



Date: April 4, 2016

To: Thomas J. Bonfield, City Manager
Through: W. Bowman Ferguson, Deputy City Manager
From: Donald F. Greeley, Director, Water Management
Subject: Proposed Updates to Fee Schedule for Water and Sewer Capital Facility Fees

Executive Summary

The City establishes capital facilities fees for all new connections to the City's water and sewer systems as authorized under Section 70-50 of the City Ordinance. These fees are earmarked for the construction and expansion of water and sewer facilities to provide necessary capacity for service. These fees were updated in FY 2016 and the proposed fee schedule is reflective of the City's current cost of service.

Recommendation

The department recommends that the City Council adopt an ordinance amending Chapter 15, Part 15-103 (Capital facilities fees) to the City's Fee Schedule with an effective date of October 1, 2016.

Background

The City Council is authorized under Section 70-50 of the City Ordinance to set capital facilities fees for all new connections to the City's water and/or sewer system. All fees collected are earmarked for and applied to the costs of constructing new water supply, water treatment and wastewater treatment facilities and/or expansions to existing facilities. The fees are to be the same for customers located inside or outside of the corporate limits of the City.

As part of the systematic review of existing fees and charges during budget preparation, the capital facility fee, last updated in 2015, was reassessed to reflect increases in construction costs.

Issues/Analysis

The City has a policy of charging customers certain fees, such as capital facility, physical connection, and initiation fees, to recover costs in addition to rates for actual water and sewer services provided. Customers connecting to the City's water and/or sewer system receive an immediate benefit from the infrastructure paid for by others; capital facility fees are designed to provide for the cost of the capacity to be provided to these new connections. Sound business practices call for the periodic review of fees to assure adequate cost recovery; existing capital facility fees were updated for FY 2016.

Durham's current capital facility fees for 5/8" meters used by most single family residences are currently among the lowest in the area, and will continue to be, even after the proposed rate increase. As evidenced in the table below, Durham fees compare favorably with Raleigh, Cary, and OWASA.

Capital Facility Fees as of 3/1/16 for Single Family Residences				
	Durham	Raleigh	Cary	OWASA
Water	\$1,780	\$1,492	\$1,183-\$2,783	\$1,265-\$7,631
			Based on SQF	Based on SQF
			\$1,805 for 2401 SQF	\$3,334 for 2401 SQF
Sewer	\$1,080	\$1,567	\$2,118-\$4,904	\$2,938-\$5,431
			Based on SQF	Based on SQF
			\$3,456 for 2401 SQF	\$4,425 for 2401 SQF

CAPITAL FACILITY FEE	Current Fee	Proposed Fee
Based on meter size		
Water 5/8"	\$ 1,700	\$ 1,780
Water 1"	\$ 4,250	\$ 4,450
Water 1.5"	\$ 8,500	\$ 8,900
Water 2"	\$ 13,600	\$ 14,240
Sewer 5/8"	\$ 1,030	\$ 1,080
Sewer 1"	\$ 2,575	\$ 2,700
Sewer 1.5"	\$ 5,150	\$ 5,400
Sewer 2"	\$ 8,240	\$ 8,640

Alternatives

Make no changes to current fees. Any increases in cost of providing capital facilities would be borne equally by all rate payers, not primarily by those new customers joining the system and enjoying the benefits paid for by other rate payers in the past.

Financial Impacts

The proposed fee schedule reflects the City's current cost of service. The City's policy is to charge customers to recover costs. Staff has analyzed the cost of time and materials for such procedures in the past and is adjusting to account for increases in cost of construction. Sound business practices include periodic review of fees to assure adequate cost recovery.

SDBE Summary:

The Ordinance to Promote Equal Opportunity in City Contracting does not apply to this item.

Attachments

Ordinance amending Chapter 15, Part 15-103