

**WATER AND SEWER FUND  
WATER AND SEWER REVENUES**

	Actual FY 2007-08	Adopted FY 2008-09	Estimated FY 2008-09	Adopted FY 2009-10	Change
<b>Investment &amp; Rental Income</b>					
Interest: Investments and Assess.	\$ 3,977,607	\$ 1,062,957	\$ 988,687	\$ 681,470	-35.9%
Rental Income	251,245	250,000	287,182	250,000	0.0%
<b>Total Investment &amp; Rental Income</b>	<b>\$ 4,228,852</b>	<b>\$ 1,312,957</b>	<b>\$ 1,275,869</b>	<b>\$ 931,470</b>	<b>-29.1%</b>
<b>Operating Revenue</b>					
<b>Water &amp; Sewer Sales</b>					
Water & Sewer Sales	\$ 55,452,677	\$ 70,035,913	\$ 67,150,807	\$ 74,694,037	6.7%
Late Fees	70,694	100,000	80,446	112,000	12.0%
Industrial Monitoring	14,888	15,000	12,332	15,000	0.0%
Sewer Surcharge	173,328	195,000	106,888	120,000	-38.5%
Suspended Solids	15,360	17,000	169,022	50,000	194.1%
<b>Subtotal</b>	<b>\$ 55,726,947</b>	<b>\$ 70,362,913</b>	<b>\$ 67,519,495</b>	<b>\$ 74,991,037</b>	<b>6.6%</b>
<b>Other Operating Revenues</b>					
Septic Tank Disposal	\$ 66,600	\$ 65,000	\$ 77,653	\$ 65,000	0.0%
Water Connection Fees	331,794	370,000	245,194	245,000	-33.8%
Sewer Connection Fees	249,000	260,000	164,339	160,000	-38.5%
Engineering Inspection Fee	142,710	160,000	77,193	75,000	-53.1%
Backflow Certification	3,450	5,000	16,767	5,600	12.0%
<b>Subtotal</b>	<b>\$ 793,554</b>	<b>\$ 860,000</b>	<b>\$ 581,146</b>	<b>\$ 550,600</b>	<b>-36.0%</b>
<b>Licenses and Permits</b>					
Water Permits	\$ 40,650	\$ 35,000	\$ 34,714	\$ 35,000	0.0%
Sewer Permits	22,050	20,000	14,657	15,000	-25.0%
<b>Subtotal</b>	<b>\$ 62,700</b>	<b>\$ 55,000</b>	<b>\$ 49,371</b>	<b>\$ 50,000</b>	<b>-9.1%</b>
<b>Total Operating</b>	<b>\$ 56,583,201</b>	<b>\$ 71,277,913</b>	<b>\$ 68,150,012</b>	<b>\$ 75,591,637</b>	<b>6.1%</b>
<b>Other Revenues</b>					
Miscellaneous	\$ 116,593	\$ 305,000	\$ 45,806	\$ 305,000	0.0%
Water Frontage Fees/Assessments	325,890	225,000	200,209	229,500	2.0%
Sewer Frontage Fees/Assessments	632,706	622,000	453,804	634,440	2.0%
<b>Total Other Revenues</b>	<b>\$ 1,075,189</b>	<b>\$ 1,152,000</b>	<b>\$ 699,819</b>	<b>\$ 1,168,940</b>	<b>1.5%</b>
<b>Transfers from Other Funds</b>					
Storm Water Management	\$ 185,000	\$ 185,000	\$ 185,000	\$ -	-100.0%
Capital Facility Fees	4,563,972	-	-	-	0.0%
<b>Total Transfers from Other Funds</b>	<b>\$ 4,748,972</b>	<b>\$ 185,000</b>	<b>\$ 185,000</b>	<b>\$ -</b>	<b>-100.0%</b>
Appropriation from Fund Balance	\$ 1,395,545	\$ 1,000,000	\$ 1,493,266	\$ 760,898	-23.9%
<b>TOTAL W &amp; S FUND REVENUES</b>	<b>\$ 68,031,759</b>	<b>\$ 74,927,870</b>	<b>\$ 71,803,966</b>	<b>\$ 78,452,945</b>	<b>4.7%</b>

**WATER AND SEWER FUND  
REVENUE AND APPROPRIATION SUMMARY**

	Actual FY 2007-08	Adopted FY 2008-09	Estimated FY 2008-09	Adopted FY 2009-10	Change
<b>REVENUES</b>					
Investment and Rental Income	\$ 4,228,852	\$ 1,312,957	\$ 1,275,869	\$ 931,470	-29.1%
Water and Sewer Sales	55,726,947	70,362,913	67,519,495	74,991,037	6.6%
Other Operating Revenue	793,554	860,000	581,146	550,600	-36.0%
Licenses and Permits	62,700	55,000	49,371	50,000	-9.1%
Frontage Fees/Assessments	958,596	847,000	654,013	863,940	2.0%
Other	116,593	305,000	45,806	305,000	0.0%
Transfer from Other Funds	4,748,972	185,000	185,000	-	-100.0%
<b>Subtotal Revenues</b>	<b>\$ 66,636,214</b>	<b>\$ 73,927,870</b>	<b>\$ 70,310,700</b>	<b>\$ 77,692,047</b>	<b>5.1%</b>
Appropriations from Fund Balance	1,395,545	1,000,000	1,493,266	760,898	-23.9%
<b>TOTAL REVENUES</b>	<b>\$ 68,031,759</b>	<b>\$ 74,927,870</b>	<b>\$ 71,803,966</b>	<b>\$ 78,452,945</b>	<b>4.7%</b>
<b>APPROPRIATIONS</b>					
Personal Services	\$ 17,316,503	\$ 19,884,549	\$ 17,874,463	20,489,311	3.0%
Operating	23,006,738	24,232,347	25,456,251	25,342,237	4.6%
Capital Outlay	66,901	115,500	136,478	80,000	-30.7%
Debt Service	15,419,026	19,360,161	17,001,461	22,664,861	17.1%
Transfers to Other Funds	12,221,598	11,335,313	11,335,313	9,876,536	-12.9%
Transfers to Fund Balance	-	-	-	-	0.0%
<b>TOTAL APPROPRIATIONS</b>	<b>\$ 68,030,766</b>	<b>\$ 74,927,870</b>	<b>\$ 71,803,966</b>	<b>\$ 78,452,945</b>	<b>4.7%</b>
<b>Department Appropriations</b>					
Water Management	\$ 29,230,206	\$ 33,735,471	\$ 33,712,710	\$ 36,534,665	8.3%
Public Works	2,237,241	2,243,152	2,213,007	2,249,853	0.3%
Finance	217,530	224,470	226,081	191,451	-14.7%
<b>Subtotal</b>	<b>\$ 31,684,977</b>	<b>\$ 36,203,093</b>	<b>\$ 36,151,798</b>	<b>\$ 38,975,969</b>	<b>7.7%</b>
Nondepartmental Appropriations	36,346,782	38,724,777	35,652,168	39,476,976	1.9%
<b>Total Appropriations</b>	<b>\$ 68,031,759</b>	<b>\$ 74,927,870</b>	<b>\$ 71,803,966</b>	<b>\$ 78,452,945</b>	<b>4.7%</b>

**FUND DESCRIPTION**

The Water and Sewer Fund accounts for revenues and expenses related to the provision of water and sewer services to the customers of the City and adjacent areas. Water and Sewer CIP projects are part of the annual adopted Capital Improvement Program budget adoption and are not part of the operating fund.

## WATER AND SEWER FUND REVENUE DESCRIPTIONS

### Investment and Rental Income

Interest: Investment - Investment income is gained through the commitment of City funds to investment instruments allowed by State Statute.

Interest: Assessments - Interest is charged on water and sewer assessments.

Rental Income - The City owns property and houses, purchased for other purposes with Water and Sewer Fund monies, which are temporarily rented. This also includes revenue from cellular tower leases.

### Operating Revenues

Water and Sewer Sales - Water and Sewer Sales includes both consumption and service fee charges to all direct water and sewer customers, inside and outside the City. It does not include contractual water sales to other utilities. A rate increase for water and sewer consumption charges was adopted for FY 2009-10. For residential customers, water is billed at an increasing tiered rate intended to promote conservation. Non-residential customers will be billed for water consumption at the 3<sup>rd</sup> or middle tier rate. This rate increase is projected to equate to the following change for a residential customer:

Billing Period	2 CCF Monthly Use	4 CCF Monthly Use	8 CCF Monthly Use	12 CCF Monthly Use	16 CCF Monthly Use
Monthly Increase	\$0.00	\$3.07	\$4.82	\$7.56	\$20.70
Bi-Monthly Increase	\$0.00	\$6.13	\$9.64	\$15.11	\$41.39
Annual Increase	\$0.00	\$36.79	\$57.82	\$90.67	\$248.35

Industrial Monitoring Charge - The Environmental Protection Agency requires the recovery of costs incurred in monitoring potentially high strength and toxic wastes. The rate schedule is based on the types of tests required.

Sewer Surcharges - Surcharges are applied to high strength waste per pounds of biochemical oxygen demand.

Suspended Solids - Charges on suspended solids are applied per 1,000 pounds.

### Other Operating Revenues

Septic Tank Disposal - Charges for truckloads of septic waste discharged at the North Durham Water Reclamation Facility.

Fire Protection (City Hydrants) - Monthly charges are made to the Fire Department for each hydrant on the City's water system.

Water and Sewer Line Connection Fees - Fees are charged at the time of initial connection onto water and sewer mains. These fees vary with the size of the connection.

Water Analysis Fee - This fee provides for the partial recovery of costs incurred in monitoring the water quality of new construction and existing facilities undergoing extensive plumbing repairs. Citizens can also request water quality analyses.

Engineering Inspection Fees - The Water and Sewer Engineering Division charges fees for water main, sewer main, and sewer outfall inspections.

Backflow Tester School - The Water Resources Department offers certification classes for backflow testers. An enrollment fee is charged for each participant in the school.

### **Licenses and Permits**

Cross Connection Control (CCC) Permit - This permit partially recovers the cost of the inspection of CCC devices.

Water and Sewer Permit Fees - These fees are paid by developers and the City for permits to extend water and sewer lines.

### **Intragovernmental Services**

Construction - City Forces - This item represents charges made to bond and construction funds for water and sewer construction performed by City employees. This line item also includes overhead charges, equipment rental charges and fringe benefits charges. These charges occur as a result of street maintenance work performed by City employees.

Engineering Fees - This item represents charges made to bond and construction funds for water and sewer engineering work performed by City employees.

### **Other Revenues**

Sale of Land, Property and Equipment - This includes revenue from the sale of surplus land, equipment or property.

Miscellaneous - This item includes revenues from broken water meter charges, water cut-off penalties and after-hours service charges.

Water and Sewer Frontage Fees/Assessments - Frontage Fees are applicable when property is developed and the developer or property owner has not installed a water and/or sewer line across the street frontage or street right-of-way abutting the project. This item reflects confirmations of water and sewer assessment rolls.

### **Transfers from Other Funds**

Water and Sewer Capital Facilities Fund - The Capital Facility Fee was established in 1985 to recover the costs associated with providing water supply, water treatment and wastewater treatment to new water and sewer service customers. Prior to FY 2008-09 this revenue was shown as a transfer to the Water and Sewer Operating Fund to offset debt service cost. Beginning in FY 2008-09 this revenue is now transferred directly to the Water and Sewer Construction Fund in support of Water and Sewer CIP projects.

Stormwater Management - This transfer covers the costs incurred by Customer Billing and Services for stormwater billing expenditures and by Water Management for one-half of the Household Hazardous Waste Disposal program.

Appropriation from Fund Balance - An appropriation from fund balance is used to balance the budget when expenditures are anticipated to exceed revenues in a given year.

## WATER AND SEWER NON-DEPARTMENTAL APPROPRIATIONS

	Actual FY 2007-08	Adopted FY 2008-09	Estimated FY 2008-09	Adopted FY 2009-10	Change
<b>Administration</b>					
General Fund Services	\$ 4,829,598	\$ 4,529,598	\$ 4,529,598	\$ 5,290,496	16.8%
Insurance Risk /Post Employment	1,196,766	1,952,778	1,952,778	2,280,619	16.8%
Recovery of Past Due Accounts	-	50,000	20,000	50,000	0.0%
Collection of Delinquent Accounts	263,000	263,000	263,000	263,000	0.0%
Merit/Market Salary Adjustment	-	660,525	-	-	-100.0%
Project Management	-	1,000,000	1,000,000	-	-100.0%
Drug Testing	43,324	40,000	40,000	40,000	0.0%
Transfer to Storm Water Fund	123,000	123,000	123,000	123,000	0.0%
<b>Total Administration</b>	<b>\$ 6,455,688</b>	<b>\$ 8,618,901</b>	<b>\$ 7,928,376</b>	<b>\$ 8,047,115</b>	<b>-6.6%</b>
<b>Miscellaneous</b>					
Contingency	\$ -	\$ 50,000	\$ 25,000	\$ 50,000	0.0%
Hardship Funds	119,733	115,000	131,162	150,000	30.4%
Transfer to Fleet Acquisition Fund	2,786,995	1,755,715	1,755,715	1,500,000	-14.6%
Other Non-Operating	224,338	2,487,273	69,525	1,304,871	-47.5%
<b>Total Miscellaneous</b>	<b>\$ 3,131,066</b>	<b>\$ 4,407,988</b>	<b>\$ 1,981,402</b>	<b>\$ 3,004,871</b>	<b>-31.8%</b>
<b>Debt Service and Capital</b>					
Debt Service/Refunding	\$ 14,557,404	\$ 16,397,888	\$ 16,242,390	\$ 20,624,990	25.8%
County Line Reimbursement	860,624	600,000	800,000	800,000	33.3%
Capital Improvements Program	11,342,000	8,700,000	8,700,000	7,000,000	-19.5%
<b>Total Debt and Capital</b>	<b>\$ 26,760,028</b>	<b>\$ 25,697,888</b>	<b>\$ 25,742,390</b>	<b>\$ 28,424,990</b>	<b>10.6%</b>
Appropriation to Fund Balance	\$ -	\$ -	\$ -	\$ -	0.0%
<b>TOTAL NON-DEPARTMENTAL</b>	<b>\$ 36,346,782</b>	<b>\$ 38,724,777</b>	<b>\$ 35,652,168</b>	<b>\$ 39,476,976</b>	<b>1.9%</b>

## **WATER AND SEWER FUND NON-DEPARTMENTAL APPROPRIATIONS**

### **Administration**

General Fund Services - Funds are appropriated each year to reimburse the General Fund for services provided to the Water and Sewer Fund. Also included are costs for services provided by the Budget and Management Services Department.

Risk Retention Fund and General Insurance - Each fund pays a proportionate share of expected liability and workers' compensation claims obligations, as well as a share of general insurance, safety and health costs.

Collection of Delinquent Accounts - These funds are appropriated to cover the cost of collecting delinquent accounts.

Drug Testing - This account covers the cost of drug testing for all new Water and Sewer Fund employees, as required by City policy.

Bond Issuance Expense - Funds are appropriated to cover the cost of issuing Revenue Bonds and GO Bonds.

Project Management – The City has contracted with MWH Americas, Inc. for services related to process and delivery enhancements to manage the City's CIP projects.

### **Miscellaneous**

Contingency - These funds are expended upon City Council approval for various unanticipated costs that arise during the fiscal year which are unforeseen during the budget preparation process.

Hardship Funds - Funds are provided to pay water and sewer bills if a customer is found to be unable to pay under established Durham County Social Services guidelines.

Fleet Replacement - Costs associated with the replacement of the centralized fleet used by Water and Sewer Fund-related departments are recorded here.

Water and Sewer Customer Relations - Funds cover various customer relations activities such as printing customer handbooks, and documents for customer education and information.

### **Debt Service/Capital Improvements**

Debt Service - Debt service for water and sewer projects is paid directly from the Water and Sewer Operating Fund.

County Line Reimbursement - The City reimburses the County for water and sewer line installations within designated areas of the County.

### **Capital Improvement Program (CIP) Appropriations**

The 2005 Bond Referendum included \$20 million in water and sewer capital projects. These projects included sewer rehabilitation, North Durham Water Reclamation Facility improvements, Southern Reinforcing Main, Water Main Rehabilitation, Brown Water Treatment Plant Expansion – Phase II, Sewer Extensions and Improvements and Water Extensions and Improvements. These projects continue in design and or construction and bonds are issued as needed to cover the cost of these projects.

Water and Sewer operating funds are appropriated to the Capital Improvement Program to address specific critical capital maintenance needs. For FY 2009-10 \$7 million in CIP funding will be provided from Water and Sewer rates. Another \$3.4 million will also be transferred to CIP projects from the Capital Facilities Fees Fund. Water and Sewer CIP projects for FY2009-10 are approved at \$61.5 million with approximately \$56 million in funding coming from anticipated new revenue bond issues. The full list of Water and Sewer CIP projects can be found in the FY2010-2015 Capital Improvement Program budget document.