



ORANGE WATER AND SEWER AUTHORITY

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

MEETING SUMMARY

Finance Committee Meeting

**September 22, 2014, 5:30 – 6:50 PM, in the
OWASA Boardroom**

Committee Members: Heather Payne (Chair), Dave Moreau, Amy Witsil, John Young (ex-officio)

Other Board Members: Steve Dear, Michael Hughes

Staff: Pat Davis, Ed Kerwin, Kevin Ray, Kelly Satterfield, Todd Taylor, Stephen Winters

Public: None

The Finance Committee met on Monday, September 22, 2014. The agenda included discussions of the following:

- Review and discuss a bond refunding opportunity
- OWASA's policy regarding financial reserves

Bond Refunding

Staff presented information about an opportunity to refund approximately \$25 million of OWASA's outstanding bonds at lower interest rates. Based on current market conditions, refunding the bonds would save about \$2.4 million in interest costs over the next 17 years. Net present value savings would be approximately 8% or \$2 million. The Finance Committee voted unanimously to recommend that the Board of Directors approve resolutions authorizing the refunding. At the work session on October 9, 2014, the Board will discuss placing this item on the agenda for the October 23, 2014 Board meeting.

Financial Reserves Policy

One of the goals in OWASA's strategic plan is to analyze whether financial reserve funds are set at the appropriate level. In its discussion on this topic, the committee considered two issues:

- What are our plans for the amount of reserves that currently exceed the minimum targets set-forth in our Financial Management Policy?
- Is the amount of our reserves appropriate to responsibly sustain the organization financially?

What are our plans for the amount of reserves that currently exceed the minimum targets set-forth in our Financial Management Policy?

Staff presented information that projects that the amount by which our current reserves exceed the minimum requirements will be expended on capital improvements projects over the next two years. As a result, the committee determined that no further action is necessary.

Is the amount of our reserves appropriate to responsibly sustain the organization financially?

Staff explained the purpose, funding goal, and current status of each of OWASA's three reserve funds. In general, the committee supports the rationale for maintaining the three funds. However, in order to assess whether the balances in the accounts are appropriate for financial sustainability (e.g. neither too large nor too small), the committee wants to analyze scenario-based financial modeling to further evaluate risks and vulnerabilities. The committee would like to continue these deliberations at the Finance Committee level until it determines whether to make a policy recommendation to the Board of Directors; continuing work at the committee level will be discussed at the Board's work session on October 9, 2014.

Next Meeting

The next Finance Committee meeting will be scheduled after consultation with the Board of Directors at its meeting on October 9, 2014.



Stephen Winters, CPA
Director of Finance & Customer Service