



ORANGE WATER AND SEWER AUTHORITY

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

May 27, 2015

Mayor Lydia Lavelle
Town of Carrboro
301 West Main Street
Carrboro, NC 27510

SUBJECT: REPORT ON OWASA SERVICES AND INITIATIVES

Dear Mayor Lavelle:

We are pleased to submit this report on our services and initiatives. OWASA Board Members Steve Dear and Quinton Harper will provide an overview at your June 2, 2015 meeting and they look forward to answering your questions and receiving your feedback.

Budgets and Rates

If our proposed Fiscal Year (FY) 2016 budget is approved, it will be the fourth consecutive year in which we have not increased our monthly water, sewer and reclaimed water rates. We will hold public hearings on the proposed rates, budget and capital improvements program on May 28, 2015 at 7:00 PM in the Chapel Hill Town Hall.

For FY 2016, our proposed operating budget (\$20.8 million) and capital improvements budget (\$10.6 million) will ensure we sustain the high level of service and system reliability our community expects.

Cost saving measures for our customers over the last year include refinancing \$25 million of bond debt which will save about \$2.5 million in interest over the next 17 years (about \$150,000 annually). We also received a \$6.56 million no-interest loan from the North Carolina Clean Water State Revolving Fund for our recently completed energy efficiency improvements at our Mason Farm Wastewater Treatment Plant as well as a \$168,000 incentive payment from Duke Energy.

Sewer Service for the Historic Rogers Road Area

Our consultant completed the preliminary engineering study for extending sewers to serve the Historic Rogers Road Area (HRRA). The study included field investigations, meeting with Rogers Road area leaders, reviewing and adjusting our 2012 Sewer Concept Plan and identifying alternative sewer routes.

The consultant estimated the cost to design and install 3.5 miles of sewers for HRRA is \$5.7 million. This estimate does not include costs for private plumbing installation, easement acquisition or OWASA connection fees. OWASA staff will work with the County, Towns and consultant to develop estimates for these costs.

Orange County and OWASA executed an Interlocal Agreement on May 19, 2015 for OWASA to proceed with the design and permitting phase of the project. We estimate that design and permitting will begin in July 2015 and cost about \$370,000 to complete.

At this point in the project, we estimate it will take no less than two years to design, permit, bid and construct the sewer system for the HRRA. The project schedule could change based on new information that will be developed during detailed design. Other factors such as easement acquisition, weather and unexpected site conditions can also impact the schedule.

We most certainly understand the importance of this project and we will diligently do our part to get it done.

Community Engagement

OWASA staff continues to work with more than a dozen community agencies to help inform low and moderate income customers about ways they can lower their OWASA bills by reducing water use. We provided technical assistance to the Inter-Faith Council for Social Service for a pilot project to install water-saving fixtures and repair water leaks at four homes in the Northside neighborhood; the work was completed in February. In March, we worked with the Jackson Center to include information about how to reduce water bills in the most recent issue of the Northside News newsletter, which the Jackson Center distributed to about 800 families, businesses and other organizations in the Northside and Knolls neighborhoods. We continue to develop our next steps in this important work.

We are also working on community engagement plans for upcoming initiatives such as the update of our Long-Range Water Supply Plan and our Energy Management Plan. We continue to look for ways to be more proactive in our community engagement efforts and increase the level of interaction with customers and other stakeholders. Our goal is to better understand our customers' perceptions and expectations, and the Board has decided that we will conduct a customer satisfaction survey later this year.

The OWASA Board appreciates Alderman Damon Seils and Julie Eckenrode, Assistant to the Town Manager, for presenting information on Engage Carrboro and other Town engagement programs at a meeting on February 23, 2015.

Advanced Metering Infrastructure (AMI) feasibility study

We have begun an effort to study the benefits, costs and other aspects of installing AMI technology in OWASA's service area. AMI uses radio equipment and meters which can be read automatically to give customers and OWASA detailed information about customers' water use. AMI can help customers improve water conservation and become aware more quickly about

unexpected increases in water use, apparent leaks, etc. We expect that the feasibility study will be completed in December 2015.

Long-Range Water Supply Plan and Jordan Lake access

We are updating our Long-Range Water Supply Plan to guide OWASA's decisions, actions and investments to ensure a reliable and high-quality supply of water for the next 50 years. The plan will document the optimum mix of technically, environmentally, economically, and socially feasible water supply and demand management alternatives that meet projected demands and level-of-service objectives under a range of future conditions and uncertainties (e.g., climate change). Water conservation will remain a key strategy to sustain our community's water resources.

We will involve and engage the community as we define and evaluate our community's needs, identify and evaluate our options, and proceed to implement the preferred strategies. One of the first steps of our plan will be to update our water demand projections. OWASA will work with your staff, and staff from Chapel Hill and UNC to incorporate growth projections into our analyses.

On November 14, 2014, we applied to the NC Division of Water Resources to retain our Jordan Lake water supply allocation of about 5 million gallons per day for use in extended droughts and operational emergencies. The NC Environmental Management Commission is scheduled to decide on all regional allocation requests in November 2015.

Energy Management

Last fall, we completed major energy efficiency improvements at our Mason Farm Wastewater Treatment Plant; the plant accounts for about 60% of our total use of electricity. The improvements have resulted in about a 30% reduction in electricity use, thereby enabling us to save more than \$250,000 a year while also reducing the greenhouse gas emissions associated with our energy use. We have featured this project in our [*Blue Thumb*](#) customer newsletter and annual wastewater system report.

We are also developing an Energy Management Plan to guide our future energy management, energy efficiency, and renewable energy decisions, actions, and investments. We will keep you updated and seek your feedback as we proceed with this important effort.

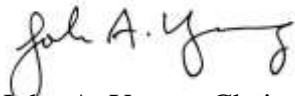
Biosolids Management

Biosolids are the highly treated solids generated at our Mason Farm Wastewater Treatment Plant. We are currently evaluating readily available options to determine if improvements are needed in our biosolids management program. Currently, about half of our liquid biosolids are recycled on local farmland at agronomic rates and the other half are dewatered for composting at McGill Environmental Systems (McGill) located in New Hill, NC.

On January 8, 2015, after receiving comments from farmers participating in our current biosolids land application program and from other citizens, the OWASA Board agreed to continue the current program through December 2015. Our staff is conducting a study of biosolids management alternatives which we expect to consider in September 2015. Alternatives being evaluated include having our farmers use dewatered biosolids instead of liquid biosolids; sending all dewatered biosolids to McGill or to an existing municipal thermal drying facility; or a blended combination of the alternatives. We will continue to keep you and our stakeholders informed about our work.

Thanks again for the opportunity for Steve and Quinton to present our report at your June 2nd meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "John A. Young". The signature is fluid and cursive, with the first name "John" and last name "Young" clearly legible.

John A. Young, Chair
OWASA Board of Directors

c: Mr. David Andrews, Carrboro Town Manager
Chair Earl McKee, Orange County
Mayor Mark Kleinschmidt, Town of Chapel Hill
Ms. Bonnie Hammersley, Orange County Manager
Mr. Roger L. Stancil, Chapel Hill Town Manager
OWASA Board of Directors
Ed Kerwin, OWASA Executive Director