

TO: Town of Carrboro Alderman
Town of Chapel Hill Council
Board of Orange County Commissioners

FROM: David Andrews, Town of Carrboro Manager
Bonnie Hammersley, Orange County Manager
Roger Stancil, Town of Chapel Hill Manager

RE: Rogers Road Water and Sewer District Proposal

The final report of the Historic Rogers Road Neighborhood Task Force, September 17, 2013 included recommendations to proceed with the Rogers Road Sewer project. The task force also contemplated the creation of a water and sewer district and directed the managers to explore the creation of such a district using a collaborative approach. The purpose of this memorandum is to inform our Boards of a joint recommendation for the creation, financing and development of a Rogers Road Water and Sewer District (District) which is further explained below.

The Managers have discussed this recommendation with Ed Kerwin, OWASA Executive Director for technical support, Bob Jessup, Bond Counsel for legal procedural issues, and the Rogers Road Eubanks Neighborhood Association (RENA) representatives David Caldwell and Reverend Campbell for the community perspective. The conversations have been well received and we anticipate working closely with these stakeholders as the recommendation matures.

The commitment to extend the sewer system to the 86 owners of properties within the Historic Rogers Road neighborhood has been and will remain the priority throughout the consideration of a proposed Rogers Road Water and Sewer District.

Objective

The objective of creating a Water and Sewer District is to provide a tool to finance expenditures in the District. To accomplish this goal, staff recommends that Orange County create the Rogers Road Water and Sewer District. The Managers' are recommending this course because a) the District would be able to implement a schedule of rates, fees, and charges independent of OWASA's schedule, which can therefore be tailored to the special characteristics of the District, and b) the District may be able to obtain loans and grants that Chapel Hill, Carrboro, and Orange County are not eligible for (such as funds from social justice agencies or funds from water and sewer infrastructure grant programs). In addition, the District will not have its own planning authority and can serve as a focus for joint planning of the area by the three jurisdictions.

Procedure

The creation of the District is not procedurally complex—all that is needed is a) a public hearing (preceded by published and posted notice) and b) a simple resolution enacted by the Board of County Commissioners stating that the District's residents will benefit from the District's establishment. The entire process of creating the District can be completed as quickly as 60 days from publishing the notice of public hearing. By law, the Board of County Commissioners serves as the District's governing body. The District would contract with OWASA to manage the provision of water and sewer services within the District. The Town of Carrboro would need to consent through resolution to including any portion of the District lying within Carrboro town limits as part of the District.

Financing

Debt financing would be used to extend service to the District's residents. District construction costs would be funded by either a) the District borrowing from private sources or b) the three governments advancing funds to the District from borrowed funds or cash on hand.

- Legally available methods for the District to borrow money on its own would include general obligation bonds (after approval by voters within the District), revenue bonds and installment financing. Because of the limited asset base and cash-flow of the District, however, Chapel Hill, Carrboro, and Orange County (in some combination) would likely be asked to commit to a "moral obligation" to provide funds to bridge any gaps in debt service payments.
- If the three governments and/or OWASA advance funds to the District, the funding partners would either a) pay cash into a central fund upfront for construction costs, b) pay OWASA as requested, or c) a combination of the two. Any partner could borrow its contribution, and the District's repayment obligation to the partner could bear interest.

The District would use some combination of several available revenue streams to repay the debt, whether to a third-party lender or back to the funding partners. The District could use its net operating revenues as the primary source of repayment. The capital charges could be levied, such as development fees for currently open space. The District would have its own taxing authority (via a separate rate set by the County Commissioners should they choose to levy an additional tax) and could levy special assessments.

The Managers' will present this recommendation to their respective Boards independently for feedback and consideration in October at a regularly scheduled meeting. If you have any questions in the meantime, please do not hesitate to contact us.