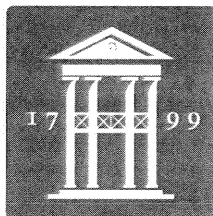


ADMINISTRATION

Russell B. Truell
Assistant City Administrator, CFO
Finance



ITEM #8
FINANCE
03-15-12

Dr. Ken Moore
Mayor

Eric S. Stuckey
City Administrator

H I S T O R I C
F R A N K L I N
T E N N E S S E E

March 9, 2011

TO: Board of Mayor & Aldermen

FROM: Eric Stuckey, City Administrator
Russ Truell, Assistant City Administrator
Steve Sims, Assistant City Recorder & Court Clerk

SUBJECT: Consideration of Revision to Title 18 to Define Residential and Nonresidential Customers

Purpose

The purpose of this item is to consider changes to Title 18 (Water & Sewer) to define Residential customers and Nonresidential customers for the purpose of applying water, sewer, irrigation and reclaimed water rates consistently.

Background

The Board of Mayor and Aldermen approves rates for water, sewer, and irrigation customers as either Residential or Commercial and Inside (the City) or Outside (the City). Reclaimed has only one rate currently. The rate charged for consumption is the same for inside customers whether residential or commercial. The Availability charge for a Residential customer is lower than that of a Commercial (Nonresidential) customer. The same pricing structure holds true for customers outside the city but they pay a higher rate overall (i.e. residential customers outside the city pay a higher rate than residential customers inside the city).

However, the Municipal Code does not classify customers clearly to allow us to apply rates for utility services consistently (water, sewer, irrigation water, reclaimed water, solid waste and stormwater). In some cases they contradict each other so that a customer may have some service priced as residential and another priced as nonresidential (commercial).

This ambiguity and contradiction in the various titles of the Municipal Code has resulted in confusion by staff which resulted in inconsistent classification of our customers.

Financial Impact

There will be some indeterminate financial impact to the City and to customers due to varying consumption levels among the various customers. However, it is expected that when we



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complete the revisions needed to clarify and standardize practices for billing for utility services, this will be revenue neutral when considering all services and all customers.

Customers primarily impacted will be those served by a master meter where there are multiple end users. Our contract or service agreement is with the Homeowner Association (HOA) or agent. Our service has been priced as Residential - this affects condominiums, apartments, certain mobile home parks, duplexes (only those with a single meter). Additionally, customers whose property is classified by a farm (which produce income to be classified as a farm) will have service charged at Nonresidential rates. Lastly, this will affect HOA associations where the not for profit corporation or agent has contracted with the city for service.

Recommendation

Staff recommends approval of the revision to Title 18. This will allow us to apply pricing rules consistently for all customers.