



## Orange Water and Sewer Authority

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

### **Agenda**

#### **Meeting of the OWASA Board of Directors**

**Thursday, January 27, 2022, 6:00 P.M.**

Due to COVID-19 public health concerns, the Orange Water and Sewer Authority (OWASA) Board of Directors is conducting this meeting virtually utilizing Microsoft Teams software. Board Members, General Counsel and staff will be participating in the meeting remotely.

The Board of Directors appreciates and invites the public to attend and observe its virtual meetings online. Public comment is invited via written materials, ideally submitted at least two days in advance of the meeting to the Board of Directors by sending an email to [board\\_and\\_leadership@owasa.org](mailto:board_and_leadership@owasa.org) or via US Postal Service (Clerk to the Board, 400 Jones Ferry Road, Carrboro, NC 27510). Public comments are also invited during the Board Meeting via telephone, and members of the public will need to be available to call-in during the meeting. Please contact the Clerk to the Board at [aorbich@owasa.org](mailto:aorbich@owasa.org) or 919-537-4217 to make arrangements by 3:00 p.m. the day of the meeting.

Public speakers are encouraged to organize their remarks for delivery within a four-minute time frame allowed each speaker, unless otherwise determined by the Board of Directors. The Board may take action on any item on the agenda.

In compliance with the "Americans with Disabilities Act," interpreter services for non-English speakers and for individuals who are deaf or hard of hearing are available with five days prior notice. If you need this assistance, please contact the Clerk to the Board at 919-537-4217 or [aorbich@owasa.org](mailto:aorbich@owasa.org).

### **Announcements**

1. Announcements by the Chair
  - A. Update on the January 19, 2022 OWASA Orientation for New Carrboro Town Council Member Danny Nowell
  - B. Update on the January 20, 2022 Orange County Climate Council Meeting
2. Announcements by Board Members
  - A. Update on the January 19, 2022 Meeting Between Members of the Orange County Board of County Commissioners and Orange County Appointees to the OWASA Board (Ray DuBose)
3. Announcements by Staff
  - A. Update on the January 26, 2022 Strategic Planning Board Work Session (Mary Tiger)
4. Additional Comments, Suggestions, and Information Items by Board Members (Jody Eimers)

### **Petitions and Requests**

1. Public
2. Board
3. Staff

## AGENDA

January 27, 2022

Page 2

### **Consent Agenda**

#### **Information and Reports**

1. 12 Month Board Meeting Schedule (Todd Taylor)
2. Capital Improvements Program Semiannual Report (Allison Spinelli)

#### **Action**

3. Resolution Awarding Audit Contract to Martin Starnes & Associates, CPAs, P.A. and Authorizing Chair of the Board of Directors and the Finance Office to Execute Said Contract (Stephen Winters)
4. Resolution Accepting a Low-Interest Loan Offer from the State of North Carolina, and Authorizing Executive Director to Execute and Administer all Related Loan Offer and Acceptance Documents (Stephen Winters)

### **Regular Agenda**

#### **Discussion and Action**

5. Long-Range Water Supply Plan: Select Water Supply Alternative (Ruth Rouse)
6. Approve Water Conservation Plan Guiding Principles and Introduce Preliminary Gap Analysis (Mary Tiger/Amy Armbruster)

#### **Information and Reports**

7. 2021 Annual Lakes Recreation Report (Johnny Riley)
8. Financial Report for the Six-Month Period Ended December 31, 2021 (Stephen Winters)

#### **Discussion**

9. Fiscal Year 2023 Budget Calendar and Assumptions (Stephen Winters)

### **Summary of Work Session Items**

10. Executive Director will summarize the key staff action items from the Board Meeting and note significant items for discussion and/or action expected at the next meeting.

### **Closed Session**

11. The Board of Directors will meet in Closed Session for the Purpose of Discussing a Personnel Matter in Accordance with N.C. General Statutes 143-318.11.6 (Ray DuBose)

## OWASA Board of Directors – 12 Month Board Meeting Schedule (January 18, 2022)

Month	Board Meetings		Committee Meetings & Other Board Items
	Work Session	Business Meeting	
January 2022	LRWSP – Evaluation of Supply Alternatives Employee Health and Dental Insurance Update for FY 23 Review Water Conservation Plan Draft Guiding Principles D&I Update Discuss Suggested Action to Encourage Public Interest to the OWASA BOD CS – ED Interim Performance Review (deferred to 1-27-2022)  <div style="text-align: right;">1/13/2022</div>	Appoint Audit Firm Low-Interest Loan Offer from the State of NC & Authorizing ED to Execute & Administer all Related Loan Offer & Acceptance Documents 2021 Annual Lakes Recreation Report CIP Semiannual Report Approve Water Conservation Plan Guiding Principles & Introduce Preliminary Gap Analysis Q2 Financial Report Discuss FY 23 Budget Calendar and Assumptions LRWSP – Select Alternative CS – ED Interim Performance Review  <div style="text-align: right;">1/27/2022</div>	<i>Strategic Plan Work Session (1-26-2022)</i>  <i>BOD D&amp;I Training Sessions (TBD)</i>  <i>OWASA Orientation for new CTC Elected Official (1-19-2022)</i>  <i>Meeting between the BOCC Members &amp; Orange County Appointees to the BOD (1-19-2022)</i>
February 2022	Award WTP Belt Filter Press Construction Project LRWSP - Review and Approve CEP (Tentative) Department Managers FY 23 Budget Presentations Reliability and Resiliency Improvements Update CS – Prepare for GC Interim Review  <div style="text-align: right;">2/10/2022</div>	Award University Lake Permanganate Facility Construction Project Award Bolinwood Interceptor Construction Project Sole Source of WWTP Biogas Equipment (Tentative) Receipt of the OC Board of Health Report on Drinking Water Fluoridation CS – GC Interim Review  <div style="text-align: right;">2/24/2022</div>	<i>Annual Update to BOCC (2-17-2022)</i>  <i>Meeting between the CHTC OWASA Committee &amp; Chapel Hill Appointees to the BOD (TBD)</i>  <i>OWASA Orientation for new CHTC Elected Officials (TBD)</i>
March 2022	FY 23 Draft Budget Annual Update of the Energy Management Plan  <div style="text-align: right;">3/10/2022</div>	Set date for Public Hearings – FY 23 Budget & Rates FY 23 Draft Budget and Rate Adjustment Affordability Program Update  <div style="text-align: right;">3/24/2022</div>	<i>Strategic Plan Work Session (TBD)</i>
April 2022	Award Secondary Clarifier No. 4 Construction Project FY 23 Draft Budget and Rate Adjustment Strategic Plan Update BOD Eligible for Nominations to Election as Board Officers (include Officer descriptions) Planning for BOD Self-Assessment  <div style="text-align: right;">4/14/2022</div>	Q3 Financial Report Authorize Staff to Publish FY 23 Budget and Rate Information BOD Eligible for Nominations to Election as Board Officers (if needed)  <div style="text-align: right;">4/28/2022</div>	<i>Mitigation Banking Field Trip (TBD)</i>
May 2022	Award WTP Electrical Systems Improvement Construction Project Approve Employee Insurance Renewals Employee Merit Pay for FY 23 Strategic Plan Update CS – Prepare ED Annual Review  <div style="text-align: right;">5/12/2022</div>	Public Hearings – FY 23 Budget and Rates Approve Employee Insurance Renewals (if needed) CS – ED Annual Performance Review  <div style="text-align: right;">(Public Hearings) 5/26/2022</div>	
June 2022	Approve FY 23 Budget and Rates (including Employee Merit Pay decision) Strategic Plan Update Election of Officers  <div style="text-align: right;">6/9/2022</div>	TBD   <div style="text-align: right;">6/23/2022</div>	
July 2022	D&I Update Strategic Plan Update  <div style="text-align: right;">7/14/2022</div>	TBD   <div style="text-align: right;">7/28/2022</div>	<i>Possible welcome of new Board member(s)</i>

## OWASA Board of Directors – 12 Month Board Meeting Schedule (January 18, 2022)

Month	Board Meetings		Committee Meetings & Other Board Items
	Work Session	Business Meeting	
August 2022	TBD  8/11/2022	Preliminary 12 Month Financial Report (C) CIP Semiannual Report (C) CS – Prepare GC Annual Review (C) 8/25/2022	
September 2022	Annual Report on Disposal of Surplus (C) Personal Property (C) EEO/Affirmative Action Report and D&I Update (C) Review Draft Strategic Plan (C) CS – GC Annual Review (C) 9/8/2022	Annual Report and Financial Audit (C) Approve GC Engagement (C) Forest Management Program Update (C) Approve Strategic Plan (C)  (Annual Meeting of the BOD) 9/22/2022	
October 2022	TBD  10/13/2022	Strategic Trends Report (C) Q1 Financial Report (C) 10/27/2022	
November 2022	TBD 11/10/2022	<i>Holiday – no meeting</i>	
December 2022	CS – Prepare for ED Interim Review (C) 12/8/2022	<i>Holiday – no meeting</i>	

The 12 Month Board Meeting Schedule shows Strategic Plan initiatives and other priority efforts that the Board and staff plan to give greatest consideration to during the next twelve months. The schedule also shows major recurring agenda items that require Board action, or items that have been scheduled in response to the Board's prior standing request. This schedule does not show all the items the Board may consider in a work session or business meeting.

The 12 Month Board Meeting Schedule will be reviewed and updated at each monthly work session and may also be discussed and updated at the Board's business meetings.

In addition to the initiatives shown in this schedule, staff will be working on other Strategic Plan and organizational priorities that are not expected to require major additional discussion with the Board except as part of budget deliberations.

The schedule implies that the following Strategic Plan initiative would be addressed beyond the 12-month period. The Board may conclude that the following initiative is higher priority. The schedule will be revised as needed to reflect the Board's priorities, and any additional initiatives that the Board may decide to address.

- Development of a plan and policy framework for OWASA lands is considered a longer-term priority. The NRTS Committee discussed this issue in September 2017 and determined it was lower priority than Forest Management.

The OWASA Board determines which topics it wants to explore as a full Board (potentially in a work session format) and which topics it wants to assign to Board committees or committee chairs for further analysis and development of recommendations. Board also determines priorities and desired timeframes for addressing topics. Committee meetings will be updated on the schedule routinely.

### Abbreviations Used in Draft Schedule:

(C)	Recurring agenda item (generally these are "required" items)	CCR	Cane Creek Reservoir
AV/AMI	Agua Vista/Advanced Metering Infrastructure	CE	Community Engagement
BOCC	Orange County Board of County Commissioners	CEP	Community Engagement Plan
BOD	Board of Directors	CHTC	Chapel Hill Town Council
		CIP	Capital Improvements Program

## **OWASA Board of Directors – 12 Month Board Meeting Schedule** (January 7, 2022)

COLA	Cost of Labor Adjustment	MOA	Memorandum of Agreement
CS	Closed Session of the Board	MWBE	Minority/Women-owned Business Enterprises
CTC	Carrboro Town Council	MST	Mountains-to-Sea Trail
CY	Calendar Year	MFMM	Multi-Family Master Meter
D&I	Diversity and Inclusion	NCDOT	North Carolina Department of Transportation
ED	Executive Director	NRTS	Natural Resources and Technical Services
EEO	Equal Employment Opportunity	OC	Orange County
EPA	Environmental Protection Agency	Q	Quarter
FY	Fiscal Year	RFP	Request for Proposals
GC	General Counsel	SRF	State Revolving Fund
HR	Human Resources	SOW	Scope of Work
JL	Jordan Lake	TBD	To Be Determined
KPI	Key Performance Indicator	WTP	Water Treatment Plant
LRWSP	Long-Range Water Supply Plan	WWTP	Wastewater Treatment Plant

**Agenda Item**

- Capital Improvements Program (CIP) Semiannual Report

**Purpose**

- To summarize project and program performance for OWASA's Capital Improvements Program (CIP) for the first two quarters of Fiscal Year (FY) 2022

**Background**

- The report details overall CIP performance during the reporting period, provides status updates for projects active during the reporting period, and information on Minority and Women Business Enterprise (MWBE) participation and outreach measures.
- Highlights of the report include:
  - Approximately \$3.2 million was invested in a total of 49 capital projects during the reporting period.
  - Staff expects FY 2022 expenditures to total \$10.5 million, or 60% of the budgeted funds. (The Board-adopted target is to execute between 90% to 105% of budget). The majority (87%) of the project variance is due to contractor delays and material procurement issues for four large projects.
  - The COVID-19 pandemic had some impacts on construction progress and other aspects of the CIP program. The most significant impacts on the program continue to be schedule impacts from contractor availability and material procurement.
  - Five construction projects were awarded during the reporting period (two informal and three formal). Of those five projects, the three formal projects met the MWBE participation goals and the two informal projects illustrated efforts of good faith or did not have subcontractors. Over the past five years, MWBE participation has remained essentially the same as the averages reported in the August 2021 Semiannual Report and includes 26% MWBE participation on formal and informal contracts, with 56% of the awarded contracts meeting the 10% participation goal.

**Action Needed**

- Receive and discuss the report.

January 27, 2022



## Orange Water and Sewer Authority

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

**To:** Board of Directors

**Through:** Todd Taylor

**From:** Allison Spinelli, P.E.

**Date:** January 19, 2022

**Subject:** **Capital Improvements Program (CIP) Semiannual Report**

### **Purpose**

This semiannual report summarizes project and program performance for OWASA's Capital Improvements Program (CIP) for the first two quarters of Fiscal Year (FY) 2022.

### **Discussion**

#### **Program Summary**

During the first half of FY 2022, approximately \$3.2 million (18% of the planned CIP budget) was invested in 49 capital projects to rehabilitate, replace or improve various components of OWASA's water and wastewater infrastructure, most notably:

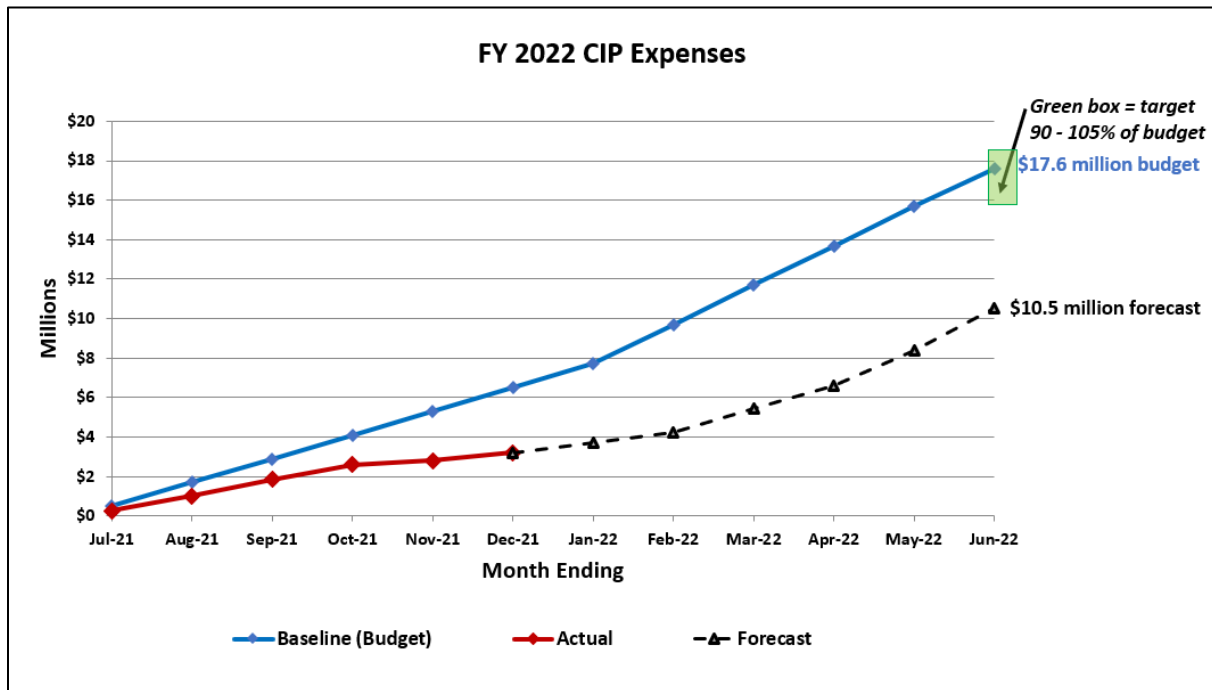
- distribution system pipes within Jones Ferry Road and at the Jones Ferry Road Water Treatment Plant (WTP);
- a portion of the Morgan Creek wastewater interceptor during an emergency repair;
- several chemical storage and pumping facilities at the WTP;
- pipes and manholes throughout the wastewater collection system.

Many of the larger projects planned for FY 2022 have been slowed down to some extent due to two factors: the COVID-19 pandemic and the potential availability of external funding. As foreshadowed in the August 2021 report, the COVID-19 pandemic has continued to impact the progression of construction activity due to labor and market drivers. In the beginning of second quarter of FY 2022 project delays were beginning to appear so adjustments were made, however, the time to ramp up and accelerate projects has been slow. Furthermore, with the release of additional federal and state funding to support projects, some of the largest project timelines have been delayed to allow for alignment with funding sources such as the State Revolving Fund. Additionally, the majority of construction work awarded during the first two quarters of FY 2022 has been impacted by contractor availability and long lead times for both equipment and materials. The majority of the currently active projects are still in the study or design phase, however, three large construction projects (WTP Belt Filter Press, University

Lake Permanaganate Facility, and the WTP Electrical System Improvements) will be awarded during the latter half of the year and represent over \$12 million in anticipated construction costs.

It is anticipated that the the COVID-19 pandemic will continue to impact the progression and communication aspects of construction. The most significant impacts of COVID-19 are expected to be impacts on schedule due to contractor availability and material procurement.

Figure 1 below shows the actual and forecast FY 2022 CIP expenses against the monthly baseline, as well as the expenditure target of 90% to 105% of budgeted funds. The forecast FY 2022 expenditures of \$10.5 million represents 60% of the budgeted funds, which does not fall within the Board-adopted target of executing between 90 to 105% of the CIP budget.



**Figure 1 – FY 2022 CIP Expenses**

Of the approximately \$7 million in unspent funds forecast for this FY, the vast majority is related to schedule slowdowns and will be incurred instead in FY 2023. Roughly 87% of the forecasted budget variance is attributable to the four large projects shown in Table 1. The remaining 13% of the budget variance is covered through small variances amongst the remaining 45 projects.



**Table 1 – FY 2022 Major Contributing Projects for Budget Variance**

<b>Project</b>	<b>Budget Variance</b>	<b>Reason for Budget Variance</b>
WTP Electrical Distribution System Improvements	\$2.4 Million	Design of this \$7.6 million project was delayed in order to seek external funding. Additional design needs were also added into the scope.
West Cameron Avenue Water Main Replacement	\$2.2 Million	Construction contract for this project was awarded in August 2021 but work has been delayed by construction labor market drivers. Contractor unable to start work when originally anticipated due to staff shortage.
WWTP Fermenter Improvements	\$600,000	Construction contract for this project was awarded in November 2021 but work has been delayed by construction material market drivers. Specialty material procurement lead time has delayed the project by several months.
Water Main Rehabilitation/Replacement Projects (Crew Program)	\$900,000	This ongoing program has been slowed by unforeseen changes to the order of planned projects, requiring redirection of the Crew's activities, as well as from impacts to department staffing from vacancies and COVID protocols. Program is not able to perform production at the level originally anticipated for FY 2022.
Total Project Variance	\$6.1 Million	

Table 2 (attached) contains summaries of project performance for all active projects during this reporting period, including projections for the second half of FY 2022. The projects in the table are color coded according to the primary reason for the fiscal year cost variance (price, schedule, scope, or mid-year request/response to an emergency), or included in a fourth category (other) for projects which have no project FY 2022 cost variance, or are in preliminary stages for which baseline budget and schedule have not yet been established. For the majority of the projects, variances to FY 2022 budget - whether under or over - are due to schedule related changes. Most of the large construction projects that were anticipated to begin in early FY 2022 have not yet begun and have seen significant delays that will push the majority of construction costs into FY 2023.

#### *Minority and Women Business Enterprise (MWBE) Participation*

OWASA's goal for minority participation in public building construction projects (vertical buildings & other structures over \$300,000) is 10%. Despite five contracts being awarded during the first two quarters of FY 2022, the historical averages for the CIP program reported in Table 3 below are nearly the same as what was reported in the August 2021 Semiannual

Report and include approximately 26% MWBE participation on formal and informal contracts, with 60% of the awarded contracts meeting the 10% participation goal in FY 2022, thus far. In situations where the participation goal was not met, these have all been small informal contracts and the bidders met good faith effort requirements to solicit MWBE participation or else did not have any subcontracts. Staff will continue to develop MWBE outreach practices and track information about prime contractors and subcontractors who are bidding OWASA projects and report relevant information about any potential trends in MWBE participation in future CIP Semiannual Reports. During this reporting period, OWASA has also created a searchable database of all MWBE subcontractors currently located within the state and registered with the Interactive Purchasing System. Additionally, the group continues to reach out to our neighboring utilities to see which MWBE firms are bidding their work and proactively reach out to those enterprises.

**Table 3**  
**OWASA MWBE Participation Summary, FY 2017 through FY 2022, Second Quarter**

	Black	Hispanic	Asian American	American Indian	Female	Total MWBE
Dollar amounts in MWBE categories	\$ 75,515	\$ 1,212,189	\$ 0	\$ 0	\$ 11,311,645	\$ 12,599,349
% of sum of contract value (\$48,127,350)	0.2%	2.5%	0%	0%	23.5%	26.2% **

\*\*overall goal is 10%

*Additional Information*

Customers may visit our website ([www.owasa.org](http://www.owasa.org)) for information about our current major CIP projects and our [FY 2022 - 2026 CIP Book](#) which provides additional information about the CIP. Please feel free to contact me at (919) 537-4229 or [aspinelli@owasa.org](mailto:aspinelli@owasa.org) if you have any questions regarding the CIP program or projects.




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Allison Spinelli, P.E.  
Engineering Manager - Capital Improvements

Table 2: Project Performance Summary - FY 2022 (First and Second Quarter)

FY 2022 Cost Variance due to Schedule Changes
FY 2022 Cost Variance due to Cost/Pricing
FY 2022 Cost Variance due to Scope Changes
FY 2022 Mid Year Request or Response to Emergency
FY 2022 Other



FY 2022 Projection (or overall project) costs less than 5% over the FY 2022 (or overall project) budget; completion within 2 months of baselined completion



FY 2022 Projection (or overall project) costs more than 5% over the FY 2022 (or overall project) budget; completion more than 2 months beyond baselined completion

CIP No.	Project	Active Phase (at 1/10/22)	FY 2022 Performance				Overall Project Performance						Comments
			FY 2022 Budget	FY 2022 Cost To date	FY 2022 Forecast	FY 2022 Forecast Relative to Budget	Baseline Budget	Forecasted Cost	Cost Status	Baseline Completion	Forecasted Completion	Schedule Status	
270-04	Jordan Lake Raw Water Supply Allocation	N/A	\$ 5,000	\$ -	\$ 10,000	⊗	\$ 5,000	\$ 10,000	⊗	Jun 22	Jun 22	✔	Fee for annual maintenance assessed by the State is anticipated to be larger than budgeted.
270-09	Quarry Reservoir Development	N/A	\$ 15,000	\$ -	\$ 15,000	✔	\$ 15,000	\$ 15,000	✔	Jun 22	Jun 22	✔	
270-28	University Lake Permanganate Facility	Bidding	\$ 300,000	\$ -	\$ 150,000	✔	\$ 2,242,000	\$ 2,908,000	⊗	Jan 24	Jan 24	⊗	Construction delayed due to past COVID-19 budget concerns.
270-30	Cane Creek Dam Rehabilitation	Design	\$ 350,000	\$ 2,160	\$ 200,000	✔	\$ 230,000	\$ 200,000	✔	Sep 22	Jul22	✔	Initial repairs were less intensive than originally anticipated.
272-37	WTP Belt Filter Press Replacement	Bidding	\$ 500,000	\$ 26,763	\$ 150,000	✔	\$ 3,587,000	\$ 4,445,000	⊗	Nov 23	Oct 23	✔	Construction delayed due to past COVID-19 budget concerns. Also increased scope and estimated construction costs for materials and design services
272-39	Water and Wastewater Facilities Concrete Condition Assessment	Closeout	\$ -	\$ 2,700	\$ 2,700	⊗	\$ 165,809	\$ 165,809	✔	June 21	Aug 21	✔	Closeout carried over into FY22
272-42	WTP Finished Water Pump Improvements	Construction	\$ 50,000	\$ 486,088	\$ 500,000	⊗	\$ 1,231,000	\$ 1,051,000	✔	Jun 21	Sep 21	⊗	Project completion was anticipated in FY21 but was delayed and more costs were incurred in FY22
272-46	WTP Chemical Facility Improvements	Construction	\$ 50,000	\$ 86,013	\$ 100,000	⊗	\$ 3,550,000	\$ 3,739,000	✔	Jun 21	Jan 22	⊗	Project completion was anticipated in FY21 but was delayed and more costs were incurred in FY22
272-49	WTP and WWTP SCADA Master Plan	Study	\$ 500,000	\$ 31,631	\$ 150,000	✔	-	-	-	-	-	-	FY22 Funding was a placeholder to implement SCADA MP recommendations. OWASA is still evaluating options and has been delayed in implementation
272-51	HVAC Replacement Program (controls, WWTP Filter, WWTP Lab, other)	Pending	\$ 150,000	\$ 60,639	\$ 150,000	✔	\$ 150,000	\$ 150,000	✔	Jun 22	Jun 22	✔	
272-52	WTP Electrical Distribution Improvements	Design	\$ 2,500,000	\$ 31,961	\$ 110,000	✔	\$ 5,950,000	\$ 6,295,000	⊗	Jun 23	Jan 24	⊗	Construction has been delayed to accommodate design changes and outside funding timeline
272-55	WTP Clearwell and Flash Mix Rehabilitation	Design	\$ 150,000	\$ 92	\$ 80,000	✔	-	-	-	-	-	-	
272-56	Finished Water Pump #6 VFD	Construction	\$ -	\$ 4,875	\$ 160,000	⊗	\$ 160,000	\$ 160,000	✔	June 22	June 22	✔	Mid-Year CIP request due to VFD failure
272-57	Lead and Copper Rule Revisions Compliance	Study	\$ -	\$ 77	\$ 100,000	⊗	-	-	-	-	-	-	Mid-Year CIP request due to new regulations and required completion timeline
275-15	Reimbursement for Distribution System Improvements	Construction	\$ 564,000	\$ 58,090	\$ 350,000	⊗	\$ 564,000	\$ 656,000	⊗	Jun 22	Jun 22	✔	
275-20	Water Main Rehabilitation/Replacement Projects	Construction	\$ 1,345,000	\$ 279,941	\$ 500,000	✔	\$ 1,345,000	\$ 500,000	✔	Jun 22	Jun 22	✔	COVID-19 impacted staff ability to complete projects, also projects took longer than anticipated and there were some coordination challenges that impacted schedule
275-21	Rogerson Oakwood Neighborhood Water Mains - Contractor Portions	Design	\$ 180,000	\$ 21,507	\$ 25,000	✔	\$ 4,311,000	\$ 3,256,000	✔	Jun 23	Jan 24	⊗	Construction is delayed to allow crew portion of project to finish prior to contractor work
275-46	Dobbins Drive Water Main Replacement	Closeout	\$ -	\$ 9,503	\$ 30,000	⊗	\$ 2,275,000	\$ 1,669,000	✔	Dec 20	Mar 21	⊗	Closeout carried over into FY22
275-52	West Cameron Avenue Water Main Replacement	Construction	\$ 3,249,000	\$ 9,619	\$ 1,000,000	✔	\$ 3,700,000	\$ 4,508,000	⊗	Mar 22	Mar 23	⊗	Schedule delays from permitting, bidding, and contractor NTP availability
275-53	Distribution System Hydraulic Model	Study	\$ 30,000	\$ 2,835	\$ 20,000	✔	\$ 30,000	\$ 2,835	✔	Jun 22	Jun 22	✔	On call services related to the existing hydraulic model
275-89	Distribution System Prioritization Model	Complete	\$ -	\$ 18	\$ 18	⊗	\$ 425,000	\$ 445,000	✔	Feb 20	Aug 20	⊗	
275-92	Jones Ferry Rd Water Main Replacements	Construction	\$ 1,633,000	\$ 1,014,969	\$ 1,800,000	⊗	\$ 3,750,000	\$ 3,285,000	✔	Sep 21	Mar 22	⊗	Design challenges, in-field changes due to site conditions, and poor construction have delayed the project
275-93	Bolinwood Bridge Water Main Replacement	Closeout	\$ -	\$ 18,306	\$ 18,306	⊗	\$ 250,000	\$ 147,000	✔	Jun 21	Aug 21	✔	Closeout carried over into FY22
275-96	Water Main Replacements Group II	Study	\$ -	\$ -	\$ 25,000	⊗	-	-	-	Feb 22	Feb 22	✔	Accelerated to obtain assistance with budget/schedule forecasting for upcoming large water line projects
275-99	Distribution System Asset Management	N/A	\$ 70,000	\$ 49	\$ 20,000	✔	\$ 70,000	\$ 20,000	✔	Jun 22	Jun 22	✔	Scope reduction focuses mostly on opportunistic condition assessment efforts
276-18	Gravity Sewer Rehabilitation Program	Construction	\$ 350,000	\$ 126,558	\$ 525,000	⊗	\$ 3,681,000	\$ 4,929,000	⊗	Jun 22	May 22	⊗	Additional scope added to address rehab needs. This line item is larger in lieu of CIP 276-64 not moving forward

276-45	Bolinwood Interceptor Replacement	Design	\$ -	\$ 42,255	\$ 100,000	✖	\$ 1,130,000	\$ 1,813,000	✖	Jun 23	Apr 23	✖	Project bidding and start of construction accelerated into FY22
276-48	Dobbins Drive Interceptor Replacement	Closeout	\$ -	\$ 11,614	\$ 30,000	✖	\$ 2,415,000	\$ 2,323,000	✔	Dec 20	Oct 21	✖	Closeout carried over into FY22
276-52	Rocky Branch Interceptor Replacement	Design	\$ 350,000	\$ -	\$ 150,000	✔	\$ 762,000	\$ 852,000	✖	Jun 26	Jun 26	✔	Construction scope reduced because of the Art Center Project not moving forward
276-59	Morgan Creek Interceptor Replacement	Design	\$ 100,000	\$ 81	\$ 70,000	✔	-	-	-	-	-	-	
276-63	East Main Street Sewer Rehab	Design	\$ 1,165,000	\$ 130,167	\$ 1,950,000	✖	\$ 1,370,000	\$ 1,900,000	✖	Jun 22	Jun 22	✔	Construction costs higher than originally estimated
276-64	Collection System Basin 28 Rehabilitation	Pending	\$ 320,000	\$ -	\$ -	-	-	-	-	-	-	-	Project not moving forward. Other rehab items identified as higher priority and funded out of CIP 276-18
276-65	Morgan Creek Interceptor Emergency Repair	Complete	\$ -	\$ 431,213	\$ 433,000	✖	-	-	-	-	-	-	Emergency Repair
276-70	Collection System On-Call Modeling	Study	\$ -	\$ -	\$ 20,000	✖	-	-	-	Jun 22	Jun 22	✔	Mid-Year CIP Requeust for additional modeling support to assist with development services evaluation of proposals
276-99	Collection System Asset Management	Study	\$ 50,000	\$ 27,690	\$ 40,000	✔	-	-	-	-	-	-	
277-43	Rogerson Drive Force Main and Pump Station Program Services	Study	\$ 100,000	\$ 17,633	\$ 100,000	✔	\$ 307,000	\$ 253,000	✔	Jun 23	Jun 23	✔	
277-45	Chapel Hill North Pump Station Rehabilitation	Design	\$ 300,000	\$ 18,442	\$ 270,000	✔	\$ 300,000	\$ 900,000	✖	Jun 22	Ap 23	✖	Project is requiring additional design. Construction was anticipated for FY22 but now those funds will cover design with construction costs to come in FY23
277-46	Rogerson Drive Grit Evaluation	Study	\$ 30,000	\$ -	\$ 25,000	✔	\$ 30,000	\$ 25,000	✔	Jun 22	Jun 22	✔	
278-20	WWTP Secondary Clarifier #4 Improvements	Design	\$ 1,400,000	\$ 93,975	\$ 200,000	✔	\$ 1,400,000	\$ 2,538,000	✖	May 23	Jun 23	✔	Schedule delayed to accomodate SRF Funding Timeline
278-51	WWTP Solids Thickening Improvements	Closeout	\$ -	\$ 942	\$ 10,000	✖	\$ 6,023,000	\$ 6,322,000	✖	Apr 21	Aug 21	✖	Closeout carried over into FY22
278-75	WWTP Facilities Planning	Study	\$ 235,000	\$ 15,298	\$ 150,000	✔	\$ 350,000	\$ 350,000	✔	Oct 22	Nov 22	✔	
278-78	WWTP Fermenter Improvements	Design	\$ 883,000	\$ 55,834	\$ 300,000	✔	\$ 994,000	\$ 1,382,000	✖	Jun 21	Jul22	✖	Specialty material procurement delayed the ability for contractor to start construction
278-80	WWTP Miscellaneous Rehabilitation	Closeout	\$ -	\$ 47,691	\$ 48,000	✖	\$ 400,000	\$ 274,294	✔	Jun 21	Jun 21	✔	Closeout carried over into FY22
278-82	WWTP Headworks Rehabilitation	Closeout	\$ -	\$ 23,235	\$ 23,235	✖	\$ 1,466,000	\$ 1,626,000	✖	Dec 20	Jun 20	✔	Closeout carried over into FY22
278-90	WWTP Admin Bldg. Planning study	Study	\$ 55,000	\$ -	\$ 20,000	✔	\$ 55,000	\$ 20,000	✔	Jun 22	Jun 22	✔	
278-94	Biogas Removal System Improvements	Design	\$ 250,000	\$ -	\$ 100,000	✔	\$ 250,000	\$ 250,000	✔	-	-	-	Vendor coordination and long lead time on equipment has driven the schedule
278-96	WWTP Flood Assessment	Study	\$ -	\$ 15,184	\$ 38,000	✖	-	-	-	-	-	-	Mid-Year CIP Request. This project was originally anticipated to be covered with WWTP Operating Funds
278-97	Digester 3 and 4 Cleanout	Construction	\$ -	\$ -	\$ 120,000	✖	\$ 275,000	\$ 250,000	✔	Jun 24	Sep 22	✔	Project has been accelerated to include the digester cleanout in FY22/23
279-13	Reclaimed Water Valve and Coupling Rehabilitation	Design	\$ 325,000	\$ 11,658	\$ 80,000	✔	\$ 325,000	\$ 325,000	✔	Jun 22	Jun 23	✖	Contractor availability and UNC schedule will push this construction into FY 23
279-14	Reclaimed Water Quality Evaluation	Pending	\$ 75,000	\$ -	\$ -	-	\$ 75,000	\$ 75,000	✔	Jun 22	Jun 23	✖	Data gathering and coordiantion with UNC has delayed the start of this project

Total FY2022 Active Projects	FY 2022 Budget	FY 2022 Cost	FY 2022 Forecast
	\$ 17,629,000	\$ 3,217,303	\$ 10,468,259
To Date FY2022 Mid-Year Request or Response to Emergency	\$ 738,000.00		

### **Agenda Item**

- Resolution Awarding Audit Contract to Martin Starnes & Associates, CPAs, P.A. and Authorizing Chair of the Board of Directors and the Finance Officer to Execute Said Contract

### **Background**

- General Statutes of the State of North Carolina and OWASA's Bond Order require that Orange Water and Sewer Authority have its financial records audited annually by an independent Certified Public Accountant.
- In November of 2021, OWASA solicited audit proposals based upon the established criteria recommended by the North Carolina Local Government Commission.
- A panel consisting of one board member and three staff members reviewed and evaluated the proposals received based on qualifications and cost. After interviewing the eligible respondents, Martin Starnes & Associates, CPAs, P.A. was identified as presenting the best proposal.
- Martin Starnes & Associates, CPAs, P.A. has proposed to conduct the audit for Fiscal Year (FY) 2022 for a fee of \$32,650.

### **Recommendation**

- Approve the FY 2022 audit contract with Martin Starnes & Associates, CPAs, P.A. for total base fees not to exceed \$33,000.

### **Action Needed**

- Adopt the Resolution Awarding Audit Contract to Martin Starnes & Associates, CPAs, P.A. and Authorizing Chair of the Board of Directors and the Finance Officer to execute the contract.

January 27, 2022



## Orange Water and Sewer Authority

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

### MEMORANDUM

To: Board of Directors

Through: Todd Taylor

From: Stephen Winters, CPA

Date: January 27, 2022

Subject: Approval of Annual Audit Contract

#### **Background**

General Statute 159-34 requires Orange Water and Sewer Authority to have its accounts audited by an independent auditor after the close of each fiscal year. OWASA must prepare and publish an annual financial report in conjunction with its annual audit. The auditor's conclusions are to be set out in a report in the form of an opinion and comments relating to the financial statements. The auditor must be approved by, and reports to, the Board of Directors, and is engaged through a contract executed by the Board Chair and the Finance Officer.

At the [October 28, 2021 Board Meeting](#), the Board discussed a process for soliciting and evaluating proposals for auditing services and appointed one board member to join three staff members on an audit firm selection panel. The purpose of the panel was to interview audit firms and make a recommendation to the Board of Directors.

OWASA solicited audit proposals based upon the established criteria recommended by the North Carolina Local Government Commission. We received responses from four firms and staff selected three of the respondents for virtual presentations and interviews. The interview panel unanimously chose to recommend Martin Starnes & Associates, CPAs, P.A. Some of the reasons the panel selected this firm include:

- Martin Starnes provided an excellent and complete response to the RFP.
- The firm employs a diverse workforce and is female owned.
- The firm has performed very well for OWASA in the past.
- Continuing the relationship with the firm will provide valuable continuity and process efficiencies.

While we contract for audit services for one year at a time, it is typical for firms to quote audit services for three years. Fee proposals for the FY 2022 audit from the three firms interviewed were between \$31,000 and \$33,000. Martin Starnes & Associates, CPAs, P.A. has proposed to conduct OWASA's FY 2022-2024 audits for \$32,650, \$33,575, and \$33,575, respectively.

#### **Recommendation**

The audit interview panel (Board Member Bruce Boehm and OWASA staff members Pat Farl, Kelly Satterfield and Stephen Winters) recommends that the Board engage Martin Starnes & Associates, CPAs,

P.A. for auditing services for the fiscal year ending June 30, 2022. The attached resolution appoints Martin Starnes & Associates, CPAs, P.A. to perform the audit for a base fee not to exceed \$32,650.

**Action Requested**

Approve the Resolution Approving and Awarding Audit Contract to Martin Starnes & Associates, CPAs, P.A. and Authorizing Chair of the Board of Directors and the Finance Officer to Execute the Contract.



Stephen Winters, CPA  
Director of Finance and Customer Service

Attachments:

- Funding Offer and Acceptance
- Resolution Approving and Awarding Audit Contract to Martin Starnes & Associates, CPAs, P.A. and Authorizing Chair of the Board of Directors and the Finance Officer to Execute the Contract

**Resolution Approving and Awarding Audit Contract to Martin Starnes & Associates,  
CPAs, P.A. and Authorizing Chair of the Board of Directors and the Finance Officer  
to Execute the Contract**

**Whereas**, Orange Water and Sewer Authority (OWASA) is required by the General Statutes of the State of North Carolina and the Series 2001 Bond Order to have its financial records audited at the termination of each fiscal year; and

**Whereas**, in November 2021, the Authority solicited audit proposals based upon the established criteria recommended by the North Carolina Local Government Commission; and

**Whereas**, four firms prepared bid proposals that were fully and completely reviewed by staff, and three of these firms were selected to be interviewed by an audit selection panel consisting of one member of the Board of Directors and three OWASA staff members, which the panel has now completed; and

**Whereas**, the audit selection panel recommends the selection of Martin Starnes & Associates, CPAs, P.A., based upon their solicitation presentations and their previous years of excellent service as OWASA's audit firm during the fiscal years 2011- 2021:

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

1. That the contract between Orange Water and Sewer Authority and Martin Starnes & Associates, CPAs, P.A. for financial audit of the Fiscal Year Ending June 30, 2022, for charges not to exceed \$32,650 is hereby approved subject to approval by the North Carolina Local Government Commission.

2. That the Chair of the OWASA Board of Directors and the Finance Officer are hereby authorized to execute such contract.

Adopted this 27th day of January 2022.

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Jo Leslie Eimers, Chair

ATTEST:

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John N. Morris, Secretary



**Agenda Item**

- Resolution Accepting a Low-Interest Loan Offer from the State of North Carolina, and Authorizing Executive Director to Execute and Administer all Related Loan Offer and Acceptance Documents

**Purpose**

- In March 2019, the Board authorized staff to apply for a low-interest loan from the state of North Carolina to fund the Water Treatment Plant Belt Filter Replacement project.
- On January 7, 2022, OWASA received a loan offer from the state for an amount up to almost \$5.6 million at an interest rate of 1.02% which is about 1/3 of the rate we would expect to get if we issued revenue bonds.
- Staff recommends approving the resolution to accept the loan offer.

**Action Requested**

- Approve the Resolution Accepting a Low-Interest Loan Offer from the State of North Carolina and Authorizing Executive Director to Execute and Administer all Related Loan Offer and Acceptance Documents.

January 27, 2022



## Orange Water and Sewer Authority

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

### MEMORANDUM

**To:** Board of Directors

**Through:** Todd Taylor, P.E.

**From:** Stephen Winters, CPA

**Date:** January 20, 2022

**Subject:** Resolution Accepting a Low-Interest Loan Offer from the State of North Carolina, and Authorizing Executive Director to Execute and Administer all Related Loan Offer and Acceptance Documents

#### **Background:**

On March 14, 2019, the Board of Directors authorized the submittal of an application for a low-interest loan from the state of North Carolina to fund the Water Treatment Plant Belt Filter Press Replacement project included in OWASA's Capital Improvements Program. On April 30, 2019, OWASA requested a \$3,730,400 low-interest loan from the North Carolina Division of Water Infrastructure (DWI) for the planned project, matching OWASA's budget. Upon completion of alternatives analysis and design, the engineer's construction estimate increased to \$4,507,800, with a total project cost of \$5,585,890 (including construction, engineering, and all administration costs).

In November, 2021 OWASA requested additional loan funds to cover the revised project costs. On December 6, 2021, the NC Local Government Commission authorized the DWI to offer OWASA a low-interest loan for the Water Treatment Plant Belt Filter Press Replacement project in the amount of \$5,585,890 million.

The offer is for a 20-year loan with a fixed interest rate of 1.02%, which is about one-third of the current market rate for revenue bonds. The state charges a loan closing, processing, and administration fee and total loan administration fees for this project would be \$111,718.

Loan offers must be officially accepted by the governing board of the loan recipient, and loan recipients must comply with all applicable state and federal requirements, including bidding requirements for involving minority- and women-owned businesses in contracts. A copy of the Offer and Acceptance documents is attached.

#### **Staff Recommendation – Board Action Requested:**

This financing strategy will help in our efforts to keep costs low and improve affordability. Staff recommends accepting the state's loan offer. Attached is a draft of a resolution accepting the Loan Offer



and authorizing the Executive Director to execute the loan documents and do all things necessary for administering the loans.

Staff recommends approval of the resolution.



Stephen Winters, CPA  
Director of Finance and Customer Service

#### Attachments

- Resolution Accepting a Low-Interest Loan Offer from the State of North Carolina, and Authorizing Executive Director to Execute and Administer all Related Loan Offer and Acceptance Documents
- State of North Carolina Funding Offer and Acceptance Documents

**Resolution Accepting a Low-Interest Loan Offer from the State of North Carolina, and  
Authorizing Executive Director to Execute and Administer all Related Loan Offer and  
Acceptance Documents**

**Whereas**, the Safe Drinking Water Act Amendments of 1996 and the North Carolina Water Infrastructure Fund have authorized the making of loans and/or grants, as applicable, to aid eligible, drinking-water system owners in financing the cost of construction for eligible, drinking-water infrastructure; and

**Whereas**, the North Carolina Department of Environmental Quality has offered a State Revolving Loan in the amount of \$5,585,890 for the replacement of the Water Treatment Plant Belt Filter Press; and

**Whereas**, the Orange Water and Sewer Authority intends to construct said project in accordance with the engineering plans and specifications that have been or will have been approved by the North Carolina Public Water Supply Section;

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

1. That the Orange Water and Sewer Authority does hereby accept the State Revolving Loan offer in the amount of \$5,585,890; and

2. That the Orange Water and Sewer Authority does hereby give assurances to the North Carolina Department of Environmental Quality that they will adhere to all applicable items specified in the standard “Conditions” and “Assurances” of the Department’s funding offer, awarded in the form of a State Revolving Loan; and

3. That the Orange Water and Sewer Authority Executive Director and successors so titled, is hereby authorized and directed to furnish such information, as the appropriate state agency may request, in connection with such application or the project; to make the Assurances as contained above; and to execute such other documents as may be required in connection with the application; and

4. That the Orange Water and Sewer Authority has complied substantially or will comply substantially with all federal, state and local laws, rules, regulations, and ordinances applicable to the project, and to federal and state grants and loans pertaining thereto.

Adopted this 27th day of January 2022.

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Jo Leslie Eimers, Chair

ATTEST:

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John N. Morris, Secretary

**STATE OF NORTH CAROLINA  
DEPARTMENT OF ENVIRONMENTAL QUALITY  
DIVISION OF WATER INFRASTRUCTURE**

**Funding Offer and Acceptance**

**Legal Name and Address of Award Recipient (Applicant):**

Orange Water and Sewer Authority  
400 Jones Ferry Road  
Carrboro, North Carolina 27510

**Project Number:**

**H-SRF-F-21-1980**

Project Number:

N/A

CFDA Number:

66.468

**Funding Program:**

Drinking Water	<input checked="" type="checkbox"/>	Additional Amount for	Previous Total	Total Offered
Wastewater	<input type="checkbox"/>	Funding Increases		
State Revolving Fund (SRF)	<input checked="" type="checkbox"/>	--	--	\$5,585,890
State Reserve Loan (SRP)	<input type="checkbox"/>			
State Reserve Grant (SRP)	<input type="checkbox"/>			
State Emergency Loan (SEL)	<input type="checkbox"/>			
Asset Inventory & Assessment Grant (AIA)	<input type="checkbox"/>			
Merger/Regionalization Feasibility Grant (MRF)	<input type="checkbox"/>			

**Project Description:**

*Water Treatment Plant (WTP) Belt Filter Press #1 Replacement:  
1) Replace solids' conveyance system; 2) Upgrade the belt filter press's controls and SCADA equipment; 3) Replace both the roof and HVAC equipment inside the belt-filter-press building, and;  
4) Install other associated improvements (as needed) to upgrade the solids-handling operations at OWASA's Jones Ferry Road WTP.*

**Total Financial Assistance Offer:**

**\$5,585,890**

Total Project Cost:

\$5,585,890

**Estimated Closing Fee\*:**

**\$111,718**

For Loans

Principal Forgiveness:

\$ - 0 -

Interest Rate (Per Annum):

1.02%

Maximum Loan Term (Years):

20

\*Estimate closing-fee calculation based on grant and/or loan amount(s).

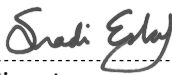
Pursuant to North Carolina General Statute 159G:

- The Applicant is eligible under Federal and State law;
- The Project is eligible under Federal and State law, and;
- The Project has been approved by the Department of Environmental Quality as having sufficient priority to receive financial assistance.

The Department of Environmental Quality, acting on behalf of the State of North Carolina, hereby offers the financial assistance described in this document.

For The State of North Carolina:

**Shadi Eskaf, Director, Division of Water Infrastructure  
North Carolina Department of Environmental Quality**

 Signature	1 / 7 / 2022 Date
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On Behalf of:

**Orange Water and Sewer Authority**

Name of Representative in Resolution:

**Mr. Todd Taylor**

Title (Type or Print):

**Executive Director**

I, the undersigned, being duly authorized to take such action, as evidenced by the attached CERTIFIED COPY OF AUTHORIZATION BY THE APPLICANT'S GOVERNING BODY, do hereby accept this Financial Award Offer and will comply with the Assurances and the Standard Conditions.

Signature	Date
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## STANDARD CONDITIONS FOR FEDERAL SRF LOANS

1. The following “super cross-cutters” apply to SRF projects and may be found in the Public Policy Requirements section of the EPA General Terms and Conditions for each year’s appropriation. This document can be found at [www.epa.gov/ogd/tc.htm](http://www.epa.gov/ogd/tc.htm). Please note that nothing is submitted to the State’s SRF program offices regarding compliance with these items.
  - (a) Title VI of the Civil Rights Act of 1964
  - (b) Section 504 of the Rehabilitation Act of 1973
  - (c) The Age Discrimination Act of 1975
  - (d) Section 13 of the Federal Water Pollution Control Act Amendments of 1972
2. Acquisition of Real Property must comply with all applicable provisions of the Uniform Relocation and Real Property Acquisition Policies Act of 1970 (PL 92-646), as amended. The Applicant shall certify it has or will have a fee simple, or such other estate or interest in the site of the project, including necessary easements and rights-of-way, to assure undisturbed use and possession for purposes of construction and operation for the estimated life of the project using a certification form provided by the Department of Environmental Quality (DEQ).
3. Specific MBE/WBE “disadvantaged businesses enterprise” (DBE) forms and instructions are provided, which are to be included in the contract specifications. These forms will assist with documenting positive efforts made by the Applicant, their consultant(s) and contractor(s) to utilize DBEs. Such efforts should allow DBEs the maximum feasible opportunity to compete for subagreements and subcontracts to be performed. Documentation of efforts made to utilize DBE firms must be maintained by the Applicant and their construction contractor(s), and made available upon request.
4. The Applicant shall comply fully with Subpart C of the Code of Federal Regulations (CFR), Chapter 2, Part 180, entitled, “Responsibilities of Participants Regarding Transactions Doing Business with Other Persons,” as implemented and supplemented by 2 CFR Part 1532. The Applicant is responsible for ensuring that any lower-tier covered transaction, as described in Subpart B of 2 CFR Part 180, entitled “Covered Transactions,” includes a term or condition requiring compliance with Subpart C. The Applicant is responsible for further requiring the inclusion of a similar term or condition in any subsequent lower-tier covered transactions. The Applicant may access suspension and debarment information at: <http://www.sam.gov>. This system allows applicants to perform searches determining whether an entity or individual is excluded from receiving Federal assistance.
5. The construction contract(s) require(s) the contractor to adhere to the Davis-Bacon and Related Acts Provisions and Procedures, as listed in the Code of Federal Regulations, Chapter 29, Part 5, Section 5 (29 CFR 5.5). Public Law pertaining to this is also enacted in Title 40, United States Code, Subtitle II Section 3141 through Section 3148.
6. As required by H.R. 3547, “Consolidated Appropriations Act, 2014” Section 436, Division G, Title IV, this project is subject to the federal “American Iron-and-Steel” provisions. The State provides detailed requirements, to be included in the construction contract specifications.

## ASSURANCES

1. The Applicant intends to construct the project, or cause it to be constructed to final completion, in accordance with the Application approved for financial assistance by the Division of Water Infrastructure. The Applicant acknowledges that in the event a milestone contained within the most recent Drinking Water State Revolving Fund Intended Use Plan and/or the Letter of Intent to Fund is missed, the Department of Environmental Quality will rescind this Funding Award Offer.
2. The Applicant is responsible for paying for those costs that are ineligible for SRF funding.
3. The construction of the project, including the letting of contracts in connection therewith, conforms to the applicable requirements of State and local laws and ordinances.
4. As of the acceptance of this Funding Award Offer, Steps “A-D” in the “**North Carolina SRF Program Overview and Guidance**” (SRF Guidance Document enclosed with the Funding Award Offer) will be complete. These Assurances, likewise, incorporate the most recent version of the SRF Guidance Document, and the Applicant hereby certifies by accepting this Funding Award Offer that it will adhere to the subsequent steps in the SRF Guidance Document. The remaining steps generally govern project design, bidding, contracting, inspection, reimbursements, close-out and repayment.
5. The Applicant will provide and maintain adequate engineering supervision and inspection.
6. The Applicant agrees to establish and maintain a financial management system that adequately accounts for revenues and expenditures. Adequate accounting and fiscal records will be maintained during the construction of the project, and these records will be retained and made available for a period of at least three (3) years following completion of the project.
7. All SRF funds loaned shall be expended solely for carrying out the approved project, and an audit shall be performed in accordance with G.S. 159-34. Partial disbursements on this loan will be made promptly upon request, subject to adequate documentation of incurred eligible costs, and subject to the Applicant’s compliance with the “Standard Conditions” of this Funding Award Offer. The Applicant agrees to make prompt payment to its contractor, and to retain only such amount as allowed by North Carolina General Statute.
8. The Applicant will expend all the requisitioned funds for the purpose of paying the costs of the project within three (3) banking days following the receipt of the funds from the State. Please note the State is not a party to the construction contract(s) and the Applicant is expected to uphold its contract obligations regarding timely payment.

### **Acknowledgement of Standard Conditions and Assurances**

The Applicant hereby gives assurance to the Department of Environmental Quality that the declarations, assurances, representations, and statements made by the Applicant in the Application; and all documents, amendments, and communications filed with the Department of Environmental Quality by the Applicant in support of its request for financial assistance, will be fulfilled.-

.....  
Signature

.....  
Date

**Agenda Item**

Long-Range Water Supply Plan (LRWSP): Select Water Supply Alternative

**Purpose**

To discuss and select a water supply alternative to include in the draft Long-Range Water Supply Plan.

**Background**

At its [January 13, 2022](#) meeting, the Board of Directors determined that Jordan Lake should be used to augment OWASA's raw water supply. The Board of Directors narrowed down the Jordan Lake alternatives to two methods to provide some level of guaranteed access to our Jordan Lake allocation at its [December 9, 2021](#) meeting. One entails being a partner or partial owner in a new intake, treatment plant, and transmission facilities that will be operational in about 2031. The other has OWASA developing an agreement that would postpone ownership in new facilities until they are expanded in about 2050, but would guarantee access to our allocation of water under certain conditions such as drought.

The Board reached these decisions by evaluating supply alternatives against a set of [guiding principles](#) they approved in July 2021.

These two alternatives differ from one another in three main areas:

1. Cost – the agreement alternative delays major capital investments and has a lower impact on near-term rates.
2. Water supply risk – the partner alternative would enable OWASA to access its allocation of water any time it desired to use the water while the agreement option would not enable us to access our water during peak demand periods.
3. Community engagement – the agreement alternative aligns better with comments we heard during the first round of community engagement that occurred in late 2020 and early 2021.

**Next Steps and Staff Recommendation**

Staff believes that the risk of us running out of raw water supply under the agreement alternative is low and does not warrant the near-term cost. Thus staff recommends that the Board select the agreement alternative as the alternative to bring forward in the draft LRWSP. Staff suggests the following next steps:

- Begin working with the Western Intake Partners on a potential agreement
- Move forward with community engagement, and bring a community engagement plan tailored to Jordan Lake for the Board's review on February 10, 2022.





## Orange Water and Sewer Authority

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

### MEMORANDUM

To: Board of Directors

Through: Todd Taylor

From: Ruth Rouse, Planning and Development Manager

Date: January 20, 2022

Subject: Long-Range Water Supply Plan (LRWSP): Select Water Supply Alternative

#### **Purpose**

To discuss and select a water supply alternative to include in the draft Long-Range Water Supply Plan.

#### **Background**

At its [January 13, 2022](#) meeting, the Board of Directors determined that Jordan Lake should be used to augment OWASA's raw water supply. The Board recognized that our next source of supply is the expanded Quarry Reservoir, but that Jordan Lake would supplement our local supplies particularly during operational emergencies and during extended drought. Further, the Board of Directors narrowed down the Jordan Lake alternatives to the following two methods to provide some level of guaranteed access to our Jordan Lake allocation at its [December 9, 2021](#) meeting:

- **JL-P: Partner in new intake and WTP on Jordan Lake** at Phase 1 capacity of 0.5 mgd (facilities expected to be operational in about 2031) and Phase 2 capacity of 2 mgd (facilities expected to be operational in about 2050).
- **JL-A: Agreement with Western Intake Partners (WIP)** to invest in a long-term option to join the WIP as a partner in Phase 2 (approximately 2050) with payments also serving as an option fee that would give OWASA the right to request water transfers from the WIP during Phase 1 under specified conditions such as drought.

The Board reached these decisions by evaluating supply alternatives against a set of [guiding principles](#) they approved in July 2021. These two Jordan Lake alternatives rate similarly against the Board's guiding principles with the exception of cost (impact on current rates and impact on future rates) and OWASA's water supply risk (ability to reduce vulnerability to extended drought and ability to improve the reliability and resiliency of our water supply including single points of failure). Staff notes that the alternatives differ in how often we would access our Jordan Lake allocation through 2050; in one alternative we own a fraction of the facilities and have access to our allocation and the facilities under any condition (partnership JL-P alternative)



while in the other we would have access only during specified conditions (JL-A). Staff also notes that the JL-A agreement alternative better aligns with feedback we heard from the community during the first round of community engagement. Each of these three items is further discussed below.

## Cost

There is uncertainty in the costs developed for each of these alternatives. The costs are appropriate for planning level purposes, and care was taken to ensure the cost estimate for each of the supply alternatives was based on similar assumptions. However, until bids are received on any capital project, there is uncertainty in the cost estimate. The Agreement option has additional uncertainty included in it as we do not yet know the specific terms of an agreement. However, based on the assumptions included in the December 9, 2021 and January 13, 2022 agenda packages, staff and its consultant have estimated capital and operating costs for each alternative. The capital costs include the cost to design, permit, and construct the facilities. The estimated annual capital cost of the two Jordan Lake alternatives is illustrated in Figure 1.

**Figure 1: Annual Capital Costs of the Jordan Lake Partnership (JL-P) and Jordan Lake Agreement (JL-A) Alternatives in Million Dollars (Costs are in nominal (inflated) dollars)**

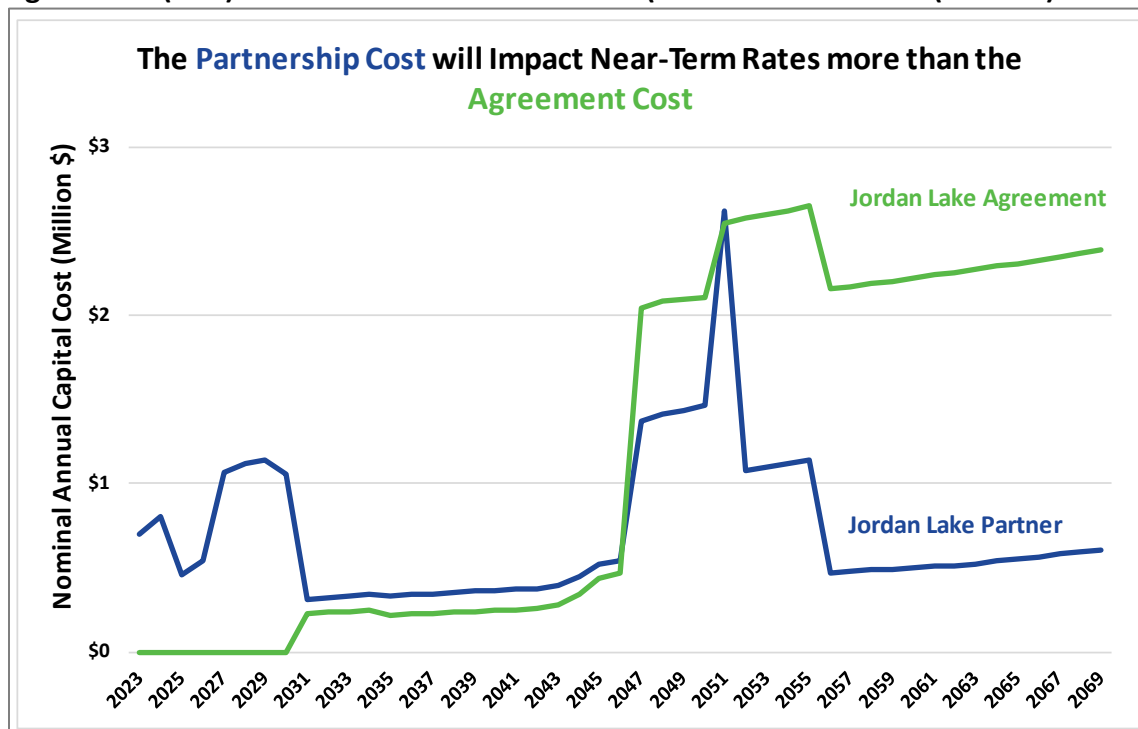


Figure 1 illustrates that given the assumptions made in the cost analysis, becoming a Partner in Phase 1 of the proposed treatment facilities will require a higher capital investment in the near-term, and thus have higher impacts on rates than the Agreement option. The Agreement alternative postpones the major capital investment until OWASA is likely to need access to its Jordan Lake allocation on a more regular basis. Selecting the Agreement alternative would impact future rates to a greater extent, but the Board's guiding principles stated that higher

priority should be given to the potential impact on near-term rates than on long-term rates, but the guiding principles note that both are important to consider.

The Board requested staff develop impacts to rates at its January 13, 2022 meeting, but staff have not had time to perform that analysis. Any rate model runs will be based on our best guess at current costs and will be based on last year's model. It is unlikely that estimated impacts on rates and the timing of those impacts would differ greatly from the information in Figure 1.

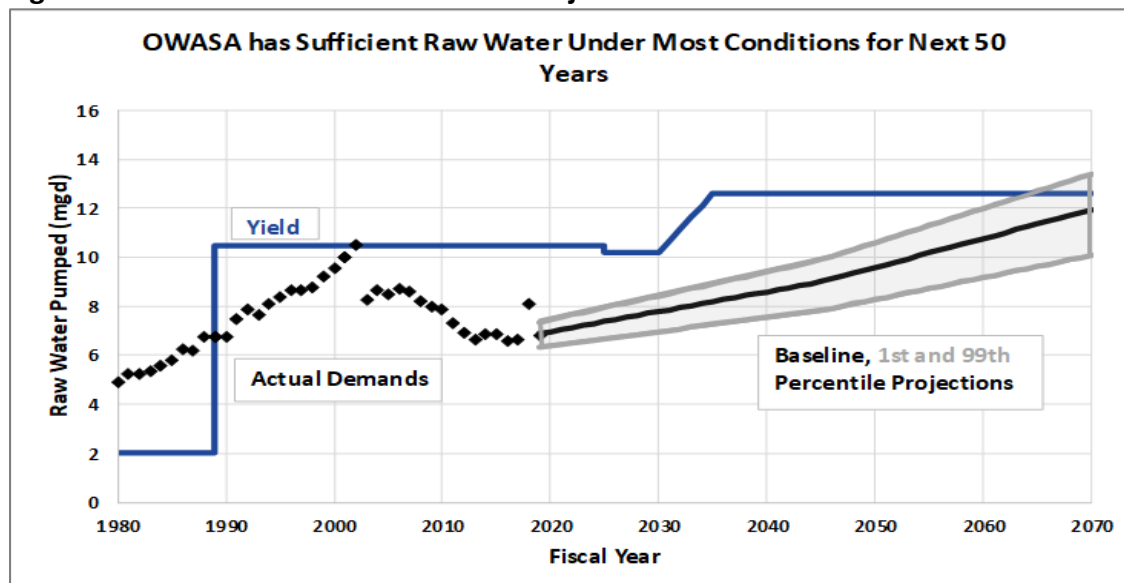
### **Risk**

Under the Jordan Lake Partnership (JL-P) alternative, OWASA would have ownership in the proposed intake, treatment and conveyance facilities on the west side of Jordan Lake. Under this alternative, OWASA would have access to its Jordan Lake allocation any time it desired. The facilities would also provide backup for OWASA's one water treatment facility.

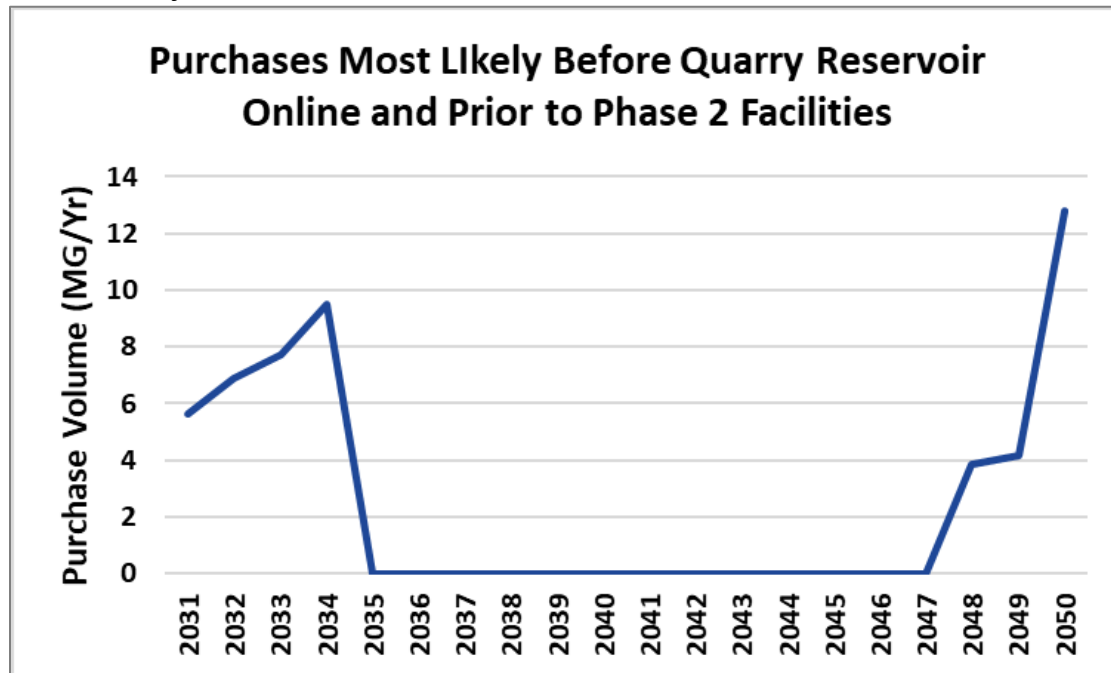
Under the Jordan Lake Agreement (JL-A) alternative, OWASA would have access under conditions specified in the agreement. OWASA envisions the agreement allowing access when the storage in our reservoirs hits the advisory stage as defined in our [Water Shortage Response Plan](#) (10 percent above mandatory conservation triggers), under operational emergencies, and when OWASA may need support during a capital improvements program project.

Our demand projections (Figure 2) indicate that OWASA can meet its demands under most circumstances with existing local supplies (Cane Creek Reservoir, University Lake, and the expanded Quarry Reservoir). To provide more detail, OWASA used its hydrologic model of its local water supplies to identify how frequently under historic conditions it may need to purchase water at the advisory stage based on future demands. The projected annual demand from 2031-2050 was run for each year in the 94-year period of record in the hydrologic model (1926-2019) to identify when purchases would occur. Figure 3 illustrates the average purchase volumes made based on the model assuming we purchase at the advisory stage.

**Figure 2: OWASA Raw Water Demand Projections**



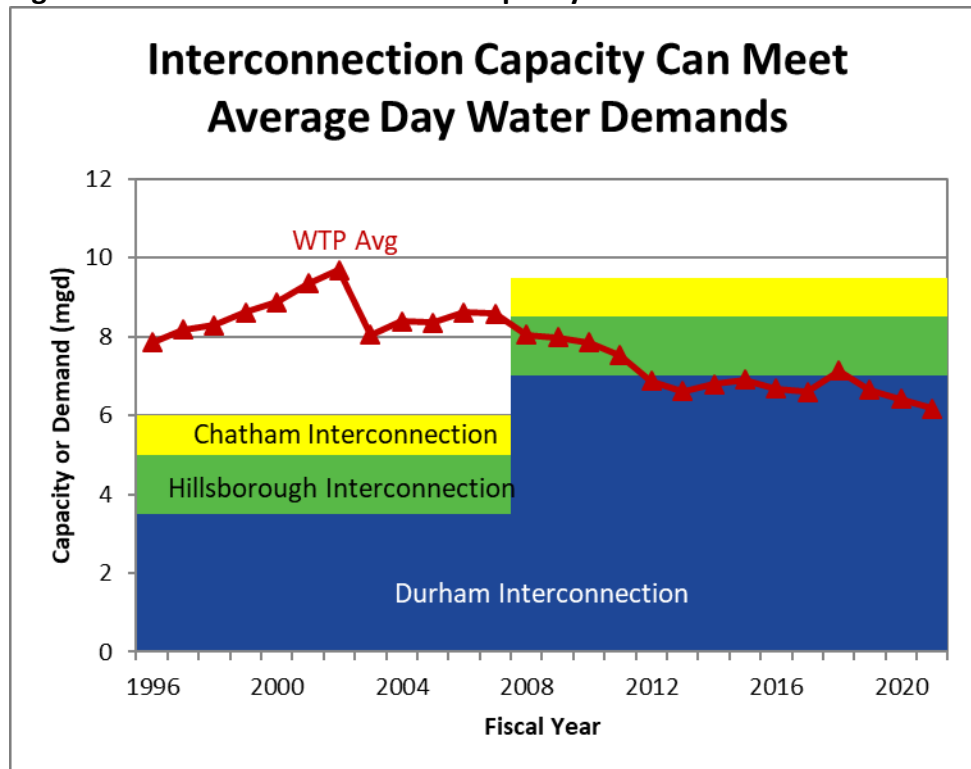
**Figure 3: Average Predicted Purchase Based on Historic (1926-2019) Conditions and Baseline Demand Projections**



As seen in Figure 3, the highest amount of water was purchased in 2050 (12.81 million gallons or 0.04 mgd) and is thus the year with the greatest risk. The modeling results indicate that the worst historic hydrologic conditions in the 94-year period of record coupled with 2050 demands resulted in a purchase of 476 million gallons (1.3 mgd). The results also indicate that we would purchase water for 17 weeks that year and the minimum storage in our reservoirs was projected to be 50 percent. Further, staff notes that the 2050 purchase shown in Figure 3 is skewed by purchases that occur in the driest years; in the majority of years (90 of the 94 years), no purchases under 2050 demands would be made.

Staff believe this is an acceptable level of risk for the Agreement alternative. When the expanded Quarry Reservoir is fully online, our three local water supply reservoirs will provide approximately 480 days of supply when 100 percent full at a demand of 10 mgd (predicted to occur around 2050 – see Figure 2). Thus, at 50 percent storage, we will have approximately 240 days of storage assuming no rain in that period of time and we are unable to obtain water from the Partners. This will enable us to continue using our local supplies until peak demands subside at the western intake facilities. The Agreement would include provisions for some access to water on an annual basis. (Note: Water treatment plants are designed to meet projected peak day demands and rarely operate near their capacity).

As stated above, the JL-P partnership alternative provides OWASA ownership in a second water treatment facility, and the JL-A agreement alternative does not. However, OWASA currently has 9.5 mgd of interconnection capacity with neighboring utilities (Figure 4). OWASA is predicted to reach this demand in about 2049 around when the Phase 2 facilities are planned to be online.

**Figure 4: OWASA Interconnection Capacity**

### **Community Engagement**

At the end of 2020 and early 2021 OWASA completed an initial round of community engagement for the update of the LRWSP. One of the main comments we heard was about potential water quality issues in Jordan Lake. The January 13, 2022 agenda package includes a summary of raw water quality in Cane Creek Reservoir, University Lake and Jordan Lake. Staff believes that raw water from Jordan Lake can be treated to meet all public health criteria.

Another comment we heard related to the Jordan Lake alternatives is the timing of investment. Commenters stated that we should consider the timing of our investments and it appeared that we do not need new raw water supply infrastructure until around 2050.

Finally, OWASA has historically indicated that Jordan Lake will be used in the near-term as an insurance policy. It supplements our local water supply reservoirs during drought and during planned and unplanned operational needs. The JL-A agreement alternative better aligns with this outlook that OWASA has historically had on its use of Jordan Lake.

Staff plans to complete another round of community engagement before finalizing the LRWSP. Since we heard concerns about the use of Jordan Lake, staff notes that it likely will come up again in this next round of engagement. We propose listening to understand the concern about the use of Jordan Lake to determine if we omitted an important guiding principle. Thus, another uncertainty in this process is the potential for the Board to rethink its decision on the use of Jordan Lake to augment OWASA's local supplies.

### **OWASA's Land in Chatham County**

The Board has made several comments about the use of our land in Chatham County for the Western Intake Partnership's needs. Staff believe that the value of the land is equivalent in either Jordan Lake supply alternative. The Board of Directors can use the revenue from the sale or lease of the property to the Partners as it deems best. However, staff note that this topic is important to the Board of Directors and we suggest including a meeting on the 12-Month Schedule to discuss methods to value the land.

### **Next Steps and Staff Recommendation**

Staff recommends that it begin working with the Western Intake Partners on a potential agreement. We note that if agreement conditions result in a high-cost relative to being a Partner or too high a risk during drought conditions, we can back out of the negotiation and seek guidance from the Board on a path forward, which could include one of the following:

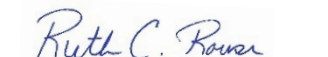
- Continue to work toward acceptable agreement conditions
- Further evaluate the partnership alternative
- Continue with our status quo alternative of using the expanded Shallow Quarry and mutual aid agreements

Staff also would like to move forward with community engagement, and plan to bring a plan tailored to Jordan Lake to the Board for review on February 10, 2022. We believe that engaging the community and working with the partners on agreement terms can proceed concurrently.

Finally, staff recommend that the Board selects the agreement alternative (JL-A) as the alternative to bring forward in the LRWSP. We believe that while there is uncertainty around cost, risk, and community engagement, given what we know right now, it best meets the Board's guiding principles. Further we believe that without working with the Partners and hearing from the community, we cannot provide better data upon which to make a decision.

Staff will keep the Board informed as we work with the Western Intake Partners and work through the engagement process. As we learn more, the Board can always request that we switch to the Partnership alternative or continue with the status quo alternative. If the Board agrees, we suggest a motion to approve a resolution (draft resolution attached).

*Motion to approve the Resolution to Authorize Staff to Negotiate an Agreement with the Western Intake Partnership to Access OWASA's Jordan Lake Allocation*



Ruth Rouse

Planning and Development Manager

Attachment - Draft Resolution to Authorize Staff to Negotiate an Agreement with the Western Intake Partnership to Access OWASA's Jordan Lake Allocation

## **Resolution to Authorize Staff to Negotiate an Agreement with the Western Intake Partnership to Access Orange Water and Sewer Authority's Jordan Lake Allocation**

**Whereas**, Orange Water and Sewer Authority (OWASA) has had an allocation of water from Jordan Lake since 1988; and,

**Whereas**, OWASA identified Jordan Lake as an important insurance policy in its Long-Range Water Supply Plan adopted by the Board of Directors on April 8, 2010; and,

**Whereas**, the 2010 Long-Range Water Supply Plan determined that the most cost effective method to obtain permanent access to our Jordan Lake allocation was through partnerships with other utilities; and,

**Whereas**, OWASA has been working with the City of Durham, Chatham County and Town of Pittsboro (Western Intake Partners) to develop more cost-effective access to our allocations of water through a new intake, treatment facility, and transmission infrastructure on the west side of Jordan Lake; and,

**Whereas**, OWASA has analyzed the community's future water demands as part of this update of the Long-Range Water Supply Plan and determined that existing supplies and demand management strategies are insufficient to meet our future needs; and,

**Whereas**, OWASA staff have completed a thorough review of supply alternatives against a set of guiding principles established by the Board of Directors on July 8, 2021; and,

**Whereas**, the OWASA Board of Directors recognized that Jordan Lake is the preferred alternative to augment our existing local water supplies Cane Creek Reservoir, University Lake, and the Quarry Reservoir; and,

**Whereas**, the OWASA Board of Directors has evaluated two different alternatives to provide access to our Jordan Lake allocation against cost, the ability to reduce our vulnerability to drought and improve the resiliency and reliability of our water supply, and comments received during community engagement completed at the end of 2020 and early 2021; and

**Whereas**, based on current information, the OWASA Board of Directors has determined to seek access to OWASA's Jordan Lake allocation by way of a long-term option for OWASA to join the Western Intake Partnership during a future phase:

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

1. That the Board of Directors of the Orange Water and Sewer Authority authorizes staff to negotiate an Agreement with the Western Intake Partners for the Board of Directors review and approval.

Resolution to Authorize Staff to Negotiate an Agreement with the Western Intake Partnership to  
Access OWASA's Jordan Lake Allocation  
January 27, 2022  
Page 2 of 2

Adopted this 27<sup>th</sup> day of January 2022.

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Jo Leslie Eimers, Chair

ATTEST:

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John N. Morris, Secretary



**Agenda Item**

- Approve Water Conservation Plan Guiding Principles and Introduce Preliminary Gap Analysis

**Purpose**

- To approve the final version of the Water Conservation Plan Guiding Principles and introduce to the Board a framework for evaluating our overall water conservation program.

**Background**

- OWASA and the community have invested in a suite of water conservation strategies that have made our community a leader in water conservation, efficiency, and reclaimed water use.
- The OWASA Board of Directors received and discussed a report of OWASA's existing water conservation efforts on November 11, 2021 and discussed the draft guiding principles on January 13, 2022.
- The Board discussed proposed next steps to finalize the Water Conservation Plan.

**Action Needed**

- Board consideration and approval of the Water Conservation Plan Guiding Principles.

January 27, 2022



## Orange Water and Sewer Authority

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

### MEMORANDUM

**To:** Board of Directors

**Through:** Todd Taylor, P.E.

**From:** Mary Tiger and Amy Armbruster

**Date:** January 20, 2022

**Subject:** Approve Water Conservation Plan Guiding Principles and Introduce Preliminary Gap Analysis

The purpose of this agenda item is to approve the final version of the Water Conservation Plan Guiding Principles. Staff will also introduce to the Board a framework for evaluating our overall water conservation program.

#### **Background**

OWASA and the community have invested in a suite of water conservation strategies that have made our community a leader in water conservation, efficiency, and reclaimed water use.

On [November 11, 2021](#), the OWASA Board of Directors received and discussed a report of OWASA's existing water conservation efforts and provided guidance on criteria to use in finalizing the overall water conservation plan. Based in the Board's feedback, draft guiding principles were designed to provide usable criteria for identifying and evaluating additional conservation opportunities that will allow OWASA to continue to be a leader in this space.

On [January 13, 2022](#), the Board received and discussed the draft guiding principles. An edited and clean version of the Guiding Principles are included in this agenda packet.

In addition, the Board discussed proposed next steps to finalize the Water Conservation Plan. These included:

- 1) Identify areas with high potential for water conservation
- 2) Utilize the American Water Works Association's (AWWA) framework for developing a robust and effective Water Conservation Plan to evaluate our current programming and identify gaps
- 3) Increase our understanding of our partner's issues and goals related to water conservation

This gap analysis of our existing programming will allow us to identify additional conservation opportunities which will then be evaluated based on the guiding principles.

**Action Needed**

Staff requests that the Board formally approve the Water Conservation Plan Guiding Principles.

Consistent with past practice, we do not believe a formal resolution is needed for this matter. We do recommend, however, that if and when the Board supports moving forward with the proposed guiding principles, it considers acting on this matter via approval of a motion, perhaps along the lines of the following:


*“Motion that the Board of Directors approves the proposed Water Conservation Plan Guiding Principles.”*

Additionally, Staff requests feedback and guidance from the Board of Directors on the draft AWWA Framework and preliminary gap analysis.

Based on this guidance, staff will develop a suite of water conservation opportunities scored against the guiding principles for the Board to discuss at a later Board meeting.



Mary Tiger  
Strategic Initiatives Manager



Amy Armbruster  
Part-time Temporary Sustainability & Outreach  
Coordinator

**Attachments:**

- Edited Water Conservation Plan Guiding Principles
- Clean version of Water Conservation Plan Guiding Principles
- AWWA Framework and Assessment of Current Water Conservation Programming

## DRAFT WATER CONSERVATION PLAN

### GUIDING PRINCIPLES

Drinking water is a valuable resource, essential to sustain public health, economic prosperity, and the high quality of life we enjoy in Carrboro and Chapel Hill. We are a leader in water conservation because our community recognizes the many benefits of conservation, including reducing water bills for low-income residents and keeping our essential service affordable, protecting our natural resources, building resiliency in the face of climate change, and extending our raw water supply, delaying the need for additional supply for many years. Sustainability is a core value of our organization.

As such, water efficiency and conservation are fundamental resource planning tools and should be considered equally with the other means of meeting our water needs. Embedded in our long-range water demand projections are assumptions about how much water our community will conserve in the future. We must meet or exceed these projections to ensure a reliable and adequate water supply in the long run. We recognize that a diverse water supply portfolio and continued focus on demand management adds to our resilience and reduces the likelihood of mandatory water use restrictions.

Therefore, we are committed to continuing to advance drinking water use reduction and conservation in our community and in our internal operations.

Ensuring that we remain a leader in water conservation will require regular review and evaluation of new and emerging water conservation opportunities. As an organization dedicated to the wise use of rate-payer dollars, the guiding principles below strive to provide usable criteria for identifying and evaluating additional conservation opportunities.

#### Guiding Principles:

1. The strategy is expected to ~~generate~~ contribute to a sustained reduction in the community's per capita water consumption.
2. The strategy is cost-effective; ~~defined as being less expensive to implement than the next water supply alternative in which OWASA will invest (as measured by based on~~ dollars per thousand gallons saved). Where cost and benefit cannot be reliability quantified, the strategy will be considered based on how well it ~~balances~~ promotes environmental, economic, and societal goals.
3. Where appropriate, the strategy will be developed in coordination and with the cooperation of the Town of Chapel Hill, Town of Carrboro, UNC, Chapel Hill Carrboro City Schools, Orange County, the development community, and other partners and stakeholders.
4. Strategies will be evaluated by their performance against the following criteria:
  - The strategy is based on the best available and demonstrated water efficiency technology, designs, and practices.
  - The strategy utilizes a data-driven approach.
  - The strategy is equitable and provides multiple benefits to all.

- The strategy incorporates efforts to raise community awareness and advocacy through active engagement, public outreach, and education.

DRAFT

## DRAFT WATER CONSERVATION PLAN

### GUIDING PRINCIPLES

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  - The strategy utilizes a data-driven approach.
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  - The strategy incorporates efforts to raise community awareness and advocacy through active engagement, public outreach, and education.

## American Water Works Association (AWWA) Water Conservation and Efficiency Program Operation and Management Strategies

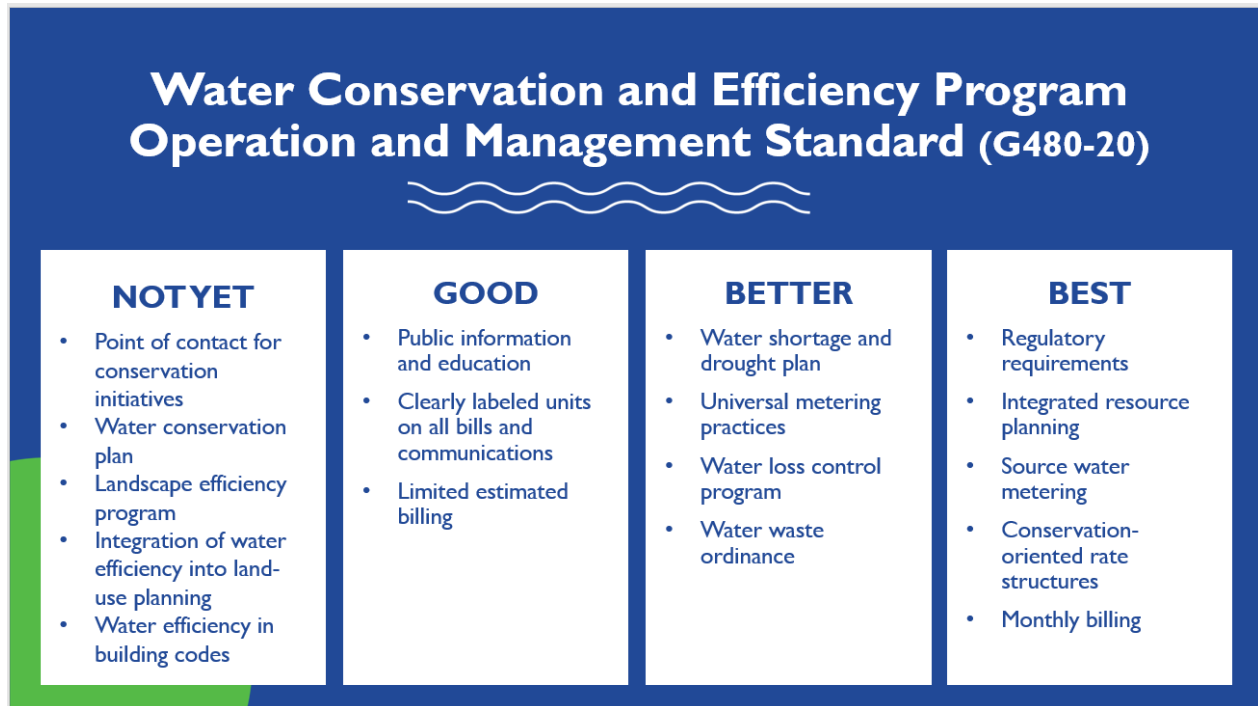
This standard describes the critical elements of an effective water conservation and efficiency program. It encompasses activities undertaken by the utility within its own operations to improve water use on the supply side upstream of customer meters through distribution system management, and on the demand side downstream of customer meters through customer billing and education practices. A program meeting this standard has the potential to impact all water users.

AWWA serves the entire country; therefore, these guidelines are not prescriptive but rather provide a general template for a robust water conservation plan. These are designed as voluntary guidelines and can be modified to better fit our needs and the needs of our community. They are organized into four sections: regulatory requirements, top-level organization functions, internal utility actions, and external policy requirements. Staff has assigned each requirement a score of 'not yet,' 'good,' 'better,' and 'best' based on our current water conservation strategies.

Section	Requirements	OWASA 'Score'
<b>REGULATORY REQUIREMENTS</b>		
	Meet or exceed all current federal, state and local regulatory requirements	BEST
<b>TOP-LEVEL ORGANIZATION FUNCTIONS</b>		
	Point of contact for water conservation initiatives	NOT YET
	Water conservation and efficiency plan that addresses conservation across all relevant customer categories and includes clearly defined and measurable performance goals	NOT YET
	Integrated resource planning evaluates efficiency and conservation on a comparable basis with supply options	BEST
	Water shortage or drought plan	BETTER
	Public information and education program promoted to all customers	GOOD
	Landscape efficiency program	NOT YET
<b>INTERNAL UTILITY ACTIONS</b>		
	Universal metering or a plan to achieve universal metering	BETTER
	Source water metering	BEST
	Conservation-oriented rate structures that provide a financial incentive to reduce water use	BEST
	Monthly billing to provide regular feedback on usage to customers	BEST
	Units clearly labeled and defined in gallons	GOOD
	Limit estimated billings to no more than twice per year per customer	GOOD
	Water loss control program to detect and minimize water loss in the distribution system including a utility water audit validated by a third-party	BETTER
<b>EXTERNAL POLICY REQUIREMENTS</b>		
	Water efficiency in building codes and standards	NOT YET

	Integrate water efficiency into land-use planning	NOT YET
	Water waste ordinance	BETTER

Strategies scoring 'not yet,' 'good,' or 'better' are gaps or opportunities for improvement.





**Agenda Item**

- 2021 Annual Lakes Recreation Report

**Purpose**

- To provide information about the 2021 lake recreation season including visitors, expenses, and revenue.

**Background**

- Opening day for recreation at University Lake and Cane Creek Reservoir was March 27, 2021 and closing day was October 31, 2021.
- Due to the ongoing COVID-19 pandemic, the 2021 recreation season opened with the same restrictions that were in place at the end of the 2020 season. Adjustments to the schedule were made as the season progressed and COVID-19 protocols changed
- This report and other agenda information has been distributed by email to more than 315 lake recreation stakeholders.

**Action Needed**

- Receive and discuss the 2021 Annual Lakes Recreation Report.

January 27, 2022



## Orange Water and Sewer Authority

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

### MEMORANDUM

**TO:** Board of Directors  
**THROUGH:** Todd Taylor, P.E.  
**FROM:** Johnny Riley  
**DATE:** January 19, 2022  
**SUBJECT:** 2021 Annual Lakes Recreation Report

#### Purpose

To provide information about lake recreation in calendar year 2021 including visitors, costs, and revenue.

In accordance with the Board's direction, this report is provided in the Board's regular meeting agenda each year and public comments are welcome. This report and other agenda information will also be distributed by e-mail to more than 315 lake recreation stakeholders.

#### Key Takeaways

- Opening day for recreation at University Lake and Cane Creek Reservoir (the Lakes) was March 27 and closing day was October 31.
- Due to the ongoing COVID-19 pandemic, the 2021 recreation season opened with the same restrictions that were in place at the end of the 2020 season. Adjustments to the schedule were made as the season progressed and COVID-19 protocols changed.
- For the second year, an online registration system for boating reservations was used to handle the demand for available spots fairly.
- Attendance and revenue increased by 231% and 262%, respectively over the 2020 totals, which were significantly reduced due to COVID-19 restrictions.
- Revenue covered about 32% of costs.
- We had a safe year with no incidents.

#### Operational Changes due to COVID-19

Due to the ongoing COVID-19 pandemic, the 2021 recreation season opened on March 27 with the same restrictions that were in place at the end of the 2020 season. Reservations were required for boating and pier/shore fishing. Capacity was limited to 25 boating reservations per day at

Cane Creek Reservoir and 10 boating reservations per day at University Lake. Customers with reservation needed to arrive between 6:30 AM and 9:00 AM.

Adjustments were made as the season progressed and COVID-19 protocols changed. Beginning April 30, capacity limits were increased to 50 boating reservations per day at Cane Creek Reservoir and 15 boating reservations per day at University Lake. A picnic reservation option was also added for entry between 11:00 AM and 1:00 PM.

The final adjustment to the recreation schedule was made beginning June 4. Boating reservations (with the 50/15 limits remaining in place) at each lake were for those that wanted to arrive before 10 AM. After 10 AM, all other available spots, up to the limits for each lake, were then offered on a first come, first served basis. We also resumed renting boats without an option for trolling motor or battery rental, and reservations were no longer needed for pier/shore fishing and picnicking.

For the second year of the pandemic, to ensure the available boating reservation spots were distributed fairly, people were asked to sign up for a reservation on the Monday and Tuesday preceding the weekend they wanted to visit. Once the names had been submitted for that week, a computer program selected the names of those that would be able to boat on the lakes. An email was sent to each person that signed up notifying them whether they had been selected or not. During the first few months of opening, we had more people sign up than we had available spots. As the season progressed, this number steadily decreased, and during the last few months of the season, most people that signed up for a boating reservation received one. All customer transactions continued to take place outdoors at each lake office.

The hours and days of operation at University Lake were Friday, Saturday, and Sunday from 6:30 AM to 6:00 PM and Cane Creek Reservoir was open Friday and Saturday from 6:30 AM to 6:00 PM. Cane Creek Reservoir was also open for Birding during the winter months on Wednesdays from 7:00 AM to 11:00 AM.

### **User Fees**

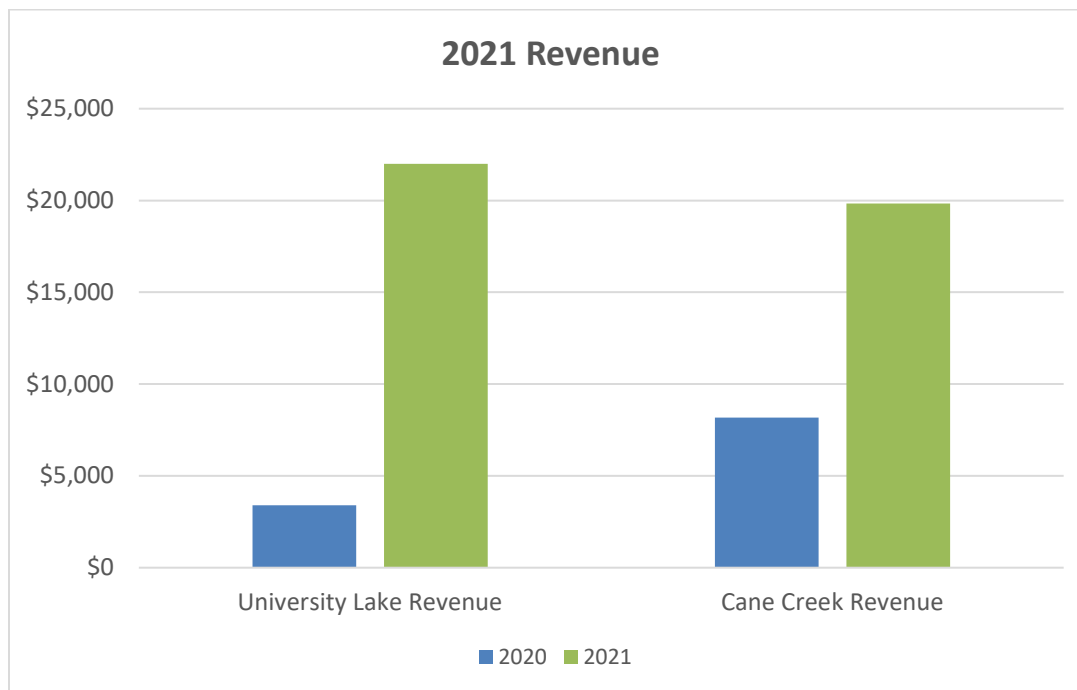
Attachment 1 shows the rates and fees applicable for the 2021 season. Fees have remained unchanged since 2011. Boat, canoe, and kayak rentals started June 4. Trolling motors and batteries were not rented during the 2021 season.

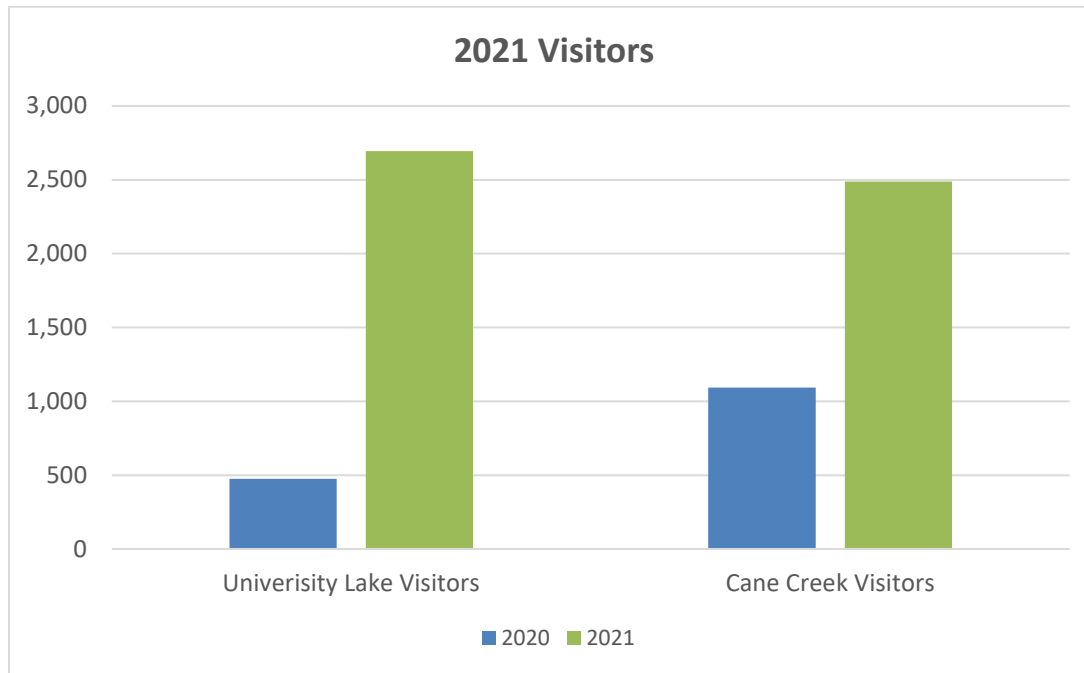
### **Revenue and Attendance**

The following table and graphs show 2021 revenue and attendance information for both recreation locations.

Calendar Year 2021 Revenue and Attendance						
	University Lake		Cane Creek Reservoir		Total	
	Amount	% Change from 2020	Amount	% Change from 2020	Amount	% Change from 2020
Revenue	\$22,000	548%	\$19,829	143%	\$41,829	262%
Visitors	2,695	466%	2,488	128%	5,183	231%
Average revenue per visitor	\$8.16	14.4%	\$7.97	6.6%	\$8.07	9.3%
Avg. daily attendance – Friday	14	133%	31	34.8%	45	55.2%
Avg. daily attendance –Saturday	31	288%	47	62.1%	78	111%
Avg. daily attendance – Sunday	39	333%	NA	NA	39	333%

Revenue and attendance increased at both University Lake and Cane Creek Reservoir in 2021.





### **Vouchers for OWASA Strategic Plan Survey**

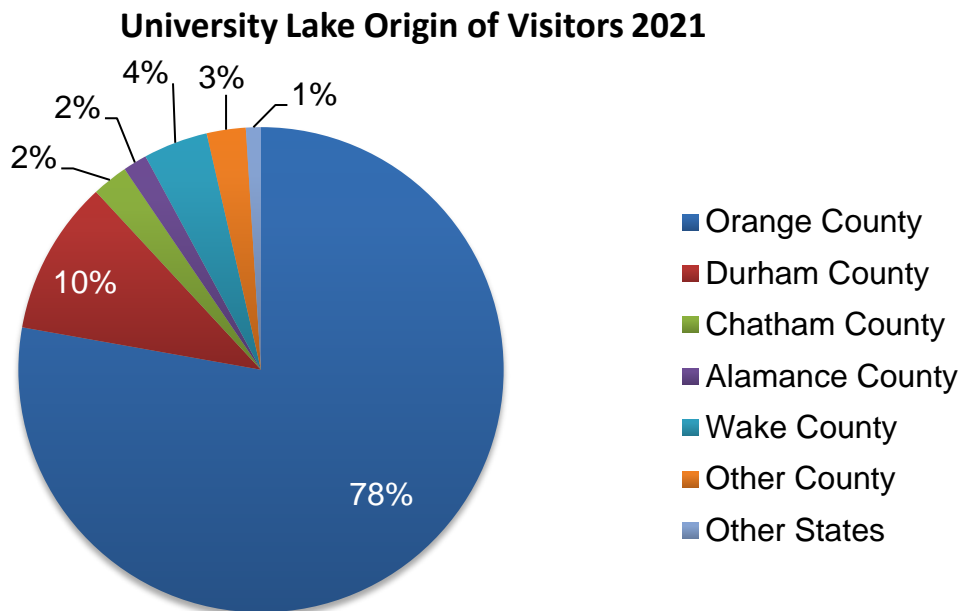
From August 9 through September 7, 2021, OWASA promoted participation in a community survey to help inform the development of OWASA's new strategic plan. In exchange for completing the survey, respondents were offered a voucher to cover the cost of the lake access fee and a kayak rental at either Cane Creek Reservoir or University Lake. The voucher had to have been used by the end of the 2021 recreation season. By offering the voucher, we hoped to incentivize participation in the survey (at no additional expense to OWASA rate payers), as well as attract new lake users and their friends and family.

We received a total of 1,153 survey responses and 70 vouchers were utilized between August 13 and October 31, 2021 (45 at University Lake and 25 at Cane Creek Reservoir). The maximum value of the vouchers used was \$1,365 (assuming a \$4.50 lake access fee plus \$15 kayak rental per voucher). In addition to attracting those 70 individuals to the lake, they brought with them an additional 50 guests which resulted in additional revenue of about \$285.

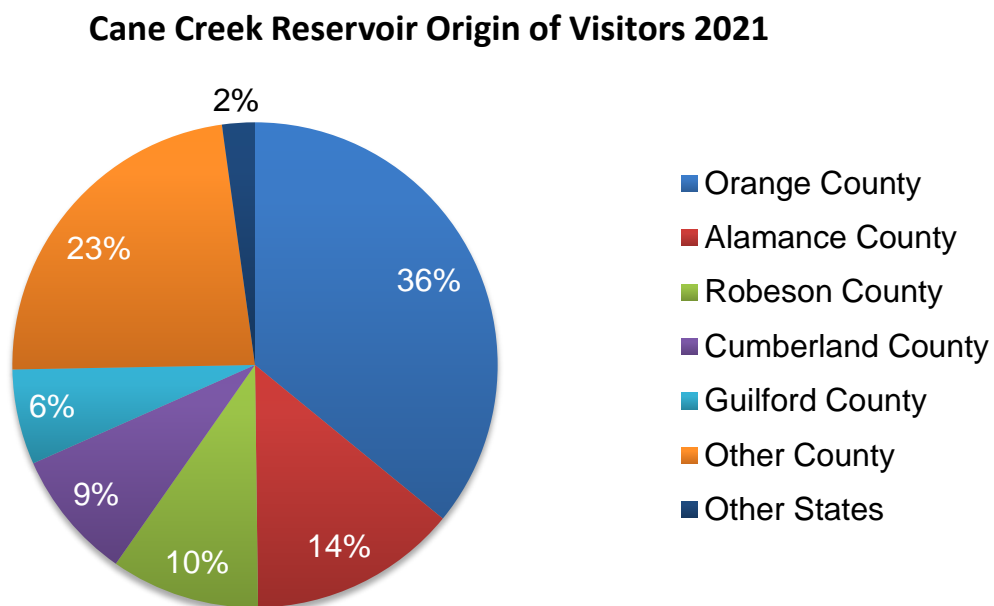
Staff do not intend to make a regular practice of offering lake vouchers to the community at-large. If utilized regularly, they would negate goals for full-cost-recovery of lake recreation services and increase the administrative burden of tracking on the lake recreation staff.

### Demographics

The largest segment of visitors at University Lake continues to be Orange County residents.



The largest segment of visitors at Cane Creek Reservoir continues to be Orange County residents.



### **Expenses versus Revenue**

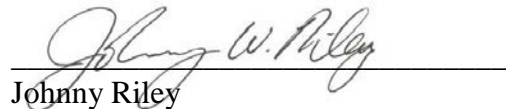
As shown in Attachment 3, expenses exceeded revenue by \$87,771 in 2021. Revenue covered approximately 32% of costs. Labor remains the largest expense in the operation of the lakes. The lake staff's time is allocated to recreation oversight activities and normal lake operations.

### **2022 Lake Recreation Season**

We look forward to the opening of the 2022 recreation season on Saturday, March 26. Both lakes will open with the COVID-19 protocols that were in place at the end of the 2021 season including using a reservation system for boating before 10 AM, renting OWASA boats, canoes, and kayas, not renting electric motors, and conducting all customer transactions outside of the offices.

Staff have found some of the changes made during the pandemic to be beneficial to the overall safety and operation of our lake recreation program. We will continue to evaluate these changes during the 2022 recreation season and bring recommendations to the Board for consideration later this year.

Please feel free to contact me with any questions concerning this report or the lake operation.



Johnny Riley  
Reservoir and Land Resources Supervisor

- Attachment 1: Lake Use Fees
- Attachment 2: 5-year Lake Revenue
- Attachment 3: 2021 Lake Operating Expenses

## Attachment 1 – Lake Use Fees

### 2021 Lake Use Fees

USE FEES:		<u>2021 Season</u>
Boat Rental Fee	Orange County Resident	\$4.50 <sup>1</sup>
	Non-county Resident	\$8.00 <sup>1</sup>
Kayak Rental Fee	Orange County Resident	\$15.00
	Non-county Resident	\$20.00
Private Boat Launch Fee	Orange County Resident	\$3.50
	Non-county Resident	\$7.00
Electric Motor Rental	Orange County Resident	\$15.00
	Non-county Resident	\$22.00
Lake Use Fee	Orange County Resident	\$4.50
	Non-county Resident	\$5.50
	Child (Orange County Resident)	\$2.00
	Senior (OWASA Customer or Orange County Resident)	\$0.00
	Senior or Child (Non-County Resident)	\$2.50

<sup>1</sup>Rental Fee does not include applicable Lake Use Fees



## Attachment 2 – 5-year Lake Revenue

YEAR	2017	2018	2019	2020	2021
Boat Rentals	14,425	12,255	13,101	0	5,770
Lake Use & Boat Launch Fees	34,664	30,997	32,914	11,564	29,256
Electric Motor Rentals	19,134	19,005	21,645	0	0
Lakes Use Passes	4,063	4,475	5,946	0	328
Kayak Rentals	8,200	8,320	8,740	0	6,475
<b>TOTAL:</b>	<b>\$80,486</b>	<b>\$75,052</b>	<b>\$82,346</b>	<b>\$11,564</b>	<b>\$41,829</b>

**Attachment 3**  
**2021 Lake Operating Expenses**

Description	Expenses				
	Total	Cane Creek Reservoir		University Lake	
		Non-Recreation	Recreation	Non-Recreation	Recreation
Full Time Employee Salaries	\$193,296	\$86,481	\$48,947	\$28,917	\$28,950
Payroll Taxes & Employee Benefits	\$75,384	\$33,728	\$19,089	\$11,278	\$11,291
Part Time Employee Salaries	\$16,216	\$0	\$12,012	\$123	\$4,081
Utilities	\$8,245	\$2,606	\$2,179	\$2,349	\$1,111
Materials and Supplies	\$3,836	\$1,668	\$916	\$616	\$636
Maintenance of Facilities	\$1,832	\$1,323	\$160	\$121	\$228
Annual Amortization of equipment	\$4,000	\$2,000	\$0	\$2,000	\$0
Miscellaneous Expenses	\$3,711	\$2,717	\$0	\$994	\$0
<b>Totals</b>	<b>\$304,172</b>	<b>\$130,523</b>	<b>\$83,303</b>	<b>\$44,049</b>	<b>\$46,297</b>

2021 Recreation Revenue	\$41,829
Total Recreation Expenses	\$129,600
Recreation Deficit	(\$87,771)

**Agenda Item:**

- Financial Report for the Six-Month Period Ended December 31, 2021

**Purpose:**

- To inform the Board of Directors of OWASA's financial performance and fiscal position.

**Background:**

- The financial report consists of a Statement of Net Position, an Income Statement that includes a budget to actual comparison, graphical presentations of financial performance indicators and a Financial Management Policy Report Card.
- Highlights of the report include:
  - All of our financial performance targets were met.
  - Total income for the period was about \$169,000 less than the budget.
  - Operating Expenses were about \$554,000 less than budget.
  - Net Income less Debt Service was about \$777,000 greater than budget. OWASA is a nonprofit entity. Net Income less Debt Service is used to fund investments in capital improvement projects and reserves.
  - Capital Improvements Program expenditures for the six-month period were approximately \$3.2 million.

**Action Needed:**

- Receive and discuss the financial report for the six-month period ended December 31, 2021.

January 27, 2022



## Orange Water and Sewer Authority

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

### MEMORANDUM

**To:** Board of Directors  
**Through:** Todd Taylor, P.E.  
**From:** Stephen Winters, CPA  
**Date:** January 20, 2022  
**Subject:** Financial Report for the Six-Month Period Ended December 31, 2021

#### Purpose

The financial report for the six-month period ended December 31, 2021, is presented to inform the Board of Directors of OWASA's financial position and financial performance in relation to budget.

#### Contents

- Statement of Net Position
- Income Statement
- Graphs of Key Performance Indicators
- Financial Management Policy Report Card

#### Fiscal Performance

- As shown on page 10 of the report, all of our financial performance measurement targets were met for the period.
- Average drinking water sales for the period was 6.04 million gallons per day (MGD), 6.20 MGD was projected. Combined drinking and reclaimed water sales for the period averaged 6.91 MGD versus a projection of 7.18 MGD.
- Total income was under budget by 0.8% or about \$169,000 less than the budget.
- Total operating expenses for the period were 4.7% or about \$554,000 less than the budget.
  - General and administrative expenses were under budget by 1.2% or about \$45,200. The difference is primarily due to consulting expenses we have not yet incurred.
  - Water supply and treatment department expenses were under budget by 10.8% or about \$301,800. Maintenance expenses and position vacancies made up most of the variance.
  - Water distribution expenses were under budget by 3.9% or about \$69,900. Maintenance expenses and in-house construction work made up most of the variance.
  - Wastewater treatment expenses were under budget by 4.0% or about \$103,900. Most of the variance was due to maintenance and waste disposal expenses.
  - Wastewater collection expenses were under budget by 5.0% or about \$43,700. Vacancies accounted for most of the variance.

Net Income less Debt Service for the period was approximately \$777,000 more than budget. OWASA is a nonprofit entity. Net Income less Debt Service is used to fund investments in capital improvement projects and reserves.

### **Capital Improvements Program (CIP) Summary**

During the first half of Fiscal Year (FY) 2022, approximately \$3.2 million (18% of the planned CIP budget) was invested in 49 capital projects to rehabilitate, replace or improve various components of OWASA's water and wastewater infrastructure, most notably:

- distribution system pipes within Jones Ferry Road and at the Jones Ferry Road Water Treatment Plant (WTP);
- a portion of the Morgan Creek wastewater interceptor during an emergency repair;
- several chemical storage and pumping facilities at the WTP;
- pipes and manholes throughout the wastewater collection system.

The forecast FY 2022 expenditures of \$10.5 million represents 60% of the budgeted funds. This is primarily due to the following factors:

- Delays in the WTP Electrical System Improvements project to align with the timeline for State Revolving Fund (SRF) funding.
- Slower than anticipated construction for the West Cameron Avenue Water Line Replacement Project due to contractor staffing.
- Delays and slower production on the water main replacements program due to COVID impacts to staffing, materials procurement, and coordination with the community.
- Longer than anticipated specialty material procurement for the Wastewater Treatment Plant (WWTP) Fermenter Improvements.
- Longer than anticipated design duration for Secondary Clarifier No. 4 at the WWTP.

### **Action Requested**

Receive and discuss the financial report.



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Stephen Winters, CPA  
Director of Finance and Customer Service

Attachment

# **Orange Water and Sewer Authority**

**Financial Report  
For the Six-Month Period Ended  
December 31, 2021**

**Orange Water and Sewer Authority**  
**Statement of Net Position**  
**December 31, 2021**  
(unaudited)

**Assets**

Current Assets	
Cash	\$29,361,933
Receivables	5,498,283
Inventory	1,565,750
Prepaid expenses	462,033
Restricted cash	2,756,041

Total Current Assets	39,644,040i
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Noncurrent Assets	
Capital assets (net of depreciation)	295,037,360
Other noncurrent assets	56,313,465

Total Noncurrent Assets	351,350,825
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<b>Total Assets</b>	\$390,994,865
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**Liabilities and Net Position**

Current Liabilities	
Accounts payable and accrued expenses	\$2,850,731
Unearned income	221,529
Customer deposits	1,300,726

Total Current Liabilities	4,372,986
---------------------------	-----------

Noncurrent Liabilities	
Bonds payable	86,487,795
Other noncurrent liabilities	18,072,603

Total Noncurrent Liabilities	104,560,398
------------------------------	-------------

Net Position	
Contributed capital	124,253,644
Net position at the beginning of the year	155,376,948
Year-to-date accrual basis net income	2,430,889

<b>Total Liabilities and Net Position</b>	\$390,994,865
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**Net income reconciliation:**

Accrual basis net income	\$2,430,889
Depreciation, interest, other post-employment benefits expenses	6,665,761

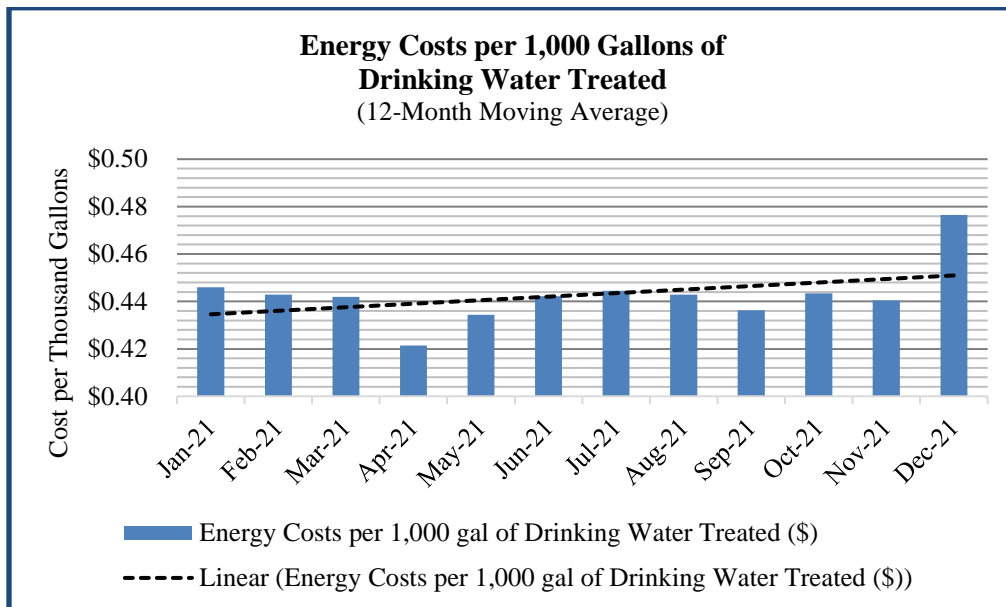
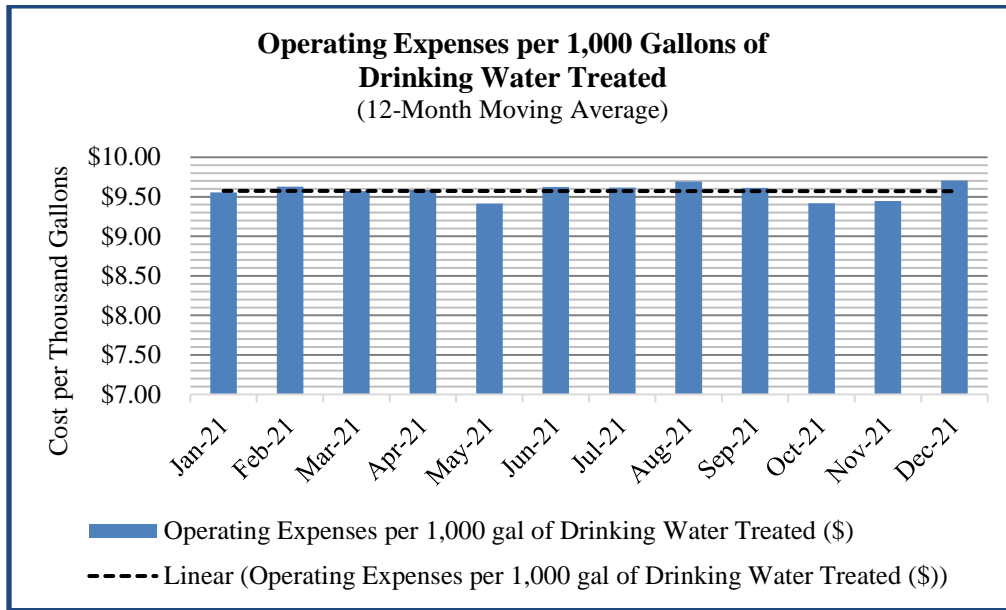
<b>Modified accrual basis net income</b>	\$9,096,650
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**Orange Water and Sewer Authority**  
**Income Statement**  
**For the Six-Month Period Ended December 31, 2021**  
(unaudited)

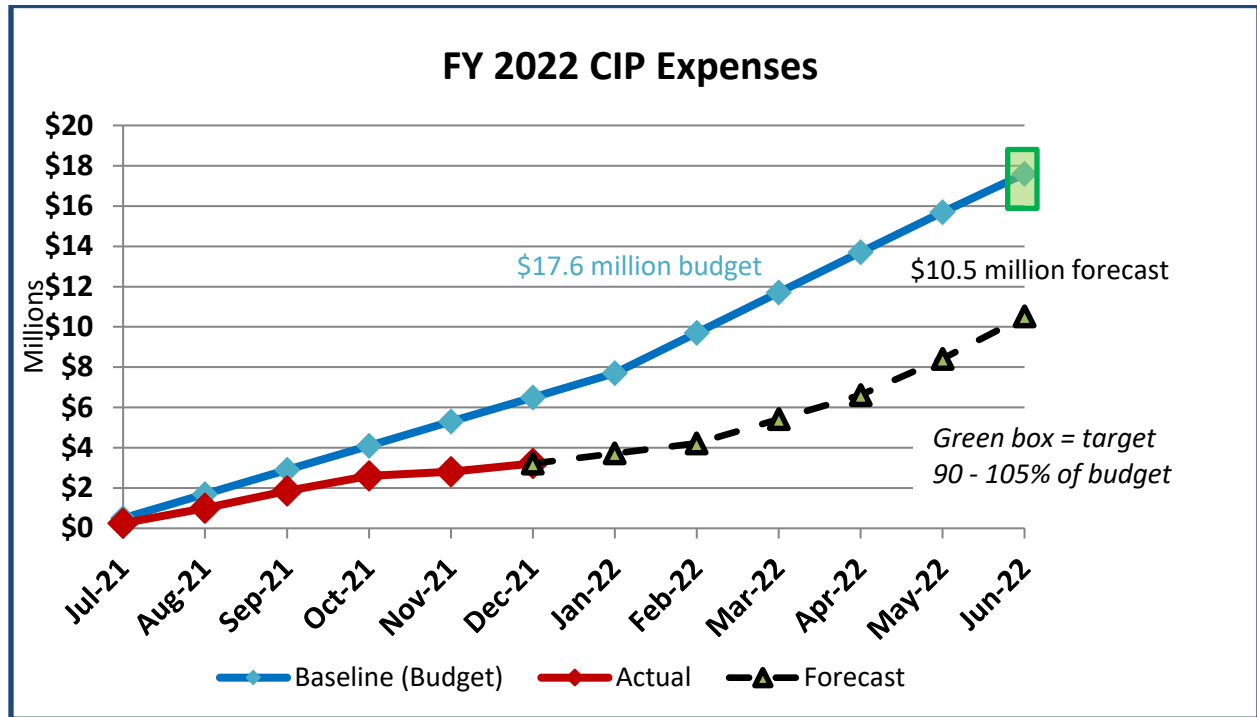
	<b>Actual through December 31, 2021</b>	<b>Budget through December 31, 2021</b>	<b>Variance (effect on net change in Fund Balance)</b>	<b>Percent Variance</b>
<b>Operating Revenue</b>				
Water	\$9,920,421	\$9,356,215	\$564,206	6.0%
Sewer	9,181,992	9,696,956	(514,964)	(5.3)
Reclaimed Water	249,630	283,870	(34,240)	(12.1)
Service Initiation Fees	7,810	8,256	(446)	(5.4)
Other	435,397	450,614	(15,217)	(3.4)
Refunds and Allowances	(58,534)	(53,550)	(4,984)	(9.3)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Operating Revenue</b>	19,736,716	19,742,361	(5,645)	(0.0)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Non-Operating Income (Expense)</b>				
System Development Fees	506,898	624,948	(118,050)	(18.9)
Interest and Other Non-Operating Income	3,371	48,882	(45,511)	(93.1)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Non-Operating Income</b>	510,269	673,830	(163,561)	(24.3)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Income</b>	20,246,985	20,416,191	(169,206)	(0.8)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Operating Expense</b>				
General and Administrative	3,853,836	3,899,004	45,168	1.2
Water Supply and Treatment	2,480,829	2,782,649	301,820	10.8
Water Distribution	1,483,228	1,543,121	59,893	3.9
Wastewater Treatment	2,500,923	2,604,807	103,884	4.0
Wastewater Collection	831,519	875,252	43,733	5.0
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Operating Expense</b>	11,150,335	11,704,833	554,498	4.7
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Income (modified accrual)</b>	9,096,650	8,711,358	385,292	4.4
Debt Service	3,755,499	4,147,593	392,094	9.5
	<hr/>	<hr/>	<hr/>	<hr/>
Net Income less Debt Service	5,341,151	4,563,765	777,386	17.0
CIP Expenditures	3,217,303	6,500,000	3,282,697	50.5
Capital Equipment Expenditures	384,544	1,057,250	672,706	63.6
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Change in Fund Balance</b>	\$1,739,304	(\$2,993,485)	\$4,732,789	
	=====	=====	=====	



**Orange Water and Sewer Authority**  
**Select Financial Data**  
**For the Six-Month Period Ended December 31, 2021**



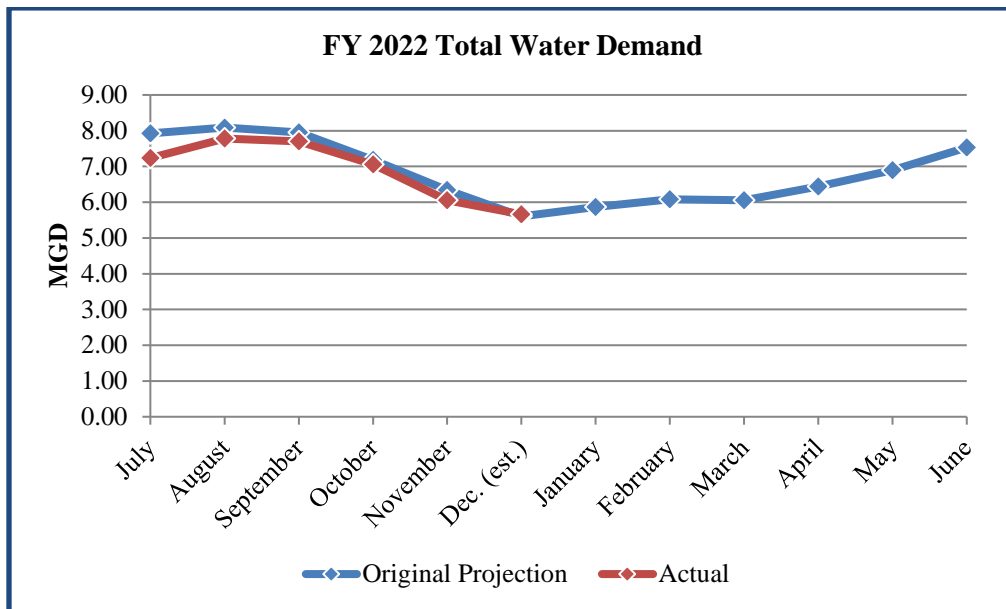
**Orange Water and Sewer Authority**  
**Select Financial Data**  
**For the Six-Month Period Ended December 31, 2021**



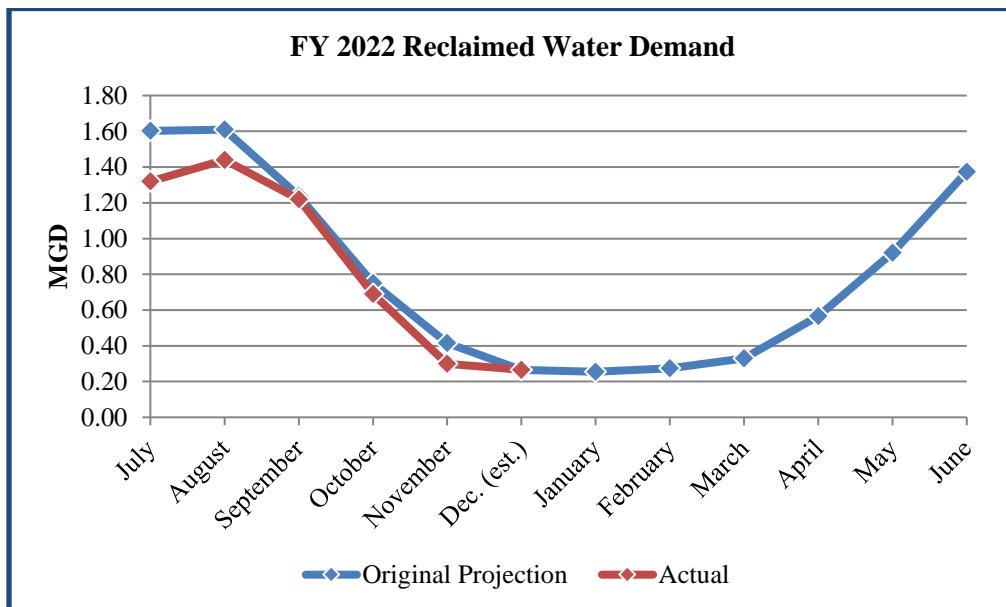
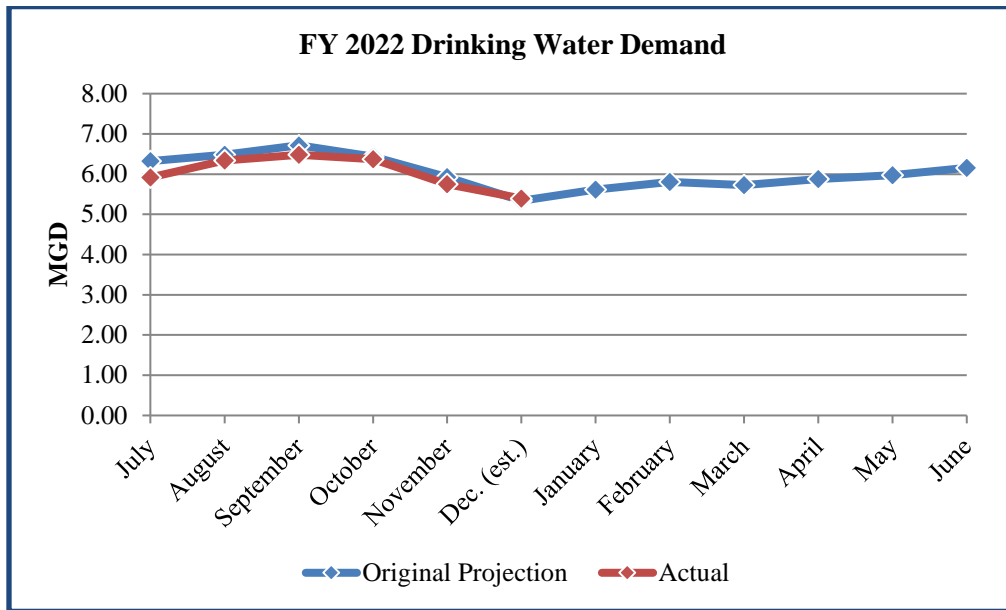
**Orange Water and Sewer Authority**  
**Select Financial Data**  
**For the Six-Month Period Ended December 31, 2021**

<b><u>FY 2022 Water Sales Projection (Average Day)</u></b>						
	<b>Original Projections</b>		<b>Actual Water Sales</b>		<b>Revised Projections</b>	
	<b>DW</b>	<b>RCW</b>	<b>DW</b>	<b>RCW</b>	<b>DW</b>	<b>RCW</b>
July	6.32	1.60	5.92	1.32	5.92	1.32
August	6.48	1.61	6.34	1.44	6.34	1.44
September	6.72	1.24	6.48	1.22	6.48	1.22
October	6.43	0.75	6.37	0.69	6.37	0.69
November	5.92	0.42	5.75	0.30	5.75	0.30
December	5.34	0.27	5.39	0.27	5.34	0.27
January	5.61	0.25			5.61	0.25
February	5.80	0.27			5.80	0.27
March	5.73	0.33			5.73	0.33
April	5.87	0.57			5.87	0.57
May	5.97	0.92			5.97	0.92
June	6.16	1.37			6.16	1.37
Average	6.03	0.80	6.04	0.87	5.95	0.75

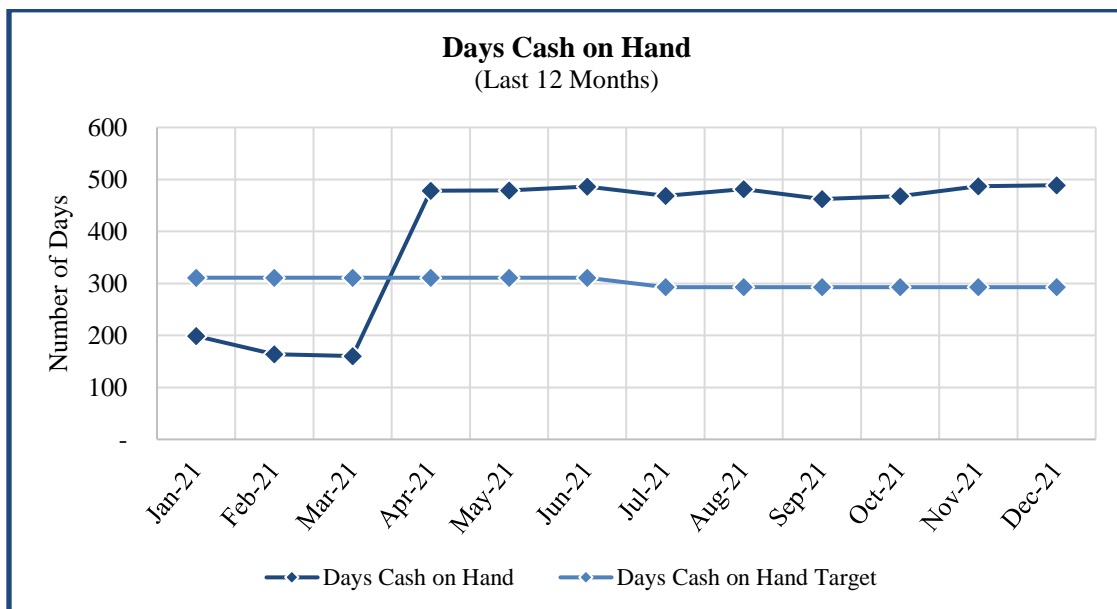
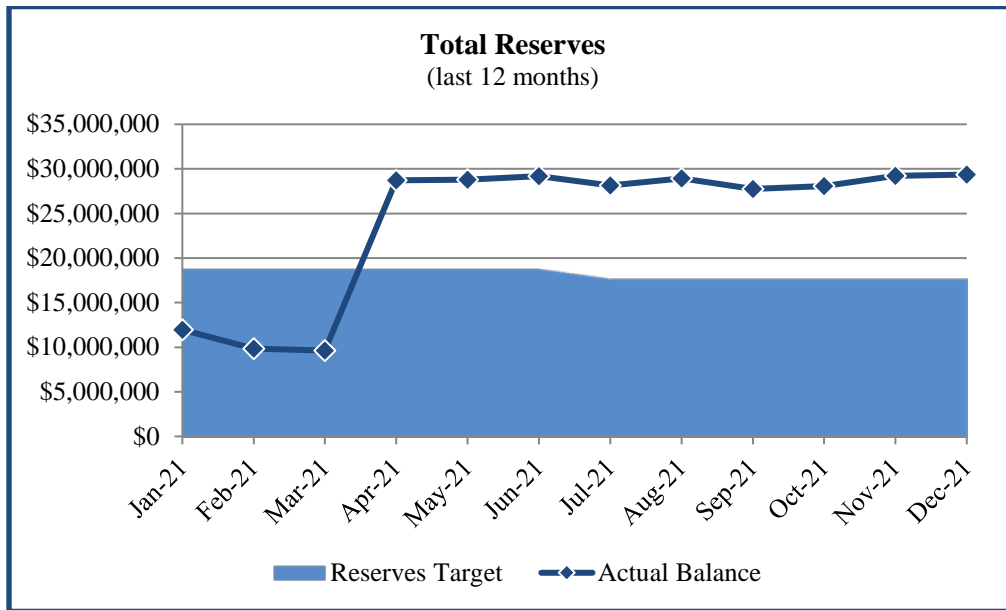
Estimates shown in red



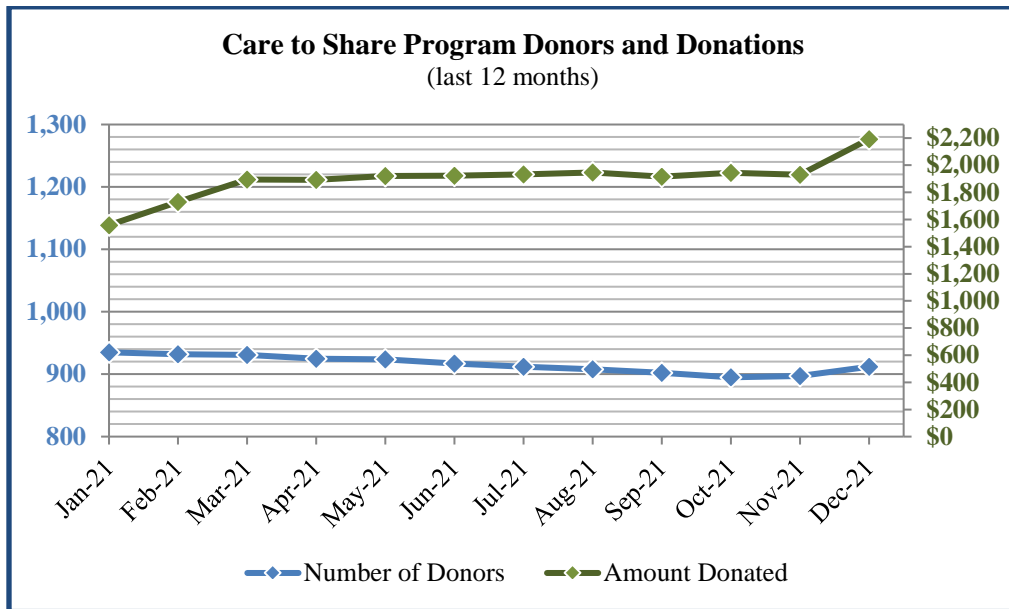
**Orange Water and Sewer Authority  
Select Financial Data  
For the Six-Month Period Ended December 31, 2021**



**Orange Water and Sewer Authority**  
**Select Financial Data**  
**For the Six-Month Period Ended December 31, 2021**



**Orange Water and Sewer Authority  
Select Financial Data  
For the Six-Month Period Ended December 31, 2021**



**Orange Water and Sewer Authority**  
**Financial Management Policy Report Card**  
**For the Six-Month Period Ended December 31, 2021**

<b>Measurement</b>	<b>Objective</b>	<b>FY21 Results</b>	<b>FY22 Goal</b>	<b>YTD FY22 Results</b>
Working Capital Reserves	Greater of four months Operating Expenses or 20% of succeeding three years CIP	\$22.7M	\$10.6M	\$22.3M
Capital Improvements Reserve	2% of Net Capital Assets (Funding \$400,000 per year until reach goal of approximately \$6M)	\$4.8M	\$5.2M	\$5.2M
Rate/Revenue Stabilization Reserve	5% of annual Water and Sewer Revenue	\$1.7M	\$1.9M	\$1.9M
Debt Burden to Asset Value	Total Debt not more than 50% of Total Assets	29%	≤ 50%	28%
Sufficiency of Revenues above Debt Requirements <sup>3</sup>	Annual Debt Service no more than 35% of Gross Revenue	21%	≤ 35%	22%
Cash Financing of Capital <sup>1</sup>	Annual revenues and reserves provide at least 30% of CIP funding	32%	≥ 30%	32%
Debt Service Coverage Ratio <sup>3</sup>	Annual Net Income not less than two times Annual Debt Service	2.0	2.0	2.0
Service Affordability Ratio <sup>2</sup>	Average annual OWASA bill not more than 1.5% of area median household income	1.31%	1.5%	1.38%

M = million

<sup>1</sup> Cash Financing of Capital based on 5-Year CIP Budget and potential borrowing during the same period.

<sup>2</sup> FY 2022 calculation based on median household income of \$69,308 (weighted average of 2020 median household income of Carrboro and Chapel Hill) and average monthly household water use of 4,000 gallons.

<sup>3</sup> Calculation based on the FY 2022 Annual Budget until full-year results are available.

**Agenda Item**

- Fiscal Year (FY) 2023 Budget Calendar and Assumptions

**Purpose**

- The following pages include:
  - FY 2023 Budget Calendar – the proposed dates of Board meetings and work sessions at which budget matters are expected to be discussed. It also lists the dates by which major budget tasks are to be completed by staff.
  - FY 2023 Budget Planning Assumptions – a high-level list of assumptions that are planned to be considered in preparing the budget.

**Action Requested**

- Review the budget calendar and planning assumptions and provide guidance to staff.

January 27, 2022





## Orange Water and Sewer Authority

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

### MEMORANDUM

**TO:** Board of Directors

**THROUGH:** Todd Taylor, P.E.

**FROM:** Stephen Winters, CPA

**DATE:** January 20, 2022

**SUBJECT:** Discussion of Fiscal Year 2023 Budget Calendar and Planning Assumptions

#### Purpose

In advance of developing the budget for Fiscal Year (FY) 2023, staff has drafted a calendar of events and an outline of some of the key planning assumptions that are proposed to be considered.

#### **Budget Calendar**

The following is a schedule of the key dates related to developing the budget for FY 2023.

December 2021	Distribute templates for the preparation of operating expense appropriations, capital equipment requests and departmental budget narratives.
January 27, 2022	<b>Board of Directors Meeting</b> – review FY 2023 Budget Calendar and Planning Assumptions.  Review the FY 2022 financial report for the six-month period ended December 31, 2021.
January 28, 2022	Staff submission of capital equipment requests, budget narratives and departmental operating budget requests to Director of Finance and Customer Service.
February 10, 2022	<b>Board of Directors Work Session (tentative)</b> – managers of the Water Supply and Treatment, Water Distribution and Wastewater Collection, and Wastewater Treatment departments to present information about key drivers, opportunities and challenges of their departments' preliminary budgets.
March 10, 2022	<b>Board of Directors Work Session</b> – discussion of <i>Draft Annual Budget</i> (operating and CIP).
March 24, 2022	<b>Board of Directors Meeting</b> - discussion of <i>Draft Annual Budget</i> and staff recommendation of rate adjustment. Set date for public hearings on budget and rates.

April 14, 2022	<b>Board of Directors Work Session</b> – discussion of <i>Draft Annual Budget</i> and staff recommendation of rate adjustment.
April 28, 2022	<b>Board of Directors Meeting</b> – Discuss FY 2023 budget and rates and authorize staff to publicize draft budget and rate information.  Review FY 2022 financial report for the nine-month period ended March 31, 2022.
May 26, 2022	<b>Board of Directors Meeting</b> – public hearings on the <i>Draft Annual Budget</i> and proposed adjustments to rates, fees, and charges.
June 9, 2022	<b>Board of Directors Work Session</b> – adopt <i>FY 2023 Annual Budget</i> and <i>Schedule of Rates, Fees and Other Charges</i> .
July 2022	Distribute <i>FY 2023 Annual Budget</i> .

### Budget Assumptions

The following table outlines some of the key items and issues that we anticipate being addressed in the initial draft of the FY 2023 budget that staff will present to the Board in March 2022.

Item	Budget Consideration	Budget Impact for FY 2023+
A	Strategic Plan	The strategic planning process, now underway, will likely result in budget needs that will impact FY 2023 and beyond. We expect to include at least a placeholder budget item for expenses we anticipate incurring in FY 2023.
B	Renewal and replacement of aging infrastructure	Our asset management program continues to identify and prioritize infrastructure improvements needed to achieve desired customer and environmental service level objectives, minimize critical asset failures and ensure the long-term viability of the water, wastewater and reclaimed water systems.
C	Long-Range Water Supply Plan (LRWSP) expected to be completed in FY 2023	Consultant assistance may be needed in FY 2023 if the Board directs staff to work with the Western Intake Partners on an agreement to access our Jordan Lake allocation. Consultant support would help staff evaluate the cost of the agreement as well as how well the agreement would reduce our vulnerability to drought and improve the reliability and resiliency of our water supply.  Future operating expense and CIP budget impacts will depend on future Board decisions guided by findings and

Item	Budget Consideration	Budget Impact for FY 2023+
		recommendations in the LRWSP. The largest potential CIP expenditure anticipated will be whether the Board supports participating as a partner in the proposed intake, transmission, and water treatment facilities on Jordan Lake.
<b>D</b>	Select a new and comprehensive Computerized Maintenance Management System	The need to upgrade the program we use to manage our maintenance activities was identified in FY 2019. Due to financial constraints, the investment has been deferred each budget year since. The draft FY 2023 budget will likely include funds for consulting assistance. Any investment in a new CMMS will appear in FY 2024 or other future year.
<b>E</b>	Pay and Classification Study	Pay and classification studies are an important tool to help organizations like OWASA remain competitive in the employment marketplace. OWASA's most recent pay and classification study was conducted in FY 2013 and staff expects to request funds for one to be completed in FY 2023.
<b>F</b>	Additional personnel positions	Several departments have identified the need for additional staffing. We anticipate that the draft FY 2023 budget will include a request, and justification, for additional personnel.
<b>G</b>	Start an Apprentice Program	Funds for two apprentice positions are likely to be included in the draft budget.
<b>H</b>	Diversity and Inclusion work continues	Ongoing consultant support may be included in the FY 2023 budget.
<b>I</b>	Increase in employer's contribution to employees' retirement accounts	In FY 2020, the Board approved contributing 3% of wages to employee retirement (457(b) Plan) accounts. At the time, the Board recognized that this rate of employer contribution was (and remains) less than the rate peer organizations contribute. Staff anticipates including a funding request in the FY 2023 budget for a plan to reach a more competitive employer contribution rate over the next several budget years, beginning in FY 2023.
<b>J</b>	Replace OWASA's utility billing and financial system	Finance, Customer Service and IT Departments concur on the need to replace the current software system due to continuing issues with the system and vendor. Staff may include a budget request for a new solution.
<b>K</b>	System Development Fee rate study	The North Carolina State Legislature passed a law in 2017 that changed the way system development fees are calculated and requires

Item	Budget Consideration	Budget Impact for FY 2023+
		that the fees be reanalyzed every five years. Staff expects to include costs for a study to be conducted in FY 2023.
L	Forest Management	Budget will include funding to implement priority plans and continue maintenance of the Mitigation Tract; conduct timber harvesting activities at Teer West, Meadow Crest North and Meadow Crest South; and draft the next forest management plan. While we expect to receive revenue from timber sales, no proceeds will be budgeted due to the uncertainty of how much they may be and when timber sales may occur.

#### Additional assumptions

The following will also be considered as we develop the FY 2023 budget.

- The budget will be developed to meet the financial performance objectives stipulated in our Financial Management Policy.
- Current service levels will be maintained.
- Provide employee wage increases in accordance with the Board's guidance (at least 2.9 percentage points greater than the cost of labor adjustment, if any.)
- Maintain current employee benefit levels. Employee health insurance costs are likely to increase.
- Drinking water and reclaimed water sales have returned to near-normal levels and are expected to remain near-normal through FY 2023.
- The regulatory environment will remain the same.
- We have experienced increases in unit costs for chemicals and we think this trend may continue for FY 2023.
- We expect energy prices to increase.
- Inflation, supply chain issues, the labor market, and other pandemic related challenges may have an impact on OWASA, and we will attempt to account for these realities in our budget planning.
- The evolving cybersecurity threat environment requires continued investment in efforts to protect OWASA's information and operational technology infrastructure and assets.

Last year, staff projected that a 7% increase in monthly water and sewer rates would be necessary for the FY 2023 budget year.

#### **Action Requested**

Review information and provide guidance to staff.



Stephen Winters, CPA  
Director of Finance and Customer Service