

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

APRIL 26, 2007

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, April 26, 2007, at 7:00 P.M., at Chapel Hill Town Hall.

Directors present: Michael A. (Mac) Clarke, Chair; Randolph M. Kabrick, P.E., Vice Chair; Gordon Merklein, Secretary; Fred Battle; Braxton Foushee; Milton Heath, Jr.; Marge Anders Limbert; Penny Rich; and William R. Stott.

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Patrick Davis; Ed Holland; Randy Horton; Andrea Orbich; Kevin Ray; and Paula Thomas.

Others present: Buddy and Karen Morris; Cathy Horton; Meg Holton, UNC Water, Wastewater, and Stormwater Manager; Randy Foulke, Black & Veatch; and Sarah Archer, UNC.

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

MOTIONS ACTED UPON

1. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the Resolution setting the date of May 24, 2007 for a Public Hearing on the Proposed OWASA Budget for Fiscal Year (FY) 2007-2008 and on the Draft Capital Improvements Budget for FY 2008-2022 including a Five-Year Capital Improvements Budget for FY 2008-2012. (Resolution so titled attached hereto and made a part of these minutes. Motion by Penny Rich, seconded by Milton Heath, and carried by unanimous vote.)

2. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the Resolution setting the date of May 24, 2007 for a Public Hearing on Proposed Revisions of Water and Sewer Rates, Fees and Charges. (Resolution so titled attached hereto and made a part of these minutes. Motion by Penny Rich, seconded by Milton Heath, and carried by unanimous vote.)

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the Resolution of Appreciation for Bertrum "Buddy" A. Morris. (Resolution so titled attached hereto and made a part of these minutes. Motion by Penny Rich, seconded by William Stott, and carried by unanimous vote.)

4. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the Resolution Amending the Orange Water and Sewer Authority Policy for Adjustment of

Customer Accounts for Emergency Situation Involving Loss of Metered Water. (Resolution so titled attached hereto and made a part of these minutes. Motion by Fred Battle, seconded by William Stott, and carried by unanimous vote.)

5. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt Resolution Approving Statement of OWASA's Sustainability Goal and Objectives. (Resolution so titled attached hereto and made a part of these minutes. Motion by Marge Anders Limber, seconded by Milton Heath, and the resolution passed with a vote of eight to one with Braxton Foushee opposing because this was his first review of the report.)

6. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt Resolution Adopting Preliminary Budget for Orange Water and Sewer Authority for Fiscal Year July 1, 2007 through June 30, 2008. (Resolution so titled attached hereto and made a part of these minutes. Motion by Fred Battle, seconded by Milton Heath, 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.

PUBLIC COMMENTS ON PROPOSED WATER AND SEWER RATES, FEES AND CHARGES

Mac Clarke said the OWASA Board of Directors invites public comments on the proposed rates at the May 10, and May 24, 2007 Board Meetings.

PROPOSED RATE INCREASES

Mac Clarke said that Board members and staff will meet with the Carrboro Board of Aldermen and Orange County Board of County Commissioners on Tuesday, May 15, 2007 and with the Chapel Hill Town Council on Monday, May, 21, 2007, to discuss OWASA's proposed rates.

HUMAN RESOURCES (HR) COMMITTEE MEETING

Penny Rich announced that the HR Committee met before the Board meeting to review draft changes to OWASA's Personnel Policy. Another meeting is tentatively scheduled for Thursday, May 24, 2007 in the First Floor Conference Room to continue discussions of the draft update to the Personnel Policy.

MILTON HEATH

Milton Heath said he would like to provide his thoughts on an issue of considerable importance when the Board meets on May 24th, and he asked Board Members to give any comments directly to him before the May 24th meeting. The issue is the relationship of point source pollution control and non-point source pollution control and how the N.C. Environmental Management Commission has addressed this issue only from the point source pollution control perspective and without enough emphasis, either directly or forcefully enough, on non-point pollution control.

SUSTAINABLE LANDSCAPING WORKSHOP SERIES

Paula Thomas announced that the sustainability workshops held on March 16, 23 and 30, 2007, were successful and many citizens attended. Ms. Thomas gave the Board a one-page summary of the workshop and stated that many participants asked that additional workshops be held in the fall.

CARRBORO COMMUNITY DAY

Greg Feller announced Carrboro will hold its annual Carrboro Day celebration on Sunday, May 6, 2007. OWASA will participate in this community event with information to promote water conservation and the Taste of Hope customer assistance program.

ANNUAL EASEMENT MOWING

Greg Feller announced that OWASA will begin its annual easement mowing and clearing to help prevent wastewater overflows.

EARTH DAY

Greg Feller said that on Friday, April 20, 2007, OWASA participated in the University's annual event to promote various environmental consciences and sustainability.

ITEM TWO: PETITIONS AND REQUESTS

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

ITEM THREE: REPORT ON THE EXTENSION OF THE UNC COGENERATION FACILITY'S SEWER DISCHARGE AGREEMENT

The Board received the report on the extension of the UNC Cogeneration Facility's Sewer Discharge Agreement as an information item.

ITEM FOUR: RESOLUTION SETTING DATE OF MAY 24, 2007 FOR A PUBLIC HEARING ON THE PROPOSED OWASA BUDGET FOR FISCAL YEAR (FY) 2007-2008 AND ON THE DRAFT CAPITAL IMPROVEMENTS PROGRAM

Penny Rich made a motion to adopt the resolution; the motion was seconded by Milton Heath and unanimously approved. See Motion No.1 above.

ITEM FIVE: RESOLUTION SETTING DATE OF MAY 24, 2007 FOR A PUBLIC HEARING ON THE PROPOSED REVISIONS OF WATER AND SEWER RATES, FEES AND CHARGES

Penny Rich made a motion to adopt the resolution; the motion was seconded by Milton Heath and unanimously approved. See Motion No. 2 above.

ITEM SIX: RESOLUTION OF APPRECIATION FOR BERTRUM "BUDDY" A. MORRIS

Board Members and staff expressed their sincere appreciation to Mr. Morris for his dedicated service to OWASA

Mac Clarke read a resolution of appreciation honoring the service of Bertrum "Buddy" A. Morris, OWASA's Senior Crew Leader for the Water Distribution and Sewer Collection department.

Penny Rich made a motion to approve the resolution; the motion was seconded by William Stott and unanimously approved. See Motion No. 3 above.

ITEM SEVEN: PROPOSED CHANGES ON THE OWASA POLICY FOR ADJUSTMENT OF CUSTOMER ACCOUNTS FOR EMERGENCY SITUATIONS INVOLVING LOSS OF METERED WATER

Mac Clarke asked for comments from the public on the proposed policy. There were none.

Fred Battle made a motion to approve the resolution; the motion was seconded by William Stott and unanimously approved. See Motion No. 4 above.

ITEM EIGHT: RESOLUTION APPROVING STATEMENT OF OWASA'S SUSTAINABILITY GOAL AND OBJECTIVES

Penny Rich said that staff has done an exceptional job with this report.

Marge Anders Limbert made a motion to approve the resolution; the motion was seconded by Milton Heath and the resolution passed with a vote of eight to one with Braxton Foushee opposing because this was his first review of the report. See Motion No. 5 above.

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**ITEM NINE: RESOLUTION ADOPTING PRELIMINARY ANNUAL BUDGET FOR
ORANGE WATER AND SEWER AUTHORITY FOR THE FISCAL YEAR
JULY 1, 2007 THROUGH JUNE 30, 2008**

Fred Battle made a motion to approve the resolution; the motion was seconded by Milton Heath and unanimously approved. See Motion No. 6 above.

There being no further business to come before the Board, the meeting was adjourned at 7:45 P.M.

RESOLUTION SETTING DATE OF MAY 24, 2007 FOR A PUBLIC HEARING ON THE PROPOSED OWASA BUDGET FOR FISCAL YEAR 2007-2008 AND ON THE CAPITAL IMPROVEMENTS PROGRAM FOR FISCAL YEARS 2008-2022 INCLUDING A FIVE-YEAR CAPITAL IMPROVEMENTS BUDGET FOR FISCAL YEARS 2008-2012

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, and Section 159-13 of the General Statutes of North Carolina, the Board of Directors of Orange Water and Sewer Authority shall adopt an Annual Budget for the Fiscal Year 2007-2008 on or before the first day of July, 2007; 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 24, 2007, 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 2007-2008, and on the Capital Improvements Program for Fiscal Years 2008-2022, including a five-year Capital Improvements Budget for Fiscal Years 2008-2012.
2. That the general public, customers of 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 26th day of April, 2007.

RESOLUTION SETTING DATE OF MAY 24, 2007 FOR PUBLIC HEARING ON
PROPOSED REVISIONS OF WATER AND SEWER RATES, FEES AND CHARGES

WHEREAS, preliminary results of Orange Water and Sewer Authority's comprehensive rate study indicate the need for additional revenue to provide sufficient financial resources to recover the cost of ongoing operations and 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 24, 2007 at 7:00 P.M., at the Chapel Hill Town Hall, for the purpose of receiving public comment on the proposed adjustments to Orange Water and Sewer Authority's 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 26th day of April, 2007.

**RESOLUTION OF APPRECIATION FOR
BERTRUM “BUDDY” A. MORRIS**

WHEREAS, Bertram “Buddy” A. Morris began serving in the Water Distribution Department on April 4, 1972, when the University of North Carolina at Chapel Hill owned and operated the public water system for the Chapel Hill-Carrboro community; and

WHEREAS, Buddy Morris has been extensively involved in the operation of the water distribution system since the Orange Water and Sewer Authority (OWASA) began serving the community in February, 1977; and

WHEREAS, Buddy Morris’ responsibilities over the years have included construction, repair, oversight and evaluation of our community’s water distribution system along with supervision and direct involvement in developing and training many employees of the water distribution and wastewater collections department; and

WHEREAS, Buddy Morris will retire on Tuesday, May 1, 2007 from his position as OWASA’s Senior Crew Leader within the Water Distribution Department; and

WHEREAS, Buddy Morris has received the State of North Carolina’s certification at the highest level in Water Distribution and also obtained certification in Wastewater Collections; and

WHEREAS, Buddy Morris’ career in the water resource field spans 35 years; and

WHEREAS, Buddy Morris has always shown concern for OWASA’s customers by always maintaining high standards for water quality and service to the community; and

WHEREAS, Buddy Morris could always be counted upon to work diligently to restore water service interrupted by varied circumstances, and he has completed this work at all hours of the day and night and in all weather conditions to restore service to our customers as quickly and efficiently as possible; and

WHEREAS, Buddy is highly regarded by OWASA employees for his strong work ethic, warmth, and sense of humor;

**NOW, THEREFORE, BE IT RESOLVED BY THE DIRECTORS OF
ORANGE WATER AND SEWER AUTHORITY:**

1. That the OWASA Board of Directors does hereby formally recognize, honor and praise Bertrum "Buddy" A. Morris for his many achievements with the Orange Water and Sewer Authority and expresses its appreciation for his dedicated and loyal service in maintaining high quality service to people in the Chapel Hill-Carrboro community and wishes him a healthy and happy retirement.

Adopted this the 26th day of April, 2007.

**RESOLUTION AMENDING THE ORANGE WATER AND SEWER AUTHORITY POLICY
FOR ADJUSTMENT OF CUSTOMER ACCOUNTS FOR EMERGENCY SITUATIONS
INVOLVING LOSS OF METERED WATER**

WHEREAS, unusual events occur from time to time where due to sudden or concealed situations an abnormal quantity of water is discharged from the service lines or plumbing system of the customer beyond the metered point of delivery from the water distribution system of OWASA; and

WHEREAS, in events where the customer has exercised due care in the maintenance and care of the private system, and with promptness and diligence, corrected the cause of the abnormal water loss, it is in the public interest to provide some financial relief from the normal billing schedule for the abnormal quantity of metered water; and

WHEREAS, the cost of the water loss adjustments has substantially increased in recent years; and

WHEREAS, proposed changes to the water loss policy have been advertised and public response has been received; and

WHEREAS, it is desirable to revise and clarify the revisions made to the March 27, 2003 policy.

NOW, THEREFORE, BE IT RESOLVED:

1. That OWASA may alleviate a portion of a customer's unusually high bill arising from the sudden or concealed loss of water.
2. That such relief shall be in accordance with the attached revised policy entitled "Orange Water and Sewer Authority Policy for Adjustment of Customer Accounts for Emergency Situations Involving Loss of Metered Water."
3. That the Executive Director is authorized and empowered to implement and interpret the policy.
4. That the policy shall be effective upon adoption.
5. That the "Resolution Revising Orange Water and Sewer Authority Policy for Adjustment of Customer Accounts for Emergency Situations Involving Loss of Metered Water," adopted March 27, 2003, is hereby rescinded.

Adopted this 26th day of April, 2007.

ORANGE WATER AND SEWER AUTHORITY
POLICY FOR ADJUSTMENT OF CUSTOMER ACCOUNTS FOR EMERGENCY
SITUATIONS INVOLVING LOSS OF METERED WATER

PURPOSE

The purpose of this policy is to provide a credit adjustment to the water and/or sewer account of a customer who has experienced an emergency situation involving the loss of metered water. The excess water metered will have occurred as a result of conditions beyond normal and reasonable control of the customer or other parties responsible for the use, care and maintenance of fixtures and devices that are a part of the customer's water service system.

CONDITIONS

It is the customer's responsibility to promptly discover and stop the loss of water. In addition, the customer is responsible for making arrangements to repair or have repaired the fixture or device causing the water loss. Although there is no obligation for OWASA to adjust accounts when the water has been metered properly, it is OWASA's desire to encourage customers to make prompt and permanent repairs and to show consideration for the unusual circumstance by sharing the cost of the excessive billing charges.

CUSTOMER RESPONSIBILITY

1. The customer must provide information describing the emergency situation or circumstances that resulted in the loss of water. Emails and phone calls are an acceptable form of notification. This should include the cause of the water loss, when the problem was discovered, what action was taken to stop the loss of water, and the arrangements made for repairs.
2. If a repair is completed, the customer must provide a copy of the plumber's bill or a statement of materials purchased if the repair was performed by the customer.

ADJUSTMENT PROCEDURE

1. Upon receipt of the customer's verbal or written statement describing the water loss and copies of invoices or receipts documenting repair, the OWASA Customer Service Department will evaluate the circumstances surrounding the water loss.
2. The Customer Service Department, upon determination that an adjustment is appropriate under the policy, will calculate the adjustment under the following guidelines.
 - a) The adjustment shall be one-half (1/2) of the amount in excess of the previous twelve (12) months average billings for water, excluding the months(s) of excessive consumption for which the adjustment is requested, and 100% of the amount in excess of the previous twelve (12) months average billings for wastewater, excluding the months(s) of excessive

consumption for which the adjustment is requested, for the following conditions or similar situations where the water has not returned to the sewer system:

Leaks underground not associated with irrigation systems, or in walls,
Frozen and burst pipes not associated with irrigation systems,
Outdoor spigot and hose leaks,
Faulty water heaters or pressure reducing valves where such appliances
and devices are not easily accessible or visible, and
Vandalism to plumbing that is documented with a police report.

- b) The adjustment shall be one-half (1/2) of the amount in excess of the previous twelve (12) months average billings for water excluding the month(s) of excessive consumption for which the adjustment is requested, and one-half (1/2) of the amount in excess of the previous twelve (12) months average billings for wastewater excluding the month(s) of excessive consumption for which the adjustment is requested, for the following conditions or similar situations where the water has returned to the sewer system:

Malfunctioning toilets, and
Leaking indoor faucets.

- c) No adjustment shall be made for the following:

Any portion or component of an irrigation system,
Losses that occurred within one (1) year of construction, and
Unoccupied dwellings listed as “vacant” in OWASA’s billing system.

- d) If a twelve-month average is not available (new customer), the average will be based on 2,000 gallons of usage per person in the household, or the rate of consumption after repairs, whichever is greater.

- e) For seasonal users (customers with fixed and predictable patterns of consumption, usually due to irrigation), the adjustment will be based on the corresponding month(s) from the year immediately preceding, where no emergency water loss or meter malfunction was recorded during the corresponding month(s).

3. No adjustment shall be made for an amount that exceeds \$3,000.00, or a period in excess of three (3) billing periods. Adjustments shall be limited to \$1,000 for single-family individually metered residential locations. The billing period adjustment shall be limited to one (1) month in cases of adjustments for malfunctioning toilets, indoor faucets and other visible, easily accessible fixtures. With the exception of the annual sewer adjustment for pool filling, not more than one (1) such adjustment for any given thirty-six (36) month period per location.

4. No adjustment shall be made when the request for the adjustment is received more than ninety (90) days after the billing date of the bill to be adjusted in the case of an active customer, or thirty (30) days after the billing date of a final bill. Exceptions will only be made if there is proof for extraordinary mitigating circumstances.
5. Adjustments will not normally be allowed for water loss arising from carelessness, negligence or lack of due diligence on the part of the customer, as it is the customer's responsibility to promptly discover and stop the loss of water.
6. All customers with pools shall qualify for a once per year adjustment to their sewer charges if they have completely emptied and refilled their pool. The customer must supply OWASA, in writing, with the volume of the pool in gallons, and the date it was filled. The Customer Service Representative will then compare that volume to the total consumption for the month in question. Assuming the customer's total consumption increased above their average by the approximate volume of the pool, the sewer portion of the bill shall be adjusted by the amount of water it took to fill the pool. No adjustment will be given if the total volume of the pool exceeds the total consumption for the month.
7. All emergency water loss calculations shall be documented by Customer Service personnel, and shall include a complete and adequate description of the problem and justification for the adjustment.
8. A proposed adjustment in excess of \$300.00 will be reviewed and approved or denied by the Customer Service Manager before a credit adjustment is made to the customer's account. A proposed adjustment in excess of \$2,000.00 will be reviewed and approved or denied by the Director of Finance and Customer Service before a credit adjustment is made to the customer's account.
9. In accordance with Customer Service procedures, a copy of the adjustment documentation will remain in the Customer Service Department for a period of thirty-six (36) months with a copy of the adjustment forwarded to the Accounting Department.
10. Once the adjustment has been made to the customer's account, the Customer Service Representative will notify the customer in writing that the adjustment has been made.

IMPLEMENTATION

The Executive Director, or his or her designee, shall be responsible for implementation and interpretation of this policy, and is authorized to exercise on behalf of OWASA the discretionary determination as to the applicability of this policy in the various circumstances involving abnormal water usage or loss.

**RESOLUTION APPROVING STATEMENT OF OWASA'S
SUSTAINABILITY GOAL AND OBJECTIVES**

WHEREAS, OWASA recognizes that water is essential for all life and an adequate supply of clean water is essential for our health, quality of life and economic well-being; and

WHEREAS, OWASA recognizes that our customers, other citizens and our natural environment are affected by our services and projects, and that our programs and services are paid for by our customers through rates and fees; and

WHEREAS, OWASA's *Mission and Values Statement* emphasizes the importance of environmentally, economically and socially sustainable facilities, practices and services; and

WHEREAS, it is our challenge to proactively plan, design, construct, operate, maintain and finance water and wastewater services in a manner that balances this "triple bottom line" of sustainability; and

WHEREAS, OWASA has already begun to demonstrate the importance of and our commitment to integrating environmental stewardship, economic strength and social integrity as interdependent components of our comprehensive sustainability ethic and philosophy;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Orange Water and Sewer Authority Board of Directors approves the attached *Statement of OWASA'S Sustainability Goal and Objectives*.
2. That this policy shall become effective upon adoption.
3. That the Executive Director is authorized and directed to implement and interpret this Sustainability Goal and Objectives policy statement.

Adopted this 26th day of April, 2007.

ORANGE WATER AND SEWER AUTHORITY

SUSTAINABILITY GOAL AND OBJECTIVES

OUR COMMITMENT

OWASA recognizes that water is essential for all life, and an adequate supply of clean water is essential for our health, quality of life and economic well-being. We also recognize that our customers, other citizens, and our natural environment are affected by our services and projects, whether in construction of a new water or sewer pipeline or facility, the management of our watershed lands, or the recycling of biosolids from our wastewater operations.

We recognize that our programs and services are paid for by our customers and that our rates and fees have the potential to affect our customers' financial health and well-being, particularly for those who have low incomes or face other financial difficulties.

Our challenge is to proactively plan, design, construct, operate, maintain, and finance water and wastewater services in a manner that balances environmental, social, and economic performance – the “triple bottom line” of sustainability. Our organization and our employees are committed to continual improvement in meeting this challenge, and to making the highest and best use of our finite and essential resources. Fundamental to this is the promotion of practices which achieve cost-effective conservation of water, energy, and other natural resources.

This *Statement of OWASA's Sustainability Goal and Objectives* sets forth our sustainability values and approach. It is intended as a living, breathing document – one that will be periodically reviewed and improved to better reflect our evolving commitment and efforts.

OUR SUSTAINABILITY GOAL

Our Sustainability Goal is set forth in our Mission Statement:

“We will proactively plan, construct, operate, maintain, and finance the water and wastewater system in a manner consistent with the principles of environmental, social, and economic sustainability. We will work hard to meet the needs of our current and future customers, community, and environment without compromising the ability of future generations to meet their needs. We will strive to make the highest and best use of our local water resources and we will adopt practices which encourage conservation of water, energy and other natural resources.” [emphasis added]

OUR SUSTAINABILITY OBJECTIVES

The following sections describe our organizational objectives for the three main components of sustainability.

ENVIRONMENTAL PERFORMANCE

Environmental protection and conservation of natural resources are the elements of sustainability most commonly addressed by business, government and industry. Natural resources are no longer abundant. They are being depleted faster than they can be replaced. Waste streams are polluting and compromising our environment and its ability to regenerate natural resources. This is not a sustainable condition, as we are compromising the ability to meet our own needs and the needs of future generations. Although OWASA takes a more comprehensive approach to defining sustainability (environmental, social and economic), this section focuses on the development and implementation of policies and practices that preserve natural resources; maintain or restore natural systems; conserve energy, water, and other natural resources; minimize waste and pollution emissions, and reduce our environmental impacts.

WATER

Water is essential for all life, and an adequate supply of clean water is essential for our community's quality of life and economy. We are committed to identifying and implementing strategies to achieve the following objectives:

- ✓ Maximize the quality and sufficiency of our local water resources.
- ✓ Maximize cost-effective opportunities to increase water use efficiency in our service area.
- ✓ Maximize the use of highly treated reclaimed water to meet non-drinking water needs.
- ✓ Protect drinking water supply watersheds.
- ✓ Minimize and where feasible eliminate negative impacts of our operations on surface water and groundwater resources.

ENERGY

All living things need energy for everything they do. We recognize that our use of energy, particularly non-renewable energy, impacts land, water and air resources across geographical scales. We acknowledge that our use of fossil fuel contributes to increased greenhouse gas emissions, which in turn leads to climate change which threatens human and environmental health on a global scale. Our use of energy is also a major direct expense to our customers.

We will identify and, where feasible, implement strategies to achieve the following objectives:

- ✓ Maximize cost-effective energy efficiency in our operations, including buildings, vehicles and equipment. We will take into account environmental, non-dollar costs in evaluating cost effectiveness.
- ✓ Incorporate energy efficiency measures into the design of new and renovated facilities.
- ✓ Reduce our use of non-renewable fuels and increase the portion of our energy needs met with renewable fuels and energy sources.
- ✓ Provide information to our customers about the energy-saving benefits of water conservation.

WATER, LAND, AIR and BIOLOGICAL RESOURCES

Our water, land, air and biological resources provide life-sustaining services. Waste streams can have profound and sometimes irreversible affects on those resources and services. Our goal is to mimic the state of natural systems, in which there is no waste – where by-products from one natural process become beneficial resource inputs for other processes. We will strive to minimize our emissions from a project or activity so that they are within the assimilative capacity of the environment, and do not degrade the environment’s absorptive capacity.

We will do this through the following objectives:

Water/Wastewater

- ✓ Treat all water to exceed regulatory standards.
- ✓ Maintain an effective pretreatment program and sewer use ordinance to minimize the introduction of toxic substances into the sewer system.
- ✓ Proactively maintain and rehabilitate our wastewater collection system to minimize the potential for wastewater overflows.

Air/climate change

- ✓ Reduce emissions of greenhouse gases.
- ✓ Eliminate off-site odors from our Mason Farm Wastewater Treatment Plant.

Solids

- ✓ Beneficially recycle solids produced during the drinking water treatment process.
- ✓ Beneficially recycle biosolids produced during the wastewater treatment process.

- ✓ Beneficially recycle materials such as paper, glass, aluminum, scrap metals, electronic equipment and batteries, plastics, cardboard, and fluorescent lights.

Land and Biological Resources

- ✓ Permanently protect critical lands in our drinking water supply watersheds.
- ✓ Minimize land-disturbing activities and mitigate the effects of those activities on the environment.
- ✓ Restore or enhance the natural quality of land under our control that has been degraded by our operations or by others.

MATERIALS USE

Many non-renewable resources are being depleted at an increasing rate, and many renewable resources are being used at a rate that cannot be sustained. To be more sustainable in our use of materials, we will strive to meet the following objectives:

- ✓ Make efficient use of resources.
- ✓ Purchase and use environmentally-friendly products.
- ✓ Use recycled products.
- ✓ Reduce our dependence on use of non-renewable resources, taking into account overall cost-effectiveness.
- ✓ Minimize and when feasible eliminate the use of toxic materials, metals, etc.

SOCIAL PERFORMANCE

Our operations and facilities affect the well-being of the people, businesses, institutions and the community we serve. We will address the needs of and enhance our relationships with our customers, the whole community, our employees, the local governments and other public agencies that we work with.

We are committed to being more socially sustainable through the following objectives:

OUR CUSTOMERS AND COMMUNITY

- ✓ Inform and educate our customers about our services, operations, needs, challenges, the value we add to the community's quality of life and our investments to improve current and future service quality.
- ✓ Provide meaningful and timely opportunities to be involved and to participate in decisions important and of interest to them.
- ✓ Be respectful, honest, responsive and fair to our customers and citizens.

- ✓ Evaluate and minimize where possible, within cost-of-service pricing, the financial hardship that our rates, fees and charges may present.
- ✓ Support the community through our participation in the United Way campaign, supporting blood drives and food drives, etc.
- ✓ Build and strengthen partnerships with other organizations to develop cost-effective strategies to achieve a more sustainable future.

OUR EMPLOYEES

- ✓ Provide an effective safety program.
- ✓ Treat employees at all times with respect and sensitivity.
- ✓ Sustain an outstanding “destination” workplace that attracts and retains diverse, highly talented and skilled people to serve the community.
- ✓ Provide competitive compensation and benefits.
- ✓ Promote education, creativity, growth and development of our employees.
- ✓ Inform new and incumbent employees about our mission, values, and services and the value we add to the community’s quality of life.
- ✓ Provide meaningful and timely opportunities to participate in decision-making.
- ✓ Develop and implement a knowledge management, sharing and retention plan.
- ✓ Develop and implement a workforce succession plan.
- ✓ Have emergency response plans and in-house emergency spill response capabilities.

ECONOMIC PERFORMANCE

Financial strength is a key to achieving sustainability. OWASA is a public, community-owned non-profit agency, and does not levy taxes. We manage our operations and services using revenues generated from service rates, fees and charges. We are required to set these rates and fees according to “cost of service” principles. Our customers and our community depend upon our delivering very high quality water and sewer services that promote public health, protect the environment and support economic well-being. Economic sustainability will continue to be a defining characteristic of OWASA as we strengthen our planning and decision-making with a comprehensive approach to sustainability.

We will maintain and enhance financial sustainability through the following objectives:

- ✓ We will continue to use cost-of-service principles with regards to our rates, fees, and charges, and to operate the water and sewer systems at the lowest rates consistent with our obligation to provide proper and efficient services, now and in the future, *and consistent with our sustainability goal and objectives.*

- ✓ Complete life-cycle cost analyses for key decisions.
- ✓ Consider the value of natural resource and public health protection.
- ✓ Price our services based on cost-of-service, taking into account the life-cycle costs and resource protection costs.
- ✓ Use and update a comprehensive long-term financial plan and 15-year capital improvements plan.
- ✓ Establish a sustainable program to meet long-term asset rehabilitation and replacement needs.
- ✓ Work with local governments within our service area to provide adequate services to complement and support their respective land use and growth management plans.

THE CHALLENGE OF BALANCING OBJECTIVES

To be a sustainable utility, we will do more than reduce waste, protect natural resources and recycle. We will continuously increase our understanding of the natural systems and how they work, and recognize that everything we do can affect these systems. We recognize that each choice we make has a “cost.” True costs are a combination of the environmental, economic, and social costs balanced against the desired, or expected and actual benefits to our community, its economy and the natural environment.

To become a more sustainable utility, we must acknowledge, consider and balance these important, but oftentimes competing values when we must make important decisions. To achieve this we will:

- ✓ Operate and maintain our facilities to maximize value, service quality, social equity, community-building and environmental performance.
- ✓ Incorporate sustainability principles and commitments into decision-making, service and capital improvements planning, consultant and contractor selection, purchasing of materials and supplies and use of service/construction contractors.
- ✓ Incorporate true cost principles into our rate schedules.
- ✓ Consider non-traditional benefits and costs in our decisions.
- ✓ Reflect our sustainability philosophy in requests for consultants’/contractors’ qualifications and proposals or bids.
- ✓ Evaluate and report on our progress on sustainability initiatives, and pursue continual improvement in our services.

RESOLUTION ADOPTING PRELIMINARY BUDGET FOR
ORANGE WATER AND SEWER AUTHORITY FOR THE FISCAL YEAR
JULY 1, 2007 THROUGH JUNE 30, 2008

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, 2007, 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 pages be, and they hereby are, adopted as the *Preliminary Annual Budget* of Orange Water and Sewer Authority for Fiscal Year July 1, 2007 through June 30, 2008.

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 26th day of April, 2007.

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

**FY 2008
Annual Budget**

Operating Revenue

Water	\$15,775,000
Sewer	11,626,000
Service Initiation Fee	145,000
Other	<u>884,000</u>

Total Operating Revenue **28,430,000**

Operating Expense

General and Administrative	5,469,718
Operations	<u>12,702,153</u>

Total Operating Expense **18,171,870**

Net Operating Income **10,258,130**

Non-operating Revenue

Customer Fees	3,233,000
Interest	<u>1,000,000</u>

Total Net Income **14,491,130**

Debt Service

Existing	9,658,688
New	<u>0</u>

Total Debt Service **9,658,688**

Net Income Less Debt Service **\$4,832,442**

Debt Coverage Ratio **1.50**

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

**FY 2008
Annual Budget**

General Fund

Resources

Transfer From Revenue	\$4,832,442
Assessments	0
Grants and Contributions	<u>6,239,000</u>

Annual Income Available for Capital	11,071,442
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Transfer from Construction Fund (Bond Proceeds)	5,539,000
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Total Available for Capital	16,610,442
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Capital Expenditures

Project ordinances	
General Fund Contribution	13,212,500
Funded by Bond Proceeds	<u>5,539,000</u>

Total Project Resolutions	18,415,000
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Capital Equipment	336,500
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Total Capital Outlay	18,751,500
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Annual General Fund Balance	(2,141,058)
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General Fund Beginning Balance	10,752,000
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General Fund Ending Balance	<u>\$8,610,942</u>
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Project Funding

Under Contract	2,500,000
Future Years	1,567,975
Operating Balance	<u>4,542,968</u>

	<u>\$8,610,942</u>
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Unallocated General Fund Balance	\$0
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