



CITY OF DURHAM

Memorandum
Department of Water Management

To: John Allore, Budget and Management Services
From: Martha Zeigler, Department of Water Management
Date: August 13, 2013
RE: Estimated Utility Life Cycle Costs – Grandale Avenue Annexation

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.

Below is a table of annual expected revenues when the project is fully built out with an allocation of revenue between operational and capital expenditures. The operational expenditures may be considered short term operating. This annexation area is within the Triangle Basin served by the wastewater plant operated by Durham County. The City will pay the County 80% of the County's standard consumption rate to process wastewater. The City's revenue and expenditure projections have been adjusted to remove these fees and show only incremental revenue and expense for the City. 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.

15 Units	Water	Sewer	Total
Revenues	\$ 3,587	\$ 1,852	\$ 5,439
Op & Maintenance	\$ 2,295	\$ 1,185	\$ 3,480
CIP	\$ 1,292	\$ 667	\$ 1,959
Capital Facility Fees	\$ 24,165	\$ 14,505	\$ 38,670