



ORANGE WATER AND SEWER AUTHORITY

Quality Service Since 1977

AGENDA

MEETING OF THE OWASA BOARD OF DIRECTORS

THURSDAY, APRIL 27, 2006, 6:00 P.M.

CHAPEL HILL TOWN HALL

In compliance with the "Americans with Disabilities Act," interpreter services are available with five days prior notice. If you need this assistance, please call the Clerk to the Board at 537-4217.

6:00 PM

Announcements

1. Announcements by the Chair
 - A. Any Board member who knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight is asked to disclose the same at this time.
2. Announcements by Board Members
3. Announcements by Staff
 - A. Earth Action Fest is Sunday, April 30, 2006 at Carrboro Town Commons from 2:00 PM until 6:00 PM (Greg Feller)
 - B. Carrboro Day is Sunday, May 7, 2006 at Carrboro Town Hall from 1:00 PM – 7:00 PM (Greg Feller)
 - C. "Peak" Seasonal Water Conservation Rate will go into Effect on May 1, 2006 (Greg Feller)

6:05 PM

Petitions and Requests

1. Public
2. Board
3. Staff

CONSENT AGENDA

Minutes (Andrea Orbich)

1. Approval of Minutes for the March 23, 2006 Meeting of the Board of Directors
2. Approval of Minutes for the April 13, 2006 Closed Session of the Board of Directors for the purpose of discussing land acquisition

REGULAR AGENDA

Discussion and Action

- | | | |
|---------|----|---|
| 6:10 PM | 3. | Recommended Declaration of Water Supply Advisory (Ed Holland) |
| 6:20 PM | 4. | Resolution Adopting Preliminary Annual Budget for Orange Water and Sewer Authority for the Fiscal Year July 1, 2006 through June 30, 2007 (Kevin Ray) |
| 6:30 PM | 5. | Resolution Setting Date of May 25, 2006 for Public Hearings on the Proposed OWASA Budget for Fiscal Year (FY) 2206-2007 and on the Capital Improvements Program for FY 2007-2021 Including a Five-Year Capital Improvements Budget for FY 2007-2011 (Kevin Ray) |
| 6:35 PM | 6. | Resolution Setting the Date of May 25, 2006 for Public Hearing on Proposed Revisions of Water and Sewer Rates, Fees, and Charges (Kevin Ray) |

NOTE: OWASA Community Outreach Meeting will begin at 7:00 PM

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

MARCH 23, 2006

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, March 23, 2006, at 7:00 P.M., at the Chapel Hill Town Hall.

Directors present: Michael A. (Mac) Clarke, Chair; Penny Rich, Vice Chair; Randy Kabrick, P.E., Secretary; Terri Buckner; Milton S. Heath, Jr.; Marge Anders Limbert; Mark Marcoplos; Gordon Merklein; and Laura Sandvik.

Others present: Ed Kerwin, Imtiaz Ahmad, Mary Darr, Patrick Davis, Greg Feller, John Greene, Ed Holland, Andrea Orbich, and Kevin Ray of the OWASA staff; Robert Epting, Esquire, Epting and Hackney; Ray DuBose, Director of Energy Services and Meg Holton, Water, Wastewater, and Stormwater Manager, University of North Carolina at Chapel Hill (UNC); Carlos Lima, St. Thomas More Catholic Church; and Julie McClintock.

There being a quorum present, Chair Mac Clarke called the meeting to order.

MOTIONS ACTED UPON

1. Penny Rich moved to adopt the minutes of the February 9, 2006, Meeting of the Board of Directors. The motion was seconded by Milton Heath and carried by unanimous vote.

2. Penny Rich moved to adopt the minutes of the February 9, 2006, Closed Session of the Board of Directors for the purpose of discussing land acquisition and instructing Counsel and staff regarding negotiations. The motion was seconded by Milton Heath and carried by unanimous vote.

3. Penny Rich moved to adopt the minutes of the March 9, 2006, Closed Session of the Board of Directors for the purpose of discussing land acquisition and instructing Counsel and staff regarding potential litigation. The motion was seconded by Milton Heath and carried by unanimous vote.

4. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the "Resolution Approving a Water Reuse System Contract with the University of North Carolina at Chapel Hill." (Resolution so titled attached hereto and made a part of these minutes. Motion by Mark Marcoplos, seconded by Terri Buckner, and carried by unanimous vote.)

5. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Reclassifying the Administrative Assistant Position to a Utility

Draft

Manager Generalist Position.” (Resolution so titled attached hereto and made a part of these minutes. Motion by Randy Kabrick, seconded by Penny Rich, and carried by unanimous vote.)

6. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled “Resolution Amending the Personnel Policy to Include Early Hire for Training.” (Resolution so titled attached hereto and made a part of these minutes. Motion by Milton Heath, seconded by Laura Sandvik, and carried by unanimous vote.)

7. Randy Kabrick moved that the Board convene in a Closed Session for the purpose of discussing land acquisition. The motion seconded by Laura Sandvik and carried by unanimous vote.

* * * * *

ITEM ONE: ANNOUNCEMENTS

CONFLICT OF INTEREST

Mac Clarke said any Board Member who knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight is asked to disclose the same at this time. There were none.

CLOSED SESSION

Mac Clarke said following the Board meeting, the Board will convene in a Closed Session for the purpose of discussing property acquisition.

MORGAN CREEK TRAIL CONCEPT

Mac Clarke announced that OWASA received a request to appoint a representative to the Morgan Creek Trail Committee and that OWASA’s representative will be Stuart Carson, Engineering Manager for the Capital Improvement Program.

COMMUNITY OUTREACH MEETING

Mark Marcoplos announced that OWASA will hold the second Community Outreach meeting on Thursday, April 27, 2006 at 7:00 P.M. at Chapel Hill Town Hall.

COMMITTEE MEETING

Penny Rich announced a Human Resources (HR) Committee meeting on Thursday, April 13, 2006 at 5:30 P.M. in the OWASA Boardroom to discuss alternative employee compensation strategies.

REPORT ON N.C. WATER AND SEWER RATES AND UTILITY PRACTICES

Milton Heath said the recent study by Jeff Hughes, UNC School of Government, regarding rates and practices of North Carolina water and sewer systems will be beneficial to OWASA in the upcoming rate study.

ANNUAL CHLORINE DISINFECTION

Greg Feller said that annual chlorine disinfection of drinking water will end on March 31, 2006 and chloramine disinfection will resume on April 1, 2006.

OWASA LAKES WILL OPEN FOR RECREATION ON SATURDAY, MARCH 25, 2006 (LIGHTNING BROWN DAY)

Greg Feller said that University Lake and the Cane Creek Reservoir will reopen for boating, fishing and other recreation on Saturday, March 25, 2006. March 25th is celebrated as Lightning Brown Day at the lakes, and boat rental and lake use fees for OWASA customers will waived except for electric trolling motor rentals.

APPLE CHILL STREET FAIR

Greg Feller said that OWASA will have a booth on West Franklin Street for the annual street fair on Sunday, April 23, 2006 from 1:00 p.m. to 6:00 P.M.

AMERICAN WATER WORKS ASSOCIATION (AWWA) 2006 PUBLIC COMMUNICATIONS ACHIEVEMENT AWARD

Ed Kerwin announced that OWASA received the AWWA's 2006 Public Communications Achievement Award. Mr. Kerwin presented Greg Feller with an Outstanding Achievement Award. Mr. Feller expressed his appreciation and thanks to Board of Directors for their guidance and support and to OWASA employees for their excellent communications and service to customers.

RAY KNIGHT

Ed Kerwin announced that Ray Knight, Utility Mechanic I in the Water Distribution and Sewer Collection Departments, won first place for his safety talk on Construction Site Safety at the Mid-State Safety Council's Safety Talk Contest. Mr. Knight will participate in the State-wide competition.

ITEM TWO: PETITIONS AND REQUESTS FROM THE PUBLIC, THE BOARD AND THE STAFF

Mac Clarke asked for petitions and requests from the public, the Board and the staff. There were none.

ITEM THREE: MINUTES

Penny Rich moved to adopt the minutes of the February 9, 2006, Meeting of the Board of Directors. The motion was seconded by Milton Heat and carried by unanimous vote. Please see Motion No. 1 above.

Penny Rich moved to adopt the minutes of the February 9, 2006, Closed Session of the Board of Directors for the purpose of discussing land acquisition and instructing Counsel and staff regarding negotiations. The motion was seconded by Milton Heath and carried by unanimous vote. Please see Motion No. 2 above.

Penny Rich moved to adopt the minutes of the March 9, 2006, Closed Session of the Board of Directors for the purpose of discussing land acquisition and instructing Counsel and staff regarding potential litigation. The motion was seconded by Milton Heath and carried by unanimous vote. Please see Motion No. 3 above.

ITEM FOUR: PUBLIC COMMENT ON PROPOSED WATER REUSE SYSTEM PROJECT
WITH THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

Mac Clarke said OWASA has been working with the University of North Carolina (UNC) at Chapel Hill on this project for approximately two years. He said the detailed contract was in agenda packages, and that rather than doing a presentation on the details, the Board would take public comments at this time.

Julie McClintock applauded the University, Board and staff for undertaking water reuse to reduce water consumption. While she supports this project she wants to be sure the rate payers are getting a fair deal. Ms. McClintock requested the Board revisit the issue of assumed lost revenues from reduced water sales which she feels will lead to higher rates for the general rate base and suggested considering this issue as part of the upcoming rate study.

Ray DuBose, Director of Energy Services for UNC, spoke on behalf of the University in support of the water reuse system contract and encouraged the Board to approve the draft resolution that was before them.

Mark Marcoplos said he supports the Water Reuse System Contract and believes the approval of this contract will provide for the future of OWASA customers in the most resource efficient path and at the least cost for customers. Mr. Marcoplos stated the contract has been thoroughly reviewed and is a significant contribution to the community by OWASA and the University all through good faith negotiations.

Milton Heath reminded the Board of the obligation in the Bond Order to set the lowest rates possible consistent with OWASA's obligation to provide proper and efficient service. This is the balance the Board is trying to obtain in a serious commitment and can be used in the upcoming rate study which is an opportunity for the OWASA Board to determine how it will address the potential loss of revenue as a result of the Water Reuse System.

Mac Clarke said the Water Reuse System Contract is a critical project for the future of the community's water supply. The importance of reuse is recognized on a broader basis, OWASA has received nearly \$2.5 million in State (Clean Water Management Trust Fund) and Federal grants to assist in the development of this project. Mr. Clarke acknowledged the support provided by Congressman David Price for the acquisition of the Federal grant funds. It is also important to note that in the contract, the OWASA Board retains the right to determine the appropriate rates and charges for the supply of reuse water, just as is done for potable water and sewer service; every Board is cognizant of the necessity that those rates are fairly and properly structured and have due regard for an appropriate division of costs.

Mark Marcoplos moved to adopt the Resolution Approving a Water Reuse System Contract with the University of North Carolina at Chapel Hill. The motion was seconded by Terri Buckner and carried by unanimous vote. Please see Motion No. 4 above.

ITEM FIVE: RESOLUTION RECLASSIFYING THE VACANT ADMINISTRATIVE ASSISTANT POSITION TO THE NEW POSITION OF UTILITY MANAGER GENERALIST

The Board received a presentation by Ed Kerwin, who requested the reclassification of the vacant Administrative Assistant position to a new position of Utility Manager Generalist.

Randy Kabrick moved to adopt the Resolution Reclassifying the vacant Administrative Assistant position to the new position of Utility Manager Generalist. The motion was seconded by Penny Rich and carried by unanimous vote. Please see Motion No. 5 above.

ITEM SIX: RESOLUTION TO AMEND THE PERSONNEL POLICY TO INCLUDE EARLY HIRES FOR TRAINING AND KNOWLEDGE TRANSFER

The Board received a presentation by Ed Kerwin, who requested amending the Personnel Policy to include a section under the Position Classification Plan titled Early Hires for Training and Knowledge Transfer.

Milton Heath moved to adopt the resolution to amend the Personnel Policy to include Early Hires for Training and Knowledge Transfer. The motion was seconded by Laura Sandvik, and carried by unanimous vote. Please see Motion No. 6 above.

ITEM SEVEN: STATUS REPORT ON WATER SUPPLY AND DEMAND CONDITIONS

The Board received a presentation on status of OWASA's water supply and demand conditions from Ed Holland.

Mark Marcoplos suggested increasing the emphasis on compliance with the year-round conservation measures throughout the service area.

Draft

Milton Heath observed that he regularly sees restaurants serving water without a request.

Laura Sandvik agreed with Mr. Heath's observation and suggested that staff communicate with local restaurants and possibly provide information to remind restaurant patrons why water is not served automatically.

Terri Buckner noted her concern that global climate change may cause more intense and frequent droughts. She asked if staff had made any efforts to consult weather experts about possible effects on our future water supply.

Mr. Holland noted Dr. Larry Band's research project and offered to invite him back to make a progress report to the Board.

ITEM EIGHT: REPORT FROM THE AD HOC COMMUNITY OUTREACH COMMITTEE

The Board received and supported the Ad Hoc Community Outreach Committee's outline and format for the Community Outreach meeting scheduled for April 27, 2006 at 7:00 P.M. at the Chapel Hill Town Hall.

ITEM NINE: CLOSED SESSIONS

Randy Kabrick moved that the Board convene in a Closed Session for the purpose of discussing land acquisition. The motion was seconded by Laura Sandvik, and carried by unanimous vote. Please see Motion No. 7 above.

There being no further business to come before the Board, the meeting was adjourned at 8:45 P.M.

Respectfully submitted,

Draft

Andrea Orbich
Executive Assistant

Encs.

NOTE: Audio and video tapes are available at OWASA for listening and viewing.

ITEM 2

Draft

ORANGE WATER AND SEWER AUTHORITY

CLOSED SESSION OF THE BOARD OF DIRECTORS

APRIL 13, 2006

The Board of Directors of Orange Water and Sewer Authority met in Closed Session on Thursday, April 13, 2006 following the regularly scheduled meeting of Board of Directors in the OWASA Community Room.

Directors present: Michael A. (Mac) Clarke, Chair; Penny Rich, Vice Chair; Randolph M. Kabrick, P.E., Secretary; Terri Buckner; Milton Heath Jr.; Marge Anders Limbert; Gordon Merklein; and Laura Sandvik. Directors absent: Mark Marcoplos.

Others present: Ed Kerwin and John Greene, Orange Water and Sewer Authority; Robert Epting Esquire, Epting and Hackney.

ITEM ONE

The Board of Directors met in Closed Session for the purpose of instructing Counsel and Staff regarding a pending claim that may lead to litigation.

No action was taken.

Draft

Ed Kerwin
Executive Director

ITEM 3

AGENDA ITEM

- RECOMMENDED DECLARATION OF WATER SUPPLY ADVISORY

PURPOSE

- To consider the formal declaration of a Water Supply Advisory per OWASA Conservation Standards and local ordinances.

BACKGROUND

- Persistent conditions of severe drought in the North Carolina Piedmont and abnormally low streamflow in the tributaries to University Lake and the Cane Creek Reservoir support the declaration of a Water Supply Advisory per provisions of OWASA's Water Conservation Standards adopted in 2003 and incorporated into the ordinances of Carrboro, Chapel Hill, and Orange County.
- A Water Supply Advisory represents an alert to customers about a potential shortage and provides notice that additional water use restrictions may be imposed if supply/demand conditions do not improve in the near future. Year-round conservation requirements would remain in effect for all OWASA customers during the Advisory, but additional restrictions would be invoked if a Stage 1 Water Shortage is declared during the next few months.
- We believe there is little risk of running out of water this year, but we could face a much more serious shortage next year – when it will be too late to catch up – if the current drought continues through the summer and fall.

ACTION NEEDED

- Review and discussion of attached materials.

STAFF RECOMMENDATION

- Staff recommends that the Board declare a Water Supply Advisory and notify the Carrboro and Chapel Hill Mayors and Chair of the Orange County Board of Commissioners accordingly.

April 27, 2006

MEMORANDUM

TO: Board of Directors
THROUGH: Ed Kerwin
FROM: Ed Holland
DATE: April 20, 2006
SUBJECT: Recommended Declaration of Water Supply Advisory

Background

Following the record drought of 2002, the OWASA Board adopted new Water Conservation Standards that were incorporated into the local ordinances of Carrboro, Chapel Hill, and Orange County in 2003. All three ordinances specify water use restrictions that apply year-round, regardless of drought conditions, and additional restrictions that may be invoked under progressively more serious water supply risks designated as Stage 1, 2, 3, or Emergency Shortages. A one-page summary of the stages and restrictions is attached as Exhibit 1.

Per the ordinances, OWASA's determination of water shortage conditions is based on reservoir levels, streamflow, customer demand, availability of supplemental supplies, and other "elements of reasonable professional judgment." These determinations are guided by estimates of the probability that water stored in our reservoir system will decline to unacceptably low levels within the foreseeable future. A graphic presentation of the guide for these decisions is attached as Exhibit 2.

Water Supply Advisory

OWASA's Conservation Standards and the corresponding local ordinances provide for a Water Supply Advisory as follows:

A Water Supply Advisory shall represent an alert to the public of a potential shortage and notification that water use restrictions may be imposed if the water supply and/or demand conditions do not improve in the near future. In the event of a declared Water Supply Advisory:

- 1. No mandatory water use restrictions other than year-round requirements already in place will be implemented.*
- 2. OWASA shall make extensive use of media releases, advertising, and other reasonable means of publicizing the water supply advisory and the need for immediate voluntary conservation.*
- 3. OWASA shall inform the Mayors of Carrboro and Chapel Hill and the Chair of the Orange*

County Board of Commissioners of its declaration of a Water Supply Advisory.

Recent Supply and Demand Conditions

As of today, our reservoirs are slightly less than 90 percent full with 3.0 billion gallons of water in storage. At an average withdrawal rate of 9 million gallons per day (mgd), that represents about 11 months of use. At a rate of 11 mgd, it would last about 9 months. Our reservoirs were 75 percent full on April 20, 2002 during the record drought, but recent tributary streamflows are lower than they were at the same time during 2002. Due to the relatively large storage capacity of our system, there is little risk of running out of water this year, but we may face a more serious shortage next year – when it will be too late to catch up – if the current drought continues through the summer and fall.

As illustrated by the black-bordered cells in Exhibit 2, reservoir storage declined at a rate of 330 million gallons per month during the summer of 2002. If current storage declines at that same rate during the coming months, Stage 1 restrictions may be necessary as early as June. If reservoir storage more closely follows the drawdown trend of last summer (indicated by the blue-bordered cells), the risk level will likely fall in a risk range somewhere between Water Supply Advisory and Stage 1 levels.

The principal factors that will determine reservoir storage during the coming months are the weather (rainfall/streamflow and evaporation), and customer demand. The only factor over we can exercise any control is, of course, customer demand. Drought conditions are predicted to persist for the foreseeable future.

Staff Recommendation

In view of the conditions described above, we believe it appropriate for the OWASA Board to declare a Water Supply Advisory and to notify the Carrboro and Chapel Hill Mayors and Chair of the Orange County Board of Commissioners accordingly. A draft letter is attached as Exhibit 3. Staff will prepare and disseminate appropriate media releases, public notices, and so forth.

A handwritten signature in black ink, appearing to read "Ed Holland", is written over a horizontal line.

Edward A. Holland, AICP
Planning Director

Attachments

OWASA WATER CONSERVATION ORDINANCE SUMMARY (ADOPTED JUNE 2003)

| Year Round Conservation | Water Supply Advisory | Stage One Shortage <i>10% reduction goal</i> | Stage Two Shortage <i>15% reduction goal</i> | Stage Three Shortage <i>20% reduction goal</i> | Water Supply Emergency <i>20+% reduction goal</i> |
|--|--|--|---|--|---|
| Spray Irrigation limited to 3 days/week, between 8 PM and 9 AM [Even Addresses: Sun, Wed, Fri; Odd Addresses: Tue, Thur, Sat] ~ All irrigation limited to 1 inch per week ~ Automatic controllers and moisture sensors required on all irrigation systems ~ Shut-off nozzles required on all hoses ~ Wasteful water use prohibited ~ Leaks must be repaired within 10 days ~ Use of reclaimed or harvested water strongly encouraged ~ Restaurants to serve water only on request ~ Hotels to change bed linens only on request ~ Dishwashers and clothes washers to be operated with full loads only ~ Use of water saving fixtures strongly encouraged | Public alert about potential shortage; notice that water use restrictions may be imposed in the near future ~ No mandatory water use restrictions other than year-round requirements already in place ~ Targeted conservation education and awareness campaign | Spray Irrigation limited to 1 day/week, between 8 PM and 9 AM [Even Addresses: Tue; Odd Addresses: Thur] ~ All irrigation limited to ½ inch per week ~ Irrigation by underground, drip irrigation, soaker hoses, or hand-held hoses or watering cans may occur at any time or frequency, but limited to ½ inch per week ~ No OWASA water to refill ornamental fountains, ponds and like devices ~ No OWASA water for routine cleaning of paved surfaces such as sidewalks and roadways. Restrictions do not apply to pressure cleaning of exterior building surfaces ~ Water use by residential customers limited to 1,000 gallons per day | No Spray Irrigation, except by persons regularly engaged in the sale of plants ~ Irrigation by underground, drip emitters, soaker hoses, or hand-held hoses or watering cans may occur at any time or frequency, but limited to ½ inch per week ~ No OWASA water to refill ornamental fountains, ponds, etc. ~ No vehicle washing, except at commercial or institutional car washes in which 50% of water has been recycled ~ No OWASA water for filling or refilling empty swimming pools. Operating swimming pools may be topped off. ~ No OWASA water for cleaning or washing exterior building surfaces or paved areas. Pressure washing of buildings prior to painting is allowed ~ Residential use limited to 800 gallons per day | No irrigation, except with hand-held hoses or watering cans, limited to 3 days per week, no more than ½ inch per week ~ No outdoor use, except for emergency fire suppression or other activities necessary to maintain public health, safety or welfare ~ No OWASA water to refill ornamental fountains, ponds, etc. ~ No washing of vehicles ~ No pressure cleaning of building exteriors ~ No OWASA water for flushing or pressure testing new lines unless water is recycled ~ No filling, refilling, or topping off operating swimming pools ~ Water for heating and cooling to be reduced to the maximum extent allowable ~ Residential use limited to 600 gallons per day | No OWASA-supplied potable water for any outdoor purposes other than emergency fire suppression or other activities necessary to maintain public health, safety, or welfare ~ Water for heating and cooling to be reduced to the maximum extent allowable ~ Water service may be discontinued or reduced to designated users or in designated portions of the OWASA service area in order to preserve the availability of water for essential public health and safety requirements, such as fire protection, hospitals, clinics, and other critical community needs |

Exhibit 2. Reservoir Drawdown Frequency and Guidelines for Conservation Triggers, Average Demand = 9.15 mgd

Number of times (or percent of years) during the 77-year streamflow record in which reservoir storage would have declined to 20% or less during the following 18 months.

| | | Jan 8.0 mgd | Feb 8.2 mgd | Mar 8.0 mgd | Apr 8.3 mgd | May 9.2 mgd | Jun 9.8 mgd | Jul 10.5 mgd | Aug 10.6 mgd | Sep 10.3 mgd | Oct 9.8 mgd | Nov 9.0 mgd | Dec 8.1 mgd |
|---|--------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|
| Water Remaining in University Lake and Cane Creek Reservoirs (% Full and Million Gallons) | 100% 3358 | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% |
| | 95% 3190 | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% |
| | 90% 3022 | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 0 0% | 1 1% | 0 0% | 0 0% | 0 0% | 0 0% |
| | 85% 2854 | 0 0% | 0 0% | 0 0% | 0 0% | 2 3% | 0 0% | 0 0% | 1 1% | 0 0% | 0 0% | 0 0% | 0 0% |
| | 80% 2686 | 0 0% | 0 0% | 0 0% | 0 0% | 2 3% | 3 4% | 2 3% | 1 1% | 1 1% | 0 0% | 0 0% | 0 0% |
| | 75% 2519 | 0 0% | 0 0% | 0 0% | 0 0% | 2 3% | 3 4% | 2 3% | 1 1% | 1 1% | 0 0% | 0 0% | 0 0% |
| | 70% 2351 | 0 0% | 0 0% | 0 0% | 0 0% | 2 3% | 3 4% | 3 4% | 3 4% | 1 1% | 1 1% | 0 0% | 0 0% |
| | 65% 2183 | 0 0% | 0 0% | 0 0% | 2 3% | 4 5% | 4 5% | 4 5% | 3 4% | 1 1% | 1 1% | 0 0% | 0 0% |
| | 60% 2015 | 0 0% | 0 0% | 1 1% | 4 5% | 6 8% | 10 13% | 6 8% | 5 6% | 3 4% | 1 1% | 1 1% | 0 0% |
| | 55% 1847 | 0 0% | 1 1% | 2 3% | 4 5% | 13 17% | 12 16% | 12 16% | 7 9% | 3 4% | 2 3% | 1 1% | 0 0% |
| | 50% 1679 | 0 0% | 1 1% | 2 3% | 6 8% | 15 19% | 18 23% | 16 21% | 9 12% | 6 8% | 3 4% | 1 1% | 1 1% |
| | 45% 1511 | 1 1% | 1 1% | 3 4% | 7 9% | 17 22% | 21 27% | 22 29% | 17 22% | 8 10% | 3 4% | 2 3% | 1 1% |
| | 40% 1343 | 1 1% | 1 1% | 3 4% | 8 10% | 24 31% | 29 38% | 26 34% | 25 32% | 18 23% | 5 6% | 3 4% | 1 1% |
| | 35% 1175 | 1 1% | 3 4% | 5 6% | 12 16% | 25 32% | 34 44% | 34 44% | 31 40% | 27 35% | 15 19% | 3 4% | 2 3% |
| | 30% 1007 | 1 1% | 4 5% | 6 8% | 14 18% | 27 35% | 38 49% | 39 51% | 39 51% | 40 52% | 25 32% | 7 9% | 3 4% |
| | 25% 839 | 3 4% | 4 5% | 6 8% | 17 22% | 33 43% | 45 58% | 48 62% | 46 60% | 50 65% | 40 52% | 19 25% | 5 6% |

Conservation Stages and
Risk Levels =

| NORM | ADV | #1 | #2 | #3 | EMRG |
|------|------|------|-------|--------|------|
| 0-1% | 1-3% | 3-8% | 8-21% | 21-47% | 48+% |

2002 Reservoir Levels

2005 Reservoir Levels

2006 Reservoir Levels

Each cell of the table contains an integer and a percentage, which represent the probability that reservoir levels will decline to 20 percent or less of full capacity during the following 18 months. These were calculated from spreadsheet model runs of 77+ years of daily streamflow data, updated through January 2003, and driven by monthly water demand and reservoir storage at the beginning of each month. Calculations were based on an average annual raw water demand of 9.15 mgd, adjusted by observed monthly ratios, which are reflected in monthly demands shown at the top of the table.

Each row of the table corresponds to a month, and each column corresponds to reservoir storage at the beginning of that month. Storage is subdivided into increments of 5% and also expressed as million gallons (MG).

Colors indicate the corresponding conservation and risk levels proposed for each condition. Cells highlighted in **black** or **blue** represent actual reservoir storage conditions at the beginning of that month during the **severe drought year of 2002 (black), last year 2005 (blue), or the current year (orange)**. The storage level indicated for May 2006 has been estimated from conditions as of April 20, 2006.



ORANGE WATER AND SEWER AUTHORITY

Quality Service Since 1977

April 28, 2006

Mayor Mark Chilton
Town of Carrboro
310 West Main Street
Carrboro, NC 27510

Mayor Kevin Foy
Town of Chapel Hill
306 North Columbia Street
Chapel Hill, NC 27516

Chairman Barry Jacobs
Orange County Board of
Commissioners
Post Office Box 8181
Hillsborough, NC 27278

Dear Mayor Chilton, Mayor Foy, and Chairman Jacobs:

Last night the OWASA Board of Directors unanimously agreed to declare a Water Supply Advisory due to the persistent conditions of severe drought in the North Carolina Piedmont and abnormally low streamflow in the tributaries to University Lake and the Cane Creek Reservoir. A complete copy of the Board's agenda item is attached.

As noted, we believe there is little risk of running out of water this year, but we could face a much more serious shortage next year – when it will be too late to catch up – if the current drought continues through the summer and fall.

A Water Supply Advisory represents an alert to our customers about the potential shortage and provides notice that additional water use restrictions may be imposed if supply/demand conditions do not improve in the near future. Year-round conservation requirements will remain in effect for all OWASA customers during the Advisory, but additional restrictions will be invoked if a Stage 1 Water Shortage is declared during the next few months.

We will be glad to provide additional information or assistance as needed.

Sincerely,

Michael A. (Mac) Clarke, Chair
Board of Directors

attachments

c: Mr. W. Calvin Horton, Chapel Hill Town Manager
Mr. John Link, Orange County Manager
Mr. Steven Stewart, Carrboro Town Manager
OWASA Board of Directors
Ed Kerwin, Executive Director

ITEM 4

AGENDA ITEM

- **RESOLUTION ADOPTING PRELIMINARY ANNUAL BUDGET FOR ORANGE WATER AND SEWER AUTHORITY FOR THE FISCAL YEAR JULY 1, 2006 THROUGH JUNE 30, 2007.**

BACKGROUND

- The *Preliminary Annual Budget* is a “backup budget” that could serve as an interim appropriation if a final budget has not been adopted by July 1, 2006.
- The Fiscal Year 2006-2007 *Preliminary Annual Budget* contains estimates of operating revenues and expenditures for the current year and the upcoming fiscal year. The Board of Directors reviewed a summary of the expected variances in expenses from the current year’s budget on April 13, 2006.
- Although preparation of the *Preliminary Annual Budget* incorporates many important elements currently planned for inclusion in the final budget, it does not bind the Board of Directors as to content of the final budget.
- There is no legal requirement to adopt a preliminary budget. The *Preliminary Annual Budget* is presented in accordance with paragraph 8.6.1 of OWASA’s *Strategic Financial Planning and Management Document*.

STAFF RECOMMENDATION

- Adoption of Resolution Adopting Preliminary Annual Budget for Orange Water and Sewer Authority for the Fiscal Year July 1, 2006 Through June 30, 2007 as set forth in the attached budget document.

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: Kevin M. Ray

DATE: April 20, 2006

SUBJECT: Fiscal Year 2006-07 *Preliminary Annual Budget*

The Fiscal Year (FY) 2006-07 *Preliminary Annual Budget* has been prepared in accordance with organizational requirements identified in OWASA's *Strategic Financial Planning and Management Document*, and incorporates the definition of revenues as defined in the Series 2001 Bond Order. Anticipated operating revenues are \$27.0 million while operating expense is projected to be \$17.3 million, net of construction credits. Reflecting the inclusion of various nonoperating income in the debt service calculation, debt service coverage is anticipated to be 1.4. The debt service coverage calculation reflects the ratio of annual net revenues to annual debt service requirements, and is a critical indicator of annual financial performance.

Planned capital improvements for FY2006-07 of \$20.7 million include the ongoing wastewater treatment plant upgrade and expansion, construction of the Stone Quarry pump station and various rehabilitation and replacement projects. Anticipated funding for these improvements is comprised of \$3.8 million from operations and \$14.0 million from the proposed Series 2006 bond proceeds, with the balance provided by the General Fund.

Proposed appropriations for operational spending before the application of construction credits result in an 8.7% increase over the current year budget. A 3.8% merit pay pool placeholder of \$239,000, subject to further discussion and review, is included. No new positions are requested for the new budget year, and the recently approved Utility Manager Generalist is funded for the full year. Associated fringe benefits are projected to increase by 7.6%.

The projected revenues in the proposed preliminary budget reflect a water demand assumption of 8.14 million gallons per day (MGD). The proposed rate adjustments of 6.0% and 6.25% for water and sewer service, respectively, combined with the assumed addition of approximately 400 new accounts during the year are reflected in a projected operating revenue increase over the current budget of approximately 8.0%. The proposed rate adjustments are consistent with projections at this time last year.

Finally, while there is no legal requirement to adopt a preliminary budget, North Carolina statutes require an appropriation to be in place on July 1 of each year. An adopted preliminary budget would satisfy statutory requirements for an interim appropriation in the unlikely event that a final budget is not adopted on or before July 1, 2006. The *Preliminary Annual Budget* is in no way binding prior to July 1, 2006, nor does it preclude the adoption of a final budget. Staff looks forward to continued interaction with the Board as the budget is further refined.

Kevin M. Ray
Director of Finance and Customer Service

RESOLUTION ADOPTING PRELIMINARY BUDGET FOR ORANGE WATER
AND SEWER AUTHORITY FOR THE FISCAL YEAR JULY 1, 2006 THROUGH
JUNE 30, 2007

WHEREAS, Orange Water and Sewer Authority historically has adopted a *Preliminary Annual Budget* prior to the first day in May in each fiscal year; and

WHEREAS, in the event that adoption of an Annual Budget is delayed until after July 1, 2006, the *Preliminary Annual Budget* fully satisfies the interim appropriation requirements of North Carolina General Statutes 159-16; and

WHEREAS, the *Preliminary Annual Budget* is to include estimates of revenues of the water and sewer system, current operating and maintenance expenditures, estimated interest income and debt service costs, and disbursements from the General Fund for capital improvements and equipment purchases;

NOW, THEREFORE, BE IT RESOLVED:

1. That pursuant to the provisions of North Carolina General Statutes 159-13, the two attached sheets be, and they hereby are, adopted as the *Preliminary Annual Budget* of Orange Water and Sewer Authority for Fiscal Year July 1, 2006 through June 30, 2007.
2. That the appropriations for divisions, functions, and projects as shown in the attached budget for the respective purposes and in the respective amounts therein specified are hereby made unless and until the Annual Budget is adopted.

Adopted this 27th day of April, 2006.

Michael A. (Mac) Clarke, Chair

ATTEST:

Randolph M. Kabrick, P.E.
Secretary

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

**FY 2007
Annual Budget**

Operating Revenue

| | |
|------------------------|----------------|
| Water | \$15,423,000 |
| Sewer | 10,785,000 |
| Service Initiation Fee | 145,000 |
| Other | <u>688,900</u> |

| | |
|--------------------------------|-------------------|
| Total Operating Revenue | 27,041,900 |
|--------------------------------|-------------------|

Operating Expense

| | |
|----------------------------|-------------------|
| General and Administrative | 4,485,881 |
| Operations | <u>12,828,501</u> |

| | |
|--------------------------------|--------------------------|
| Total Operating Expense | <u>17,314,382</u> |
|--------------------------------|--------------------------|

| | |
|-----------------------------|------------------|
| Net Operating Income | 9,727,518 |
|-----------------------------|------------------|

Non-operating Revenue

| | |
|---------------|------------------|
| Customer Fees | 2,538,506 |
| Interest | <u>1,000,000</u> |

| | |
|-------------------------|--------------------------|
| Total Net Income | <u>13,266,024</u> |
|-------------------------|--------------------------|

Debt Service

| | |
|----------|------------------|
| Existing | 8,058,000 |
| New | <u>1,419,000</u> |

| | |
|---------------------------|-------------------------|
| Total Debt Service | <u>9,477,000</u> |
|---------------------------|-------------------------|

| | |
|-------------------------------------|---------------------------|
| Net Income Less Debt Service | <u>\$3,789,024</u> |
|-------------------------------------|---------------------------|

| | |
|----------------------------|-------------|
| Debt Coverage Ratio | 1.40 |
|----------------------------|-------------|

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

**FY 2007
Annual Budget**

General Fund

Resources

| | |
|--------------------------|--------------|
| Transfer From Revenue | \$ 3,789,024 |
| Assessments | 27,000 |
| Grants and Contributions | <u>0</u> |

| | |
|--|------------------|
| Annual Income Available for Capital | 3,816,024 |
|--|------------------|

| | |
|---|-------------------|
| Transfer from Construction Fund (Bond Proceeds) | 13,827,900 |
|---|-------------------|

| | |
|------------------------------------|-------------------|
| Total Available for Capital | 17,643,924 |
|------------------------------------|-------------------|

Capital Expenditures

| | |
|---------------------------|-------------------|
| Project ordinances | |
| General Fund Contribution | 6,882,500 |
| Funded by Bond Proceeds | <u>13,827,900</u> |

| | |
|---------------------------|-------------------|
| Total Project Resolutions | 20,710,400 |
|---------------------------|-------------------|

| | |
|-------------------|----------------|
| Capital Equipment | 116,000 |
|-------------------|----------------|

| | |
|-----------------------------|-------------------|
| Total Capital Outlay | 20,826,400 |
|-----------------------------|-------------------|

| | |
|------------------------------------|--------------------|
| Annual General Fund Balance | (3,182,476) |
|------------------------------------|--------------------|

| | |
|---------------------------------------|------------------|
| General Fund Beginning Balance | 8,679,000 |
|---------------------------------------|------------------|

| | |
|------------------------------------|-------------------------|
| General Fund Ending Balance | <u>5,496,524</u> |
|------------------------------------|-------------------------|

Project Funding

| | |
|-------------------|------------------|
| Under Contract | 577,485 |
| Future Years | 0 |
| Operating Balance | <u>4,919,040</u> |

| |
|-------------------------|
| <u>5,496,524</u> |
|-------------------------|

| | |
|---|------------|
| Unallocated General Fund Balance | \$0 |
|---|------------|

ITEM 5

AGENDA ITEM

- RESOLUTION SETTING DATE OF MAY 25, 2006 FOR A PUBLIC HEARING ON THE PROPOSED OWASA BUDGET FOR FISCAL YEAR 2006-2007 AND ON THE CAPITAL IMPROVEMENTS PROGRAM FOR FISCAL YEARS 2007-2021, INCLUDING A FIVE-YEAR CAPITAL IMPROVEMENTS BUDGET FOR FISCAL YEARS 2007-2011

BACKGROUND

- Section 159-12 of the General Statutes (G.S.) of North Carolina requires that before adopting the annual budget, the Board shall hold a public hearing at which time any persons who wish to be heard on the proposed budget may comment.
- The Board of Directors normally conducts a public hearing on the annual operating and capital improvements budgets during the second Board of Directors meeting in May.
- Notice of the time and place of the public hearing and of the availability of the proposed budget for public inspection must be advertised at least ten days prior to the public hearing.
- Notice of the time and place of the public hearing is required to be mailed to the University and to the Town and County governments.

ACTION NEEDED

- Adopt the Resolution Setting Date of May 25, 2006 for a Public Hearing on the OWASA Budget for Fiscal Year 2006-2007 and on the Capital Improvements Program for Fiscal Years 2007-2021 Including a Five-Year Capital Improvements Budget for Fiscal Years 2007-2011.

STAFF RECOMMENDATION

- Adopt the resolution setting May 25, 2006 as the date for a public hearing on the budget.

April 27, 2006

MEMORANDUM

TO: Board of Directors

FROM: Kevin M. Ray

THROUGH Ed Kerwin

DATE: April 18, 2006

SUBJECT: Setting Public Hearing for the Proposed FY2006-07 Annual Budget

Section 159-12 of the General Statutes (G.S.) of North Carolina requires that before adopting the annual budget, the Board shall hold a public hearing at which time any persons who wish to be heard on the budget may comment. Historically, the OWASA Board of Directors has conducted the public hearing during the second meeting in May.

The statute also requires that the proposed budget be filed with the Clerk to the Board. Notice of the time and place of the public hearing shall be advertised at least ten days prior to the date of the public hearing. Additionally, the notice is to be mailed to the University, the Towns of Chapel Hill and Carrboro and to Orange County within the same timeframe.

The FY2006-07 Budget Calendar reflects adoption of the final annual budget on June 8, 2006.

Kevin M. Ray
Director of Finance and Customer Service

RESOLUTION SETTING DATE OF MAY 25, 2006 FOR A PUBLIC HEARING ON THE PROPOSED OWASA BUDGET FOR FISCAL YEAR 2006-2007 AND ON THE CAPITAL IMPROVEMENTS PROGRAM FOR FISCAL YEARS 2007-2021 INCLUDING A FIVE-YEAR CAPITAL IMPROVEMENTS BUDGET FOR FISCAL YEARS 2007-2011

WHEREAS, Section 159-12 of the General Statutes of North Carolina requires a Public Hearing on the budget for the ensuing fiscal year; and

WHEREAS, in accordance with Section 7.05 of the Bond Order, the Board of Directors of Orange Water and Sewer Authority will adopt an Annual Budget for the Fiscal Year 2006-2007 on or before the first day of each Fiscal Year; and

WHEREAS, said Preliminary Budget will be placed with the Clerk to the Board and will be available for public inspection;

NOW, THEREFORE, BE IT RESOLVED:

1. That a Public Hearing is hereby set for Thursday, May 25, 2006, at 7:00 P.M., in the Chapel Hill Town Hall, for the purpose of receiving public comment on the proposed operating budget for Fiscal Year 2006-2007, and on the Capital Improvements Program for Fiscal Years 2007-2021, including a five-year Capital Improvements Budget for Fiscal Years 2007-2011.

2. That the general public, customers of the Orange Water and Sewer Authority, the Trustee, any Holder of Bonds, and any other interested person may appear in person, or by agent or attorney, and present any comments they may have regarding the proposed budget.

3. That notice of the time and place of the Public hearing shall be advertised and mailed at least ten days prior to the date fixed above for the Public hearing to the University of North Carolina at Chapel Hill, and to the Towns of Chapel Hill and Carrboro and to Orange County.

Adopted this 27th day of April, 2006.

Michael A. (Mac) Clarke, Chair

ATTEST:

Randolph M. Kabrick, P.E.
Secretary

ITEM 6

AGENDA ITEM

- RESOLUTION SETTING THE DATE OF MAY 25, 2006 FOR A PUBLIC HEARING ON PROPOSED REVISIONS OF WATER AND SEWER RATES, FEES AND CHARGES

PURPOSE

- The purpose of the attached Resolution is to set the date for a Public Hearing to receive public comments on the proposed adjustments of rates, fees and charges.

BACKGROUND

- OWASA's 15-year financial planning model indicates the need for additional revenue to provide sufficient financial resources to fund service operations and proposed capital improvements.
- Preliminary projections indicate a 6.0% and 6.25% increase will be needed in water and sewer rates, respectively, for Fiscal Year 2006-07.
- The Agreements of Sale and Purchase with the University of North Carolina at Chapel Hill require that the University be provided a 90-day notice prior to implementation of changes in water and sewer rates, fees and charges.

ACTION NEEDED

- Adopt the Resolution Setting Date for Public Hearing on Proposed Revisions of Water and Sewer Rates, Fees and Charges.

STAFF RECOMMENDATION

- Set a Public Hearing for May 25, 2006 at 7:00 P.M., in the Chapel Hill Town Hall, for the purpose of receiving public comment on the proposed adjustments of water and sewer rates, fees and charges.

April 27, 2006

TO: Board of Directors

FROM: Kevin M. Ray

THROUGH Ed Kerwin

DATE: April 18, 2006

SUBJECT: Setting May 25, 2006 as Date of Public Hearing on Proposed Revisions to Rates, Fees and Charges

Revenue projections represent an integral part of the annual budget, and rate adjustments contribute significantly in the development of those projections. Accordingly, and although there is no statutory requirement to hold a public hearing on proposed revisions to rates, fees and other charges, historically OWASA has held such a public hearing in conjunction with the public hearing on the annual budget. In recent years, information on the annual budget and revisions to rates provided by staff during the public hearings has been combined into a single presentation.

Modeling results of OWASA's 15-year financial planning model indicate the need for additional revenue to provide sufficient financial resources to fund ongoing service operations and proposed capital improvements. Based on the model, staff propose a 6.0% and a 6.25% adjustment to water and sewer rates, respectively. These adjustments are consistent with rate projections for FY2006-07 at this time last year. The Budget and Financial Planning committee met on April 19, 2006 to review the results of the 15-year financial planning model and endorsed the presentation of the proposed rate adjustments to the full Board.

Our sale and purchase agreements with the University of North Carolina require that we provide a 90-day notification to the University of any rate adjustments. Holding the public hearing on rates on May 25, 2006 should allow the Board sufficient time for consideration and deliberation on the proposed adjustments, and enable adoption of a revised Schedule of Rates, Fees and Other Charges before June 30, 2006. In doing so, we will meet our obligation to the University with an effective date for the revised rates of October 1, 2006.

Kevin M. Ray
Director of Finance and Customer Service

RESOLUTION SETTING DATE OF MAY 25, 2006 FOR PUBLIC HEARING ON
PROPOSED REVISIONS OF WATER AND SEWER RATES, FEES AND CHARGES

WHEREAS, Orange Water and Sewer Authority's 15-year financial planning model indicates the need for additional revenue to provide sufficient financial resources to fund ongoing operations and proposed capital improvements; and

WHEREAS, Section 162A-6 of the General Statutes of North Carolina and Section 7.04 of the Amended and Restated Bond Order adopted September 13, 2001 provide for the revision of such rates, fees and charges;

NOW, THEREFORE, BE IT RESOLVED:

1. That a Public Hearing is hereby set for Thursday, May 25, 2006 at 7:00 P.M., at the Chapel Hill Town Hall, for the purpose of receiving public comment on the proposed adjustments of rates, fees and charges.

2. That the general public, the University of North Carolina at Chapel Hill, governmental entities, customers of Orange Water and Sewer Authority, and any other interested person may appear in person, or by agent or attorney, to present comments on the proposed modifications to the current schedule of rates, fees and charges.

3. That notice of the time and place of the Public Hearing shall be advertised and shall be mailed at least ten days prior to the date fixed above for the Public Hearing to the University of North Carolina at Chapel Hill, and the governmental entities.

Adopted this 27th day of April, 2006.

Michael A. (Mac) Clarke, Chair

ATTEST:

Randolph M. Kabrick, P.E.
Secretary