Communicating the Value of Water to your Board and Customers

NC AWWA-WEA Seminar
February 19, 2014

Orange Water and Sewer Authority
A public, non-profit agency providing water, sewer and reclaimed water services to the Carrboro-Chapel Hill community in North Carolina.

A public, non-profit agency providing water, sewer and reclaimed water services to the Carrboro-Chapel Hill community in North Carolina.
Orange Water and Sewer Authority

- 80,000 people
- 21,000 accounts
- UNC 22% of sales
- 20 MGD Water Treatment Plant
- 14.5 MGD Wastewater Treatment Plant
- 3 MGD Reclaimed Water System

OWASA Governance

Customers

Board of Directors
- 9 Board Members (appointed)
- Approves budgets & rates
- Issues revenue bonds
- Sets policy

Auditor
Executive Director
General Counsel

Chapel Hill Town Council (appoints 5)
Carrboro Board of Aldermen (appoints 2)
Orange County Board of Commissioners (appoints 2)
Know (and do) what needs to be done to effectively sustain your utility

Rates generate the necessary revenue for success/excellence

True value of water

Ten Attributes of Effectively Managed Utilities
Ten Attributes of Effectively Managed Utilities

Financial Viability

Work together with your Board to set financial goals
OWASA’s Financial Management Policy

“...a comprehensive and systematic approach to strategic financial planning, related policy decisions, and measurements of financial performance that collectively guide OWASA...”

<table>
<thead>
<tr>
<th><strong>OWASA FINANCIAL PERFORMANCE OBJECTIVES</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Measurement</strong></td>
<td><strong>Objective</strong></td>
</tr>
<tr>
<td>Working Capital Reserves</td>
<td>The greater of 4 months of O&amp;M budget or 20% of the succeeding 3 years of CIP budget</td>
</tr>
<tr>
<td>Capital Improvements Reserve Fund</td>
<td>Minimum fund balance target of 2% of annual depreciated capital costs</td>
</tr>
<tr>
<td>Debt Service Coverage Ratio</td>
<td>≥ 2.0</td>
</tr>
<tr>
<td>Debt Burden to Asset Value</td>
<td>≤ 50%</td>
</tr>
<tr>
<td>Sufficiency of Revenues Above Debt Requirements</td>
<td>Annual Debt service shall not exceed 35% of annual gross revenues</td>
</tr>
<tr>
<td>Credit Ratings</td>
<td>Aa2 – Moody’s; AA+ – Standard &amp; Poor’s; AA+ – Fitch</td>
</tr>
<tr>
<td>Cash Financing of Capital</td>
<td>Annual revenues and cash reserves shall provide not less than 30% of CIP funding</td>
</tr>
<tr>
<td>Rate/Revenue Stabilization Fund</td>
<td>Minimum fund balance target of 5% of projected water and sewer revenue</td>
</tr>
<tr>
<td>Service Affordability</td>
<td>Average annual residential bill divided by real median household income shall be ≤ 1.5%</td>
</tr>
</tbody>
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Board Communication Tips

• Educate, inform and involve
• Regular review of financial performance objectives and information
• Open, honest and transparent
• Simple graphs, charts and dashboards
• Numbers tell a story
**Approved Rate Increases**

- 2007: 10%
- 2008: 17%
- 2009: 10%
- 2010: 9%

*How did we do it?*
Informed and Involved Board

OWASA’s Board Understood,

- what needed to be done to sustain utility (short- and long-term),
- the consequences of their actions (or inactions), and
- what proactive cost reduction and efficiency measures were necessary.
15 Year Financial Model – “Must have” tool!

- Helps Board make informed decisions (with aid of a dashboard)
- Provides answers to “what-if” scenarios
- Compares projected financial performance to stated policy objectives
- Use sound and conservative projections of expenses (O&M and CIP) and sales
- Long-term view essential

**OWASA Rate Increases**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>4%</td>
</tr>
<tr>
<td>2001</td>
<td>4%</td>
</tr>
<tr>
<td>2002</td>
<td>4%</td>
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<td>4%</td>
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<tr>
<td>2007</td>
<td>4%</td>
</tr>
<tr>
<td>2008</td>
<td>18%</td>
</tr>
<tr>
<td>2009</td>
<td>12%</td>
</tr>
<tr>
<td>2010</td>
<td>8%</td>
</tr>
<tr>
<td>2011</td>
<td>4%</td>
</tr>
<tr>
<td>2012</td>
<td>2%</td>
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<tr>
<td>2013</td>
<td>2%</td>
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<tr>
<td>2014</td>
<td>2%</td>
</tr>
<tr>
<td>2015</td>
<td>2%</td>
</tr>
<tr>
<td>2016</td>
<td>2%</td>
</tr>
<tr>
<td>2017</td>
<td>2%</td>
</tr>
</tbody>
</table>

Rate Increase vs. Projected Rate Increase
**Water Utility Rate Comparison**
Prepared by Triangle J Council of Governments

Combined Monthly Water & Sewer Charges for Residential Customers 4,000 gallons per month  
(January 2013)

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**Avg. Monthly Bill and Water Use**

- Average Bill Amount (12-Month Running Average)
- Average Water Consumption (12-Month Running Average)
Informed and Involved Customers

• Story of a positive future...
• Opportunities to receive and respond to feedback
• Report results
• Keep them informed about the value of water

Story of a Positive Future - High Value

✓ National leader in drinking water quality & wastewater management
✓ Conservation & use of reclaimed water = supply for next 50 years (with contingency plans)
✓ Extending adequacy of existing facility capacity
✓ Infrastructure in good shape, plan to sustain
✓ Working smart
✓ Future rate increases expected to follow inflation
Communicating the Value of Water

- Customer Newsletters
- Public presentations/outreach events
- Construction projects
- Website, twitter
- News Releases
- Key Performance Indicators Dashboard
Communicating the Value of Water

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BOLIN CREEK SEWER REPLACEMENT
Orange Water and Sewer Authority (OWASA)  Expected project completion: February, 2012
OUR GOAL: ZERO SEWER OVERFLOWS

PROJECT MANAGER
Stuart Carson, P.E., OWASA Engineering Manager
(919) 537-4247 or scarson@owasa.org

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

400 Jones Ferry Road, Carrboro, NC 27510
(919) 968-4421  webmaster@owasa.org
www.owasa.org

CONTRACTOR
Park Construction of NC, Inc.
Morrisville, NC  (919) 319-8835

CONSULTING ENGINEERS
HDR Engineering, Inc. of the Carolinas
Raleigh, NC  (919) 785-1118

REQUEST FOR FEEDBACK
Date of Release: 12/31/2013

We have replaced our sewer near Pelish Golf Course and the Frisbee Center, and we would like to get your feedback about this project.

We would greatly appreciate your patience and understanding during this process. We are trying our best to minimize any inconvenience to those whose property is affected by this project. We value the community we serve and want to maintain a positive relationship with you. We would like you to share your thoughts and concerns with us. This project is expected to be completed by late December 2013.

If you have any questions, comments, or concerns, you may contact us at Stuart Carson, OWASA Project Manager, at 919-537-4247 or scarson@owasa.org.

If you would like to provide feedback about the project, please fill out the form at the bottom of this notice and return it to:

OWASA
400 Jones Ferry Road
Carrboro, NC 27510

We welcome your input and hope to receive your feedback soon.

Thank you for your interest and participation in this project.
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- Public presentations/outreach events
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OWASA’s KPI Dashboard

2012 Customer Satisfaction Survey

Considering the overall quality, reliability and cost of OWASA drinking water and sewer services, how do you rate their value?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent value</td>
<td>15.9%</td>
</tr>
<tr>
<td>Very good value</td>
<td>30.0%</td>
</tr>
<tr>
<td>Good value</td>
<td>27.0%</td>
</tr>
<tr>
<td>Fair value</td>
<td>15.6%</td>
</tr>
<tr>
<td>Poor value</td>
<td>9.2%</td>
</tr>
<tr>
<td>Not sure/no opinion</td>
<td>2.2%</td>
</tr>
</tbody>
</table>
Key Take-Aways

✓ Know (and do) what needs to be done to effectively sustain your utility (Ten Attributes of Effectively Managed Utilities)
✓ Set rates for success/excellence (educate Board/customers of consequences of insufficient rates)
✓ Inform & involve your Board
✓ Inform & involve your customers
✓ True value of water - tell your story of a positive future...

Ed Kerwin
Executive Director
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919-537-4211

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