



CITY OF DURHAM

**To:** John Allore, Budget and Management Services  
**From:** Martha Zeigler, Department of Water Management  
**Date:** May 30, 2014  
**RE:** 1307 Old Oxford Road Proposed Annexation

**OVERALL IMPACT:**

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.

This project is anticipated to use water only for irrigation purposes, and as such will only incur water charges. Below is a table of net contribution of revenues over expenditures to the CIP program. Being an Enterprise Fund, any excess revenues from water and sewer services do not impact the General Fund or tax rates.

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. Therefore, there is no anticipated impact on the Department from this annexation as the quantity of anticipated new customers is not material enough to impact the level of service in any material way. There is also no anticipated impact on compliance issues, regulatory requirements, master plans, or other overarching concern.

**NET CONTRIBUTION TO WATER AND WASTEWATER CIP**

| YEAR             | INSIDE          | OUTSIDE         |
|------------------|-----------------|-----------------|
| <b>FY2016-17</b> | <b>\$ 1,658</b> | <b>\$ 1,682</b> |
| <b>FY2016-17</b> | <b>\$ 24</b>    | <b>\$ 99</b>    |
| <b>FY2017-18</b> | <b>\$ 25</b>    | <b>\$ 102</b>   |
| <b>FY2018-19</b> | <b>\$ 26</b>    | <b>\$ 105</b>   |
| <b>FY2019-20</b> | <b>\$ 27</b>    | <b>\$ 108</b>   |
| <b>FY2020-21</b> | <b>\$ 27</b>    | <b>\$ 111</b>   |
| <b>FY2021-22</b> | <b>\$ 28</b>    | <b>\$ 115</b>   |
| <b>FY2022-23</b> | <b>\$ 29</b>    | <b>\$ 118</b>   |
| <b>FY2023-24</b> | <b>\$ 30</b>    | <b>\$ 122</b>   |
| <b>FY2024-25</b> | <b>\$ 31</b>    | <b>\$ 125</b>   |



**ADDITIONAL REVENUE:**

As evidenced by the table above, the Department of Water Management would realize additional revenue from outside City rates. These funds would be used for capital projects and debt service.

In addition, the City would receive one-time revenues from Capital Facility Fees paid to connect to the City Water and Sewer System.

**COSTS BEYOND THE BUILDOUT TIMEFRAME:**

There are no anticipated significant cost, revenue, or regulatory issues associated with this particular development or area provided anticipated purpose of minor irrigation does not change.

**METHODOLOGY AND DATA SOURCES:**

It is difficult to estimate the amount of water to be used for irrigation as it is primarily discretionary. For the purposes of this memo, an estimate of 1 CCF was used as over 50% of irrigation bills during 2012 were for this amount or less. Further, it was assumed that there would be a 3% annual increase in revenues and operating expenditures.

The percentage of operational costs versus capital costs was estimated based on factors in the rate model used by the Department.

**IMPACTS ON EFFICIENCY AND EFFECTIVENESS:**

None anticipated from minor irrigation usage.

**OTHER RELEVANT CONCERN:**

None known based on data provided.