



CITY OF DURHAM

Memorandum
Department of Water Management

To: John Allore, Budget and Management Services
From: Martha Zeigler, Department of Water Management
Date: July 29, 2013
RE: Estimated Utility Life Cycle Costs – Hendrick Southpoint

Water and sewer revenues are based on size of meter and volume of water used. Under the current scenario of 180,000 square feet of commercial space dedicated to vehicle sales, water and sewer revenues are estimated based on average usage at Hendrick's current account. Actual usage may vary depending on any increase or decrease in sales volume due to the relocation.

Capital facility fees are assessed based on meter size. While there is a 1 ½" meter at the current account, there is a 2" meter at the nearby Crown Honda Southpoint location, which is being used for the purposes of this exercise. Actual meter may be larger or smaller depending on plan specifications and City requirements. There are no known additional capital costs to be incurred by the City to provide water or sewer to this annexation area, so all capital facility fees would be dedicated to the construction fund.

The Department of Water Management sets rates and fees to recover operational costs and to provide current and future infrastructure necessary to supply water and wastewater for the City and surrounding service area. Any revenues not expended on operations and maintenance are accumulated to provide funding, including debt service, required to repair, rehabilitate, replace, and/or expand capacity of infrastructure.

The operational expenditures may be considered short term operating. The long-term or life-cycle expenditures for this and any other project may be reasonably determined by contributions to capital improvement projects from both rates and one-time capital facility fees which cover not only the pipe in the ground contributed by the developer, but also include all the other connecting infrastructure as well as the treatment plants that provide water and sewer treatment services. Any changes in short and long-term life cycle costs will be managed by adjusting rates and facility fees based on actual performance data.

For purposes of cost-benefit of this annexation, as the water/sewer fund is separate from the general fund, there will be no impact on the general fund.