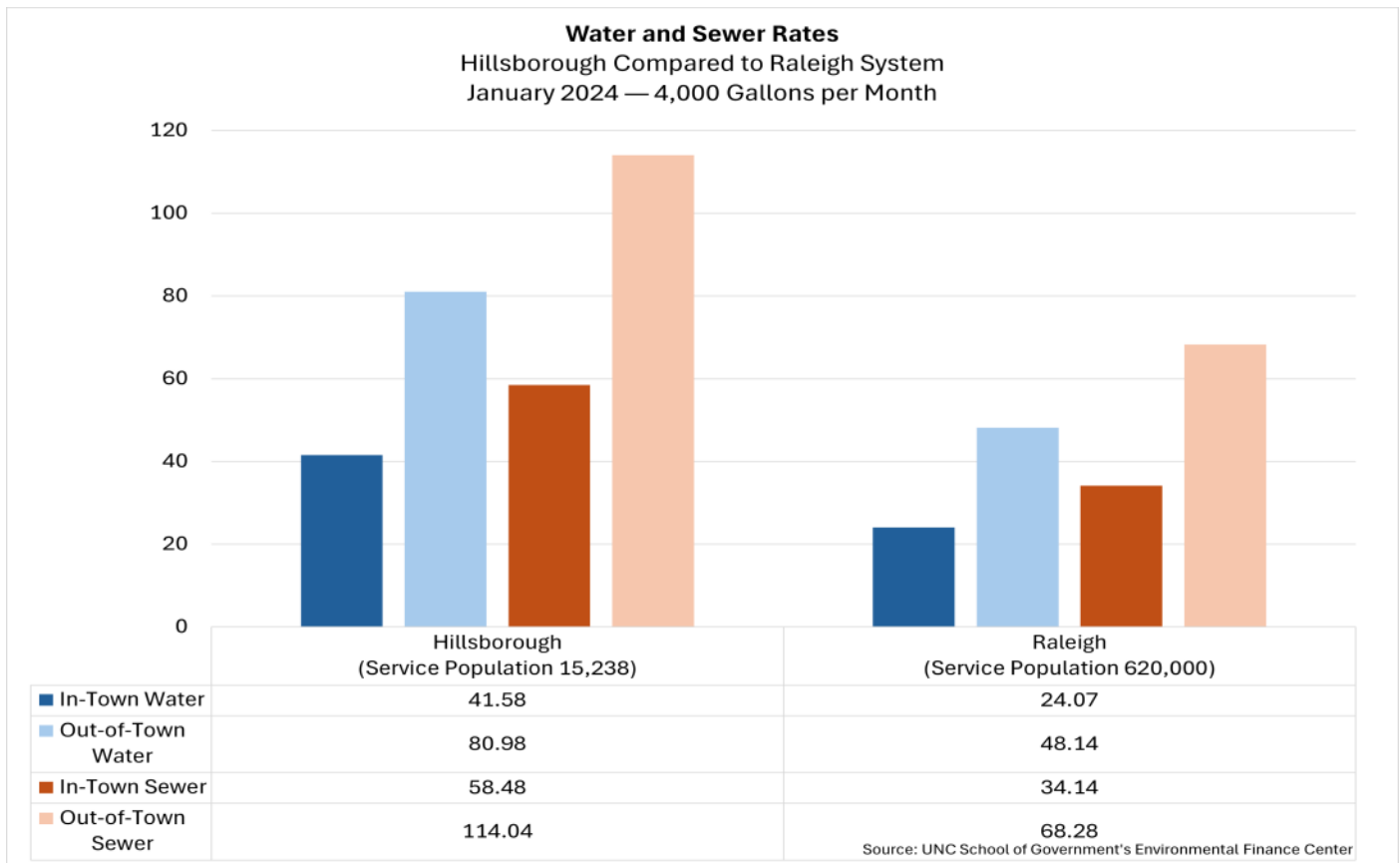




Evaluation: Partnering with Another Water and Sewer System

Larger water and sewer systems often are able to spread costs among a higher customer base, allowing for lower rates for customers. Across the country, many small utility systems have been absorbed by larger systems. The City of Raleigh, for example, has absorbed smaller town systems around it, resulting in lower rates from the advantages of economies of scale.



Durham partnership

In 2006 and 2007, Hillsborough and Durham partnered in a feasibility study of whether rates could be lowered and savings gained from Durham taking over the town's utilities system. That study, which involved a professional engineering firm and utilities finance consultant, was conducted prior to Hillsborough moving forward with a needed upgrade and expansion of its wastewater treatment plant.

The study determined more savings from maintaining independence, despite the projected \$30 million cost at the time for the Hillsborough Wastewater Treatment Plant upgrade and expansion:

- Operational costs for a merged system were projected to be 10 to 20% more expensive than Hillsborough's independent system, which would have raised Hillsborough water and sewer rates.
- Upfront capital costs also were estimated to be more than \$100 million, almost 2.5 times the projected cost for the Wastewater Treatment Plant upgrade.

Orange Water and Sewer Authority partnership

The authority that provides water and sewer service for the Carrboro and Chapel Hill communities is in a different river basin than Hillsborough, which would make a merger and needed approvals difficult.