
Crew Leader	2	2	2
Utility Mechanic III	3	3	3
Utility Mechanic II	8	8	8
Utility Mechanic I	10	10	14
Meter Reader	0	4	0
Administrative Assistant	.5	.5	.5
Field Service Representative	0	1	1
Service Technician	1	1	1
Totals	27	32	32

Plants Maintenance	FY 2008	FY 2009	FY 2010
Plants Maintenance Manager	1	1	1
Plant Maintenance Supervisor	2	2	2
Senior Maintenance Mechanic	4	4	4
Maintenance Mechanic	3	3	3
Instrumentation Control Technician	1	1	1
Equipment Maintenance Coordinator	1	1	1
Equipment & Vehicle Mechanic	1	1	1
Administrative Assistant	1	1	0
Totals	15	15	13

Laboratory

Laboratory Manager	1	1	1
Laboratory Supervisor	2	2	1
Laboratory Analyst	6	5	6
Laboratory Assistant	1	1	0
Totals	10	9	8

Wastewater Treatment

Wastewater Treatment and Biosolids Recycling Manager	1	1	1
Wastewater Treatment Specialist	0	1	0
Chief Plant Operator	1	1	0
Operations Supervisor	0	0	1
Treatment Plant Operator	7	8	7
Solids Handling Supervisor	1	1	1
Solids Handler	3	3	3
Administrative Assistant	1	1	.5
Totals	14	16	13.5

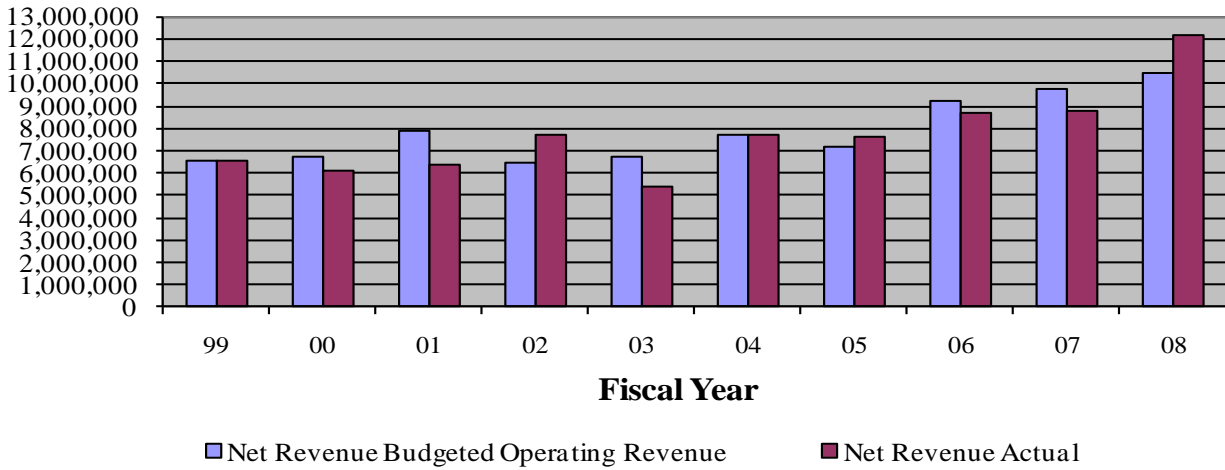
Sewer Collections

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

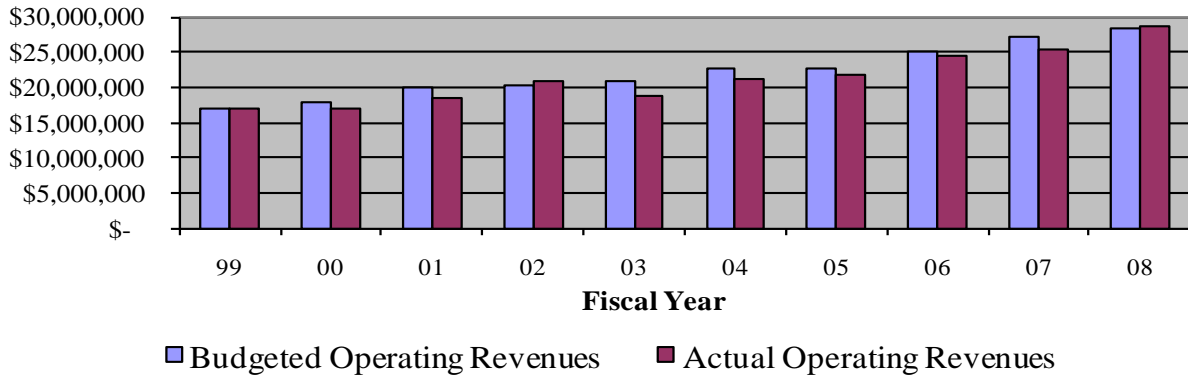
Total Positions 150 150 138

In a major cost saving and efficiency effort, twelve full time positions were permanently eliminated and additional several positions were either reclassified or reassigned within the reporting tree.

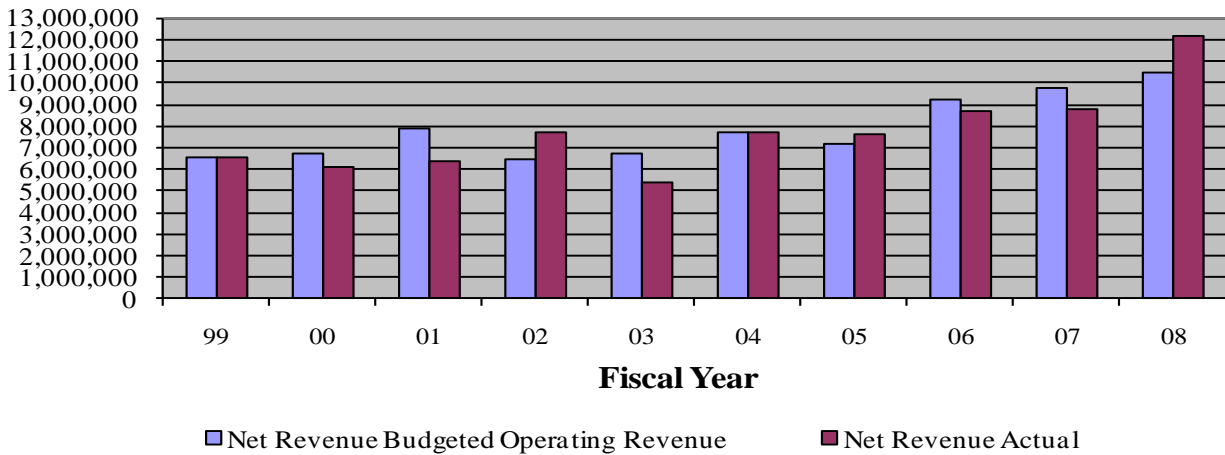
Ten-Year Net Revenue Variance



Ten-Year Operating Revenue Variance

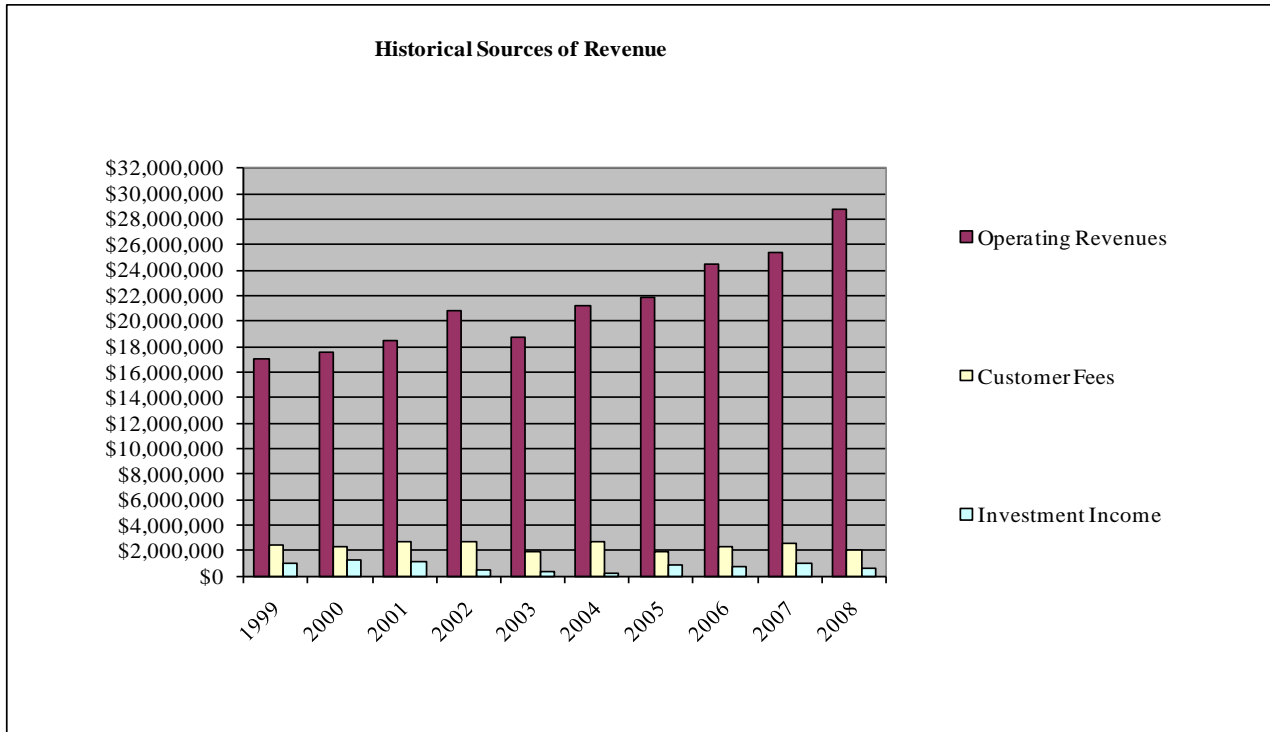


Ten-Year Net Revenue Variance



**Revenues By Sources
Last Ten Fiscal Years**

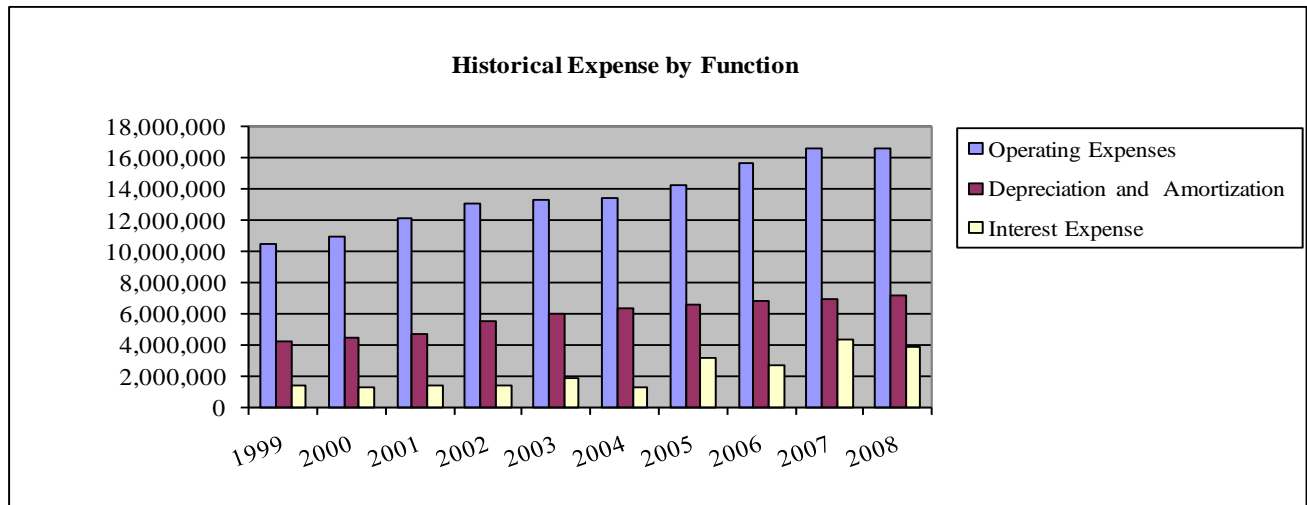
Fiscal Year Ending June 30,	Water and Sewer Operating Revenues	Customer Fees	Investment Income	Other Revenues	Total
1999	17,069,961	2,488,338	963,804	130,947	20,653,050
2000	17,521,513	2,358,180	1,256,313	10,026	21,146,032
2001	18,453,564	2,716,765	1,174,852	3,079	22,348,260
2002	20,835,179	2,675,380	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



ORANGE WATER AND SEWER AUTHORITY

**Expenses By Functions
Last Ten Fiscal Years**

Fiscal Year Ending June 30,	Operating Expenses	Depreciation and Amortization	Interest Expense	Other Expenses	Total
1999	10,486,296	4,193,716	1,332,358	235,857	16,248,227
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



ORANGE WATER AND SEWER AUTHORITY

**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
1999	3,149,261	-	2,733,971
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

Source: Orange Water and Sewer Authority's Records

ORANGE WATER AND SEWER AUTHORITY

**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				Effluent Measurements			
		CBOD's	TSS	NH3-N	TP	CBOD's	TSS	NH3-N	TP
		(Milligram per Liter)				(Milligram per Liter)			
1999	7,554	161	217	19.5	5.5	3.9	5	1.8	0.4
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

Effluent Maximum Limits Set in NPDES Permit

	Winter (Nov. - March)	Summer (April - Oct.)
CBOD5 (Carbonaceous Biochemical Oxygen Demand)	8 mg/l	4 mg/l
TSS (Total Suspended Solids)	30 mg/l	30 mg/l
NH3-N (Ammonia Nitrogen)	2.0 mg/l	1.0 mg/l
TP (Total Phosphorus - Mass Load Limit)	11,030 pounds per year	

mg/l=Milligrams per Liter

Source: Orange Water and Sewer Authority's Records

ORANGE WATER AND SEWER AUTHORITY
Miscellaneous Statistical Data
For the Fiscal Year Ended June 30, 2008

Year Incorporated	1975
Size of Service Area:	
Square Miles	31
Miles of Water Pipe	390
Miles of Wastewater Collection Pipe	320
Customer Accounts	20,137
Budgeted Employee Positions	150
Water Treatment Plant Capacity (in MGD):	
Capacity	20.0
Production Average Day, FY 2008	8.2
Production Peak Day, FY 2008	13.5
Wastewater Treatment Plant Capacity (in MGD):	
Capacity	14.5
Average Daily Flow, FY 2008	7.4
Peak Day Flow, FY2008	14.4
Number of Water Supply Resources	3
Total Capacity of Water Supply Resources:	
Cane Creek Reservoir (Billions of Gallons)	3
University Lake (Millions of Gallons)	450
Quarry Reservoir (Millions of Gallons)	200

Source: Orange Water and Sewer Authority Records

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, including 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 has 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 sector in the Chapel Hill-Carrboro area is 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 have 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	52,542	18,162	126,532

Although our service area has not been immune from recent economic downturn; with new housing starts declining over the past two years, 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.

In addition, a continued increase in residents not related to UNC-CH is anticipated. Growth of the RTP is expected to produce an increase in the number of households within OWASA's planning area. The completion of Interstate 40 and the widening and relocation of N.C. Highway 54 brought Durham, Raleigh and the RTP within shorter commuting times to the Chapel Hill-Carrboro community. This increased convenience of access to these population centers is expected to promote a continued high rate of development activities in the service 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 during the period 2000-2004 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

After years of stabilizing growth at UNC-CH at a low rate, UNC-CH has enacted a plan of long-range development for the period 2001-2010. This plan includes the addition of approximately 5,000 employees and approximately 3,400 students.

UNC-CH is among the most comprehensive institutions in the nation and belongs to the select group of research campuses that form the Association of American Universities. Carolina 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 all Carolina 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 Institute 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>
January	4.6%	4.6%	4.1%	3.8%	3.2%	3.2%	3.4
February	4.2	4.2	3.8	3.9	3.6	3.3	3.6
March	4.4	4.2	3.8	3.5	3.1	3.0	3.2
April	4.1	4.2	3.8	3.7	3.0	2.9	3.2
May	4.1	4.3	4.1	3.8	3.3	3.1	4.0
June	4.6	5.0	4.5	4.4	3.8	3.7	4.5
July	4.6	4.7	4.1	4.4	3.9	3.6	4.8
August	4.5	4.4	3.9	4.1	3.6	3.3	4.3
September	3.9	4.0	3.0	3.2	3.0	3.0	4.0
October	4.1	4.0	3.4	3.3	3.0	3.1	4.0
November	4.4	4.2	3.9	3.6	3.2	3.1	4.7
December	4.3	3.7	3.6	3.2	2.9	3.0	4.4

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>
UNC-CH	Public University
UNC Hospitals	Medical Center
Chapel Hill/Carrboro City Schools	Public School System
Blue Cross/Blue Shield of NC	Insurance Company
Orange County Schools	Public School System
Orange County Government	County Government
Town of Chapel Hill	Municipal Government
Sports Endeavors Inc.	Mail Order Retail
HR Prime, LLC	Electrical Equipment
Harris Teeter, Inc.	Retail Food

Source: Orange County Economic Development Commission (April, 2008).

Retail Sales. Total retail sales in Orange County for the fiscal years ended June 30, 2001 through 2008 are shown in the following table:

<u>Fiscal Year Ended or Ending 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	971,591,672	2.5

Source: North Carolina Department of Revenue, Sales and Use Tax Division.

Construction activity within Orange County for the fiscal years ended June 30, 2001 through 2007 are shown in the following table:

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

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 Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy	
1999	15,534,727	15,413,292	99.22%	*	*	*	*
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%	(1) 365,806
2006	27,718,753	27,578,410	99.49%	116,297	27,694,707	99.91%	20,745
2007	28,558,565	28,409,166	99.48%	108,108	28,517,274	99.86%	28,845
2008	30,412,485	30,240,782	99.44%	-	30,240,782	99.44%	171,704

* 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 2004 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
					(3)		(4)	(5)	(6)
1999	*	*	2,457,855,819	365,092,224	60,078,208	2,883,026,251	0.538	3,258,393,141	88.48%
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 (2)	*	*	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)	3,956,681,069	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	3,640,445,489	1,249,997,134	4,890,442,623	520,961,320	61,554,945	5,472,958,888	0.522	6,098,683,851	83.14%
2008	3,825,506,198	1,313,540,280	5,139,046,478	460,567,284	60,142,623	5,659,756,385	0.522	6,306,837,960	79.33%

* 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 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	Personal Income (in thousands)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
	(1)	(2)	(2)	(3)	(3)	(4)	(5)
1999	43,977	3,169,976	16,288	24.8	14.72	32,375	1.3%
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%

* Data not yet available

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 Public Schools and University of North Carolina at Chapel Hill.
- (5) N. C. Employment Security Commission, May 2008 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

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

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

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

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

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

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

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

BONDS ISSUED - Bonds that are sold.

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 MANAGEMENMT 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 - water that has been previously used but 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).

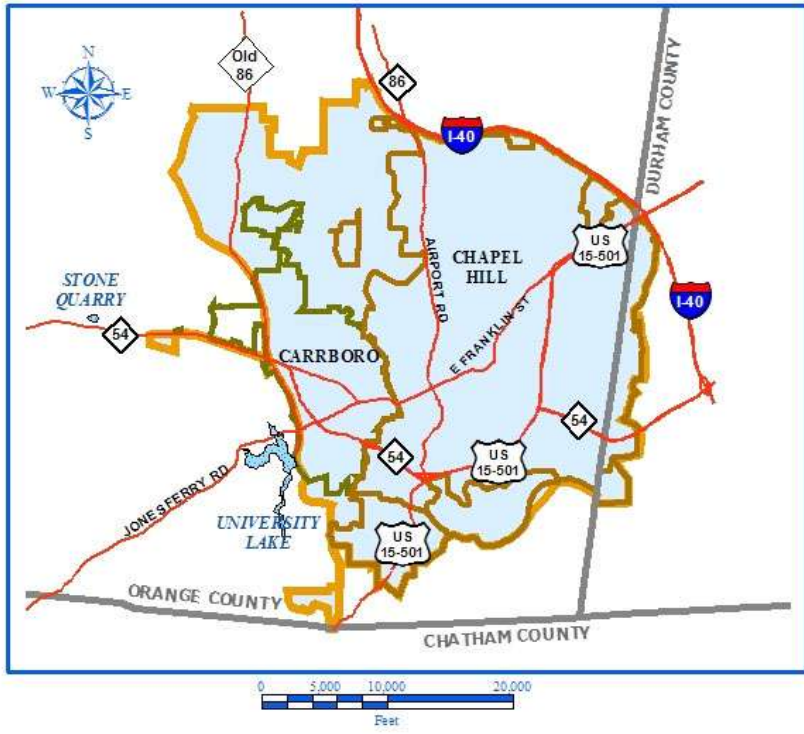
REVENUE BONDS – The primary method used by OWASA for long-term debt; they are repaid from user fees over the life of the assets. In general, these bonds have no claim on money derived from property taxes or special assessments.

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.

Orange Water And Sewer Authority Service Area



Legend

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

