



To: John Allore, Budget and Management Services
From: Martha Zeigler, Department of Water Management
Date: November 13, 2013
RE: Estimated Utility Life Cycle Costs – Fifty-Four Plaza 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 Plaza is completed with an allocation of revenue between operational and capital expenditures. Revenue and expenses are estimated based on a moderate sized full service grocery store which contains blended retail and restaurant floor space but actual consumption will probably vary based on type of businesses locating in the Plaza.

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 repair and maintenance for 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.

This property is located in the Triangle Basin served by the Durham County WWTP and by wholly County-owned lines. Therefore, if this property is annexed by the City, the City will charge inside City rates and pay the County its consumption rates for what is billed to the Plaza. If the property is not annexed and Plaza were constructed outside of city limits, water revenue would be charged at the doubled outside rates and sewer revenue charged at County rates with the City acting as collection agent for the County. The City would retain limited sewer revenue of only the negotiated County fixed rate to cover administrative fees. Capital Facility Fees are the same inside and outside the City. However, because the Plaza will be tributary to the County wastewater treatment plant and served by County lines, sewer capital facility fees would go to the County.

Inside City	Water	Sewer	Total
Annual Revenues	\$ 2,951	\$ 3,748	\$ 6,699
Annual O & M Expense	\$ 1,889	\$ 2,399	\$ 4,288
Annual Transfer to CIP	\$ 1,062	\$ 1,349	\$ 2,411
One-Time			
Capital Facility Fees	\$ 12,888	\$ -0-	\$ 12,888

Outside City	Water	Sewer	Total
Annual Revenues	\$ 5,902	\$ 259	\$ 6,161
Annual O & M Expense	\$ 1,889	\$ 259	\$ 2,148
Annual Transfer to CIP	\$ 4,013	\$ -0-	\$ 4,013
One-Time			
Capital Facility Fees	\$ 12,888	\$ -0-	\$ 12,888