



WHY OUR RATES ARE INCREASING

On June 11th, the OWASA Board of Directors approved the budget for July, 2009 through June, 2010; rate increases effective on October 1; and a 15-year capital program. The Board's decisions followed public hearings on May 28th.

\$6.68, from \$68.24 to \$74.92.

REASONS FOR THE RATE INCREASE

Continuing low water demand. Due to continuing conservation by all categories of customers and including reclaimed water use by the University, we project that drinking water demand in the coming fiscal year (FY 2010) will be 19% below the 2001 level although the number of customers has increased by 3,100 (15%) since 2001.

For the coming year, we project that demand will average 6.5 million gallons per day (mgd), about 9% less than the 7.1 mgd expected for FY 2009.

The main reason for projected future reductions in demand is the University's plan to use reclaimed water instead of

drinking water in chiller plants, to irrigate athletic fields, for flushing toilets, etc. In the coming year, the University plans to use about 660,000 gallons of reclaimed water per day.

(Reclaimed water is highly treated wastewater. The University and grants funded construction of the reclaimed water system and the University will pay the full cost of reclaimed water service.)

Reduced revenue from new development due to the slow economy. Connection fees from development will continue to be low due to the slow economy. The number of new connections to the OWASA system in FY 2010 is expected to be 70% less than the average for the last 10 years.

Higher prices for chemicals. The cost of chemicals for drinking water and wastewater treatment has increased 58%, adding \$1.2 million to our budget. Without the higher chemical prices, our FY 2010 operating budget would be 6% less than in FY 2009.

HOW IS OWASA CUTTING COSTS?

Our operating budget reflects 35 cost reduction measures totaling \$1.7 million. The cuts include:

- Eliminating 12 positions and freezing 7 vacant positions. These 19 positions represent a 12% reduction from our previously authorized workforce of 150 positions.
- There is no pay increase for OWASA

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employees.

- Deferring a sewer maintenance program (root control, which is part of our overall program to prevent wastewater overflows from sewers).
- Delaying water meter replacements and normally scheduled testing of large meters in FY 2010.
- Reducing recreation days at University Lake from four to three per week (Fridays through Sundays) as of July 1st, 2009. Recreation at the Cane Creek Reservoir was reduced from three and a half to one day per week (Saturdays) in 2008.

We reduced our FY 2010 capital budget to \$5.7 million, 41% less than in FY 2009. For example, the next phase of planned odor elimination improvements at the Mason Farm Wastewater Treatment Plant is not funded until FY 2011.

WHEN DEMAND IS LOWER, WHY DON'T OUR COSTS DECREASE?

While reduced demand affects our water and sewer revenues, most of our costs are fixed and do not go down when we treat less water.

- At our drinking water and wastewater treatment plants, the number of staff needed is the same whether demand is 10 million gallons a day or 5 million gallons a day. (However, lower flows at the treatment plants do reduce the amount of chemicals needed and normally reduce energy costs.)
- Lower demand does not reduce the need to test drinking water and treated wastewater for compliance with standards to protect public health and the environment.
- The 15% rise in customer accounts

since 2001 has increased the workload of reading meters, preparing and mailing bills, etc.

- Since 2001, our water and sewer pipe systems have grown about 10%, from 654 to 712 miles. The workload for pipe maintenance primarily reflects the condition and size of the system, rather than the volume of flows in the pipes.
- Annual payments on bonds issued to help pay for capital projects are not affected by demand. While our debt payments increased only \$200,000 from FY 2009, the \$9.7 million of debt service is 28% of our annual budget and is thus a key factor in our rates.

In the last 10 years, we have made \$220 million of capital investments to sustain the structural integrity, reliability, quality and adequate capacity of our water and sewer facilities.

We issued \$100 million of long-term bonds to spread out the impact of construction costs on rates.

However, we are continuing to increase efficiency and to cut costs where we can while maintaining our essential services to meet the community's needs and comply with Federal and State standards.

We believe that high quality, reliable drinking water and sewer/wastewater treatment services are a key part of our community's quality of life including our economic sustainability.

WILL OUR RATES INCREASE IN THE FUTURE?

Yes. Under our current estimates, assumptions and objectives regarding demand, operating costs, capital investment needs and financial management, we project that rate increases of 9.75%

will be needed in fiscal years 2011, 2012 and 2013.

The most important factor in our projection is that we expect further decline in drinking water demand.

Use of reclaimed water instead of drinking water at additional University facilities in coming years will exceed modest gains in demand due to new development.

We will update these projections each year and we will continue to cut costs to keep future rate increases as low as practical, while sustaining our essential services.

CONCLUSION: THE NEED FOR AND BENEFITS OF CONSERVATION

While conservation has significantly affected our revenue and is a key factor in our rates, we believe that conservation is a crucial part of our community's sustainability initiatives so that we will be better prepared for future droughts.

Conservation will also provide long-term savings by reducing and deferring the need to expand our system capacities for water treatment, pumping, etc.

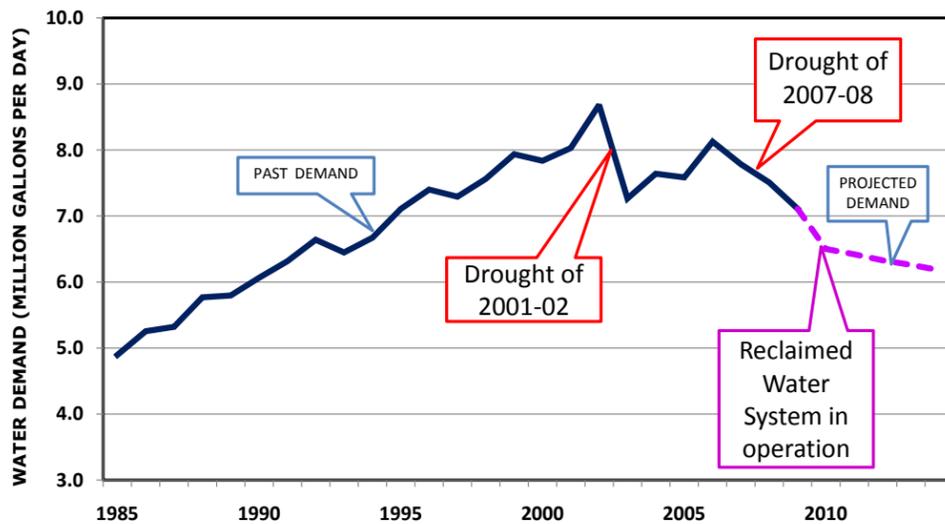
In particular, there will be very large savings from conservation if we can avoid the need to develop a major new water source.

One of our most fundamental goals in serving the community is to maximize the use of our locally-protected, high quality water sources: the Cane Creek Reservoir, University Lake, the Stone Quarry Reservoir and the future Expanded Stone Quarry Reservoir.

QUESTIONS OR COMMENTS?

We invite you to contact us at 968-4421 or webmaster@owasa.org or to write to or visit us at 400 Jones Ferry Road, Carrboro.

AVERAGE WATER DEMAND PER DAY SINCE 1985



Este boletín informativo contiene información sobre los servicios de agua y alcantarillado de OWASA. Para obtener una traducción, por favor llame al 537-4221, mande un correo electrónico a webmaster@owasa.org, o visite la página de Internet www.owasa.org. ¡Muchas gracias!

