


MEMORANDUM

October 15, 2012

TO: Board of Mayor and Alderman

FROM: Eric S. Stuckey, City Administrator 
Russ Truell, ACA for Finance and Administration
Mark Hilty, Water Management Director

SUBJECT: Ordinance 2012-57, an Ordinance Amending the City of Franklin Municipal Code, Title 22 – Comprehensive Fees and Penalties, Chapter 18 – Water and Sewers for the Purpose of Updating Water and Sanitary Sewer User Rates

Purpose

The purpose of this memorandum is to present to the Board of Mayor and Aldermen (BOMA) for their consideration, proposed Ordinance 2012-57, amending the water and sanitary sewer rates for the City of Franklin.

Background

The City of Franklin has completed an independent third-party cost of service study to evaluate the City's progress related to the Water Management Department's five year financial plan approved in 2010. The City has made significant strides toward achieving a rate structure to meet the full cost of service for both water and sanitary sewer and is either on track or ahead of schedule relative to the five year plan.

Starting in late 2009, the City embarked on an integrated water resources planning process to help provide a roadmap for the City's water resources related activities, projects, and policies. A result of this process was the identification of several priority projects in both water and sanitary sewer.

The proposed rate adjustments are consistent with rate adjustments proposed in the fourth and fifth years of the five year financial plan and support the implementation of the BOMA approved integrated water resources plan projects. While staff is proposing two years of rate adjustments with this ordinance, the second year will be reviewed and presented to the BOMA prior to the effective date to ensure the adjustment remains appropriate and consistent with the needs of the utility system.

Staff has presented the cost of service study to the Finance Committee on September 26, 2012 (an overview only) and during the BOMA Work Session on October 9, 2012. Information requested during that meeting has been provided in a separate memorandum dated October 12, 2012.

Options

The Board may choose to adopt, amend, and deny the proposed rate increases. Based on the Board's adopted five year financial plan including a five year rate structure, three options have been presented:

1. Allocate the planned rate increase to the availability charge, which includes the fixed system costs plus the first 1,000 gallons.



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2. Allocate the planned rate increase to the variable, consumption rate.
3. Allocate the planned rate increase equally to the availability charge and the consumption charge. This has been referred to as the “hybrid” model.

Financial Impact

The proposed rate adjustments for water and sanitary sewer are projected to increase annual revenues by approximately 4% and 7% respectively for the adjustments proposed for January 1, 2013 and for the adjustments proposed for January 1, 2014. The recommended rate increases would be split equally between the fixed, availability charge and the usage-based rate (“hybrid” option).

Recommendation

Staff recommends that the BOMA approve Ordinance 2012-57 to amending the water and sanitary sewer rates, using option #3, the “hybrid” approach.

ORDINANCE NUMBER 2012-57

TO BE ENTITLED: “AN ORDINANCE AMENDING THE CITY OF FRANKLIN MUNICIPAL CODE, TITLE 22 - COMPREHENSIVE FEES AND PENALTIES, CHAPTER 18 – WATER & SEWERS FOR THE PURPOSE OF UPDATING WATER AND SANITARY SEWER USER RATES.”

WHEREAS, the City of Franklin, Tennessee, has completed an independent third-party cost of service study that recommended increases in water and sanitary sewer service rates and fees; and

WHEREAS, the Board of Mayor & Aldermen determined that these increases should be implemented over a five year period, and continuing until the cost of service is substantially offset by the increased water and sanitary sewer service rates and fees; and

WHEREAS, the State of Tennessee requires that rates and fees be charged adequately in order to cover costs of such service.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF MAYOR AND ALDERMEN OF FRANKLIN, TENNESSEE AS FOLLOWS:

SECTION I: BE IT ORDAINED BY THE BOARD OF MAYOR AND ALDERMEN OF THE CITY OF FRANKLIN, Tennessee, that Title 22, Chapter 18 – Water & Sewers of the Franklin Municipal Code be amended by changing the following tables and fees to read as follows:

CHAPTER 18
Water & Sewers

Sanitary Sewer Rates – Effective January 1, 2013

Residential-inside, per 1,000 gallons		Residential-outside, per 1,000 gallons	
Availability charge (1,000 gallons)	\$15.55	Availability charge (1,000 gallons)	\$20.39
Next 14,000 gallons	3.88	Next 14,000 gallons	6.07
All additional gallons	3.09	All additional gallons	4.92
Commercial-inside, per 1,000 gallons		Commercial-outside, per 1,000 gallons	
Availability charge (1,000 gallons)	\$35.41	Availability charge	\$38.16
Next 14,000 gallons	\$4.57	Next 14,000 gallons	\$7.14
All additional gallons	\$3.58	All additional gallons	\$5.25

Sanitary Sewer Rates – Effective January 1, 2014

Residential-inside, per 1,000 gallons		Residential-outside, per 1,000 gallons	
Availability charge (1,000 gallons)	\$16.55	Availability charge (1,000 gallons)	\$21.57
Next 14,000 gallons	4.15	Next 14,000 gallons	6.52
All additional gallons	3.36	All additional gallons	5.37
Commercial-inside, per 1,000 gallons		Commercial-outside, per 1,000 gallons	
Availability charge (1,000 gallons)	\$41.82	Availability charge	\$45.32
Next 14,000 gallons	\$4.72	Next 14,000 gallons	\$7.37
All additional gallons	\$3.73	All additional gallons	\$5.48

Water User Rates – Effective January 1, 2013

Residential-inside, per 1,000 gallons		Residential-outside, per 1,000 gallons	
Availability charge (1,000 gallons)	\$11.24	Availability charge (1,000 gallons)	\$13.52
Next 9,000 gallons	3.87	Next 9,000 gallons	6.01
Next 15,000 gallons	4.80	Next 15,000 gallons	6.59
All additional gallons	5.73	All additional gallons	7.17
Commercial-inside, per 1,000 gallons		Commercial-outside, per 1,000 gallons	
Availability charge	\$16.42	Availability charge	\$19.04
Next 9,000 gallons	3.86	Next 9,000 gallons	5.98
Next 15,000 gallons	4.79	Next 15,000 gallons	6.56
All additional gallons	5.72	All additional gallons	7.14

Water User Rates – Effective January 1, 2014

Residential-inside, per 1,000 gallons		Residential-outside, per 1,000 gallons	
Availability charge (1,000 gallons)	\$12.06	Availability charge (1,000 gallons)	\$14.62
Next 9,000 gallons	4.02	Next 9,000 gallons	6.22
Next 15,000 gallons	4.95	Next 15,000 gallons	6.8
All additional gallons	5.88	All additional gallons	7.38
Commercial-inside, per 1,000 gallons		Commercial-outside, per 1,000 gallons	
Availability charge	\$19.63	Availability charge	\$24.07
Next 9,000 gallons	4	Next 9,000 gallons	6.16
Next 15,000 gallons	4.93	Next 15,000 gallons	6.74
All additional gallons	5.86	All additional gallons	7.32

SECTION II: BE IT FURTHER ORDAINED BY THE BOARD OF MAYOR AND ALDERMEN OF THE CITY OF FRANKLIN, Tennessee, that this ordinance shall take effect on January 1, 2013.

ATTEST:

CITY OF FRANKLIN, TENNESSEE:

By: _____
ERIC S. STUCKEY
City Administrator/Recorder

By: _____
KEN MOORE, M.D.
Mayor

PASSED FIRST READING _____

PASSED SECOND READING _____



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MEMORANDUM

October 12, 2012

TO: Board of Mayor and Aldermen

FROM: Eric S. Stuckey, City Administrator *Eric*
Mark Hilty, Water Management Director

SUBJECT: Follow Up on Cost of Service Study Information Request from the Board of Mayor and Aldermen (BOMA) During the October 9, 2012 BOMA Work Session

The purpose of this memorandum is to provide information pertaining to the Water Management Cost of Service Study as requested during the October 9, 2012 Work Session.

During the October 9, 2012 Work Session the following information was requested from staff and Jackson Thornton Utilities:

- Based on the water rate comparison chart, identify which utilities have treatment facilities operated by the utility.

Water Utility	Utility Operated Treatment Facility?
City of Columbia	Yes
Harpeth Valley Utility District	Yes
Mallory Valley Utility District	No
City of Murfreesboro	Yes
City of Franklin	Yes
City of Brentwood	No
City of Spring Hill	Yes
Nolensville College Grove Utility District	No
Whitehouse	Yes
HB&TS	No
Consolidated Utility District	Yes
Milcrofton Utility District	No



- Provide a comparison of the inside and outside rates for various consumption increments for both water and sanitary sewer

Water Comparison Using Existing Rates

Water Consumption	Residential Inside	Residential Outside	Percent Difference	Commercial Inside	Commercial Outside	Percent Difference
1,000 Gallons	\$10.42	\$12.42	19%	\$13.21	\$14.01	6%
7,000 Gallons	\$32.74	\$47.22	44%	\$35.53	\$48.81	37%
10,000 Gallons	\$43.90	\$64.62	47%	\$46.69	\$66.21	42%
25,000 Gallons	\$113.65	\$160.32	41%	\$116.44	\$161.91	39%

Water Comparison Using Proposed Rates

Water Consumption	Residential Inside	Residential Outside	Percent Difference	Commercial Inside	Commercial Outside	Percent Difference
1,000 Gallons	\$11.24	\$13.52	20%	\$16.42	\$19.04	16%
7,000 Gallons	\$34.46	\$49.58	44%	\$39.58	\$54.92	39%
10,000 Gallons	\$46.07	\$67.61	47%	\$51.16	\$72.86	42%
25,000 Gallons	\$118.07	\$166.46	41%	\$123.01	\$171.26	39%

Sanitary Sewer Comparison Using Existing Rates

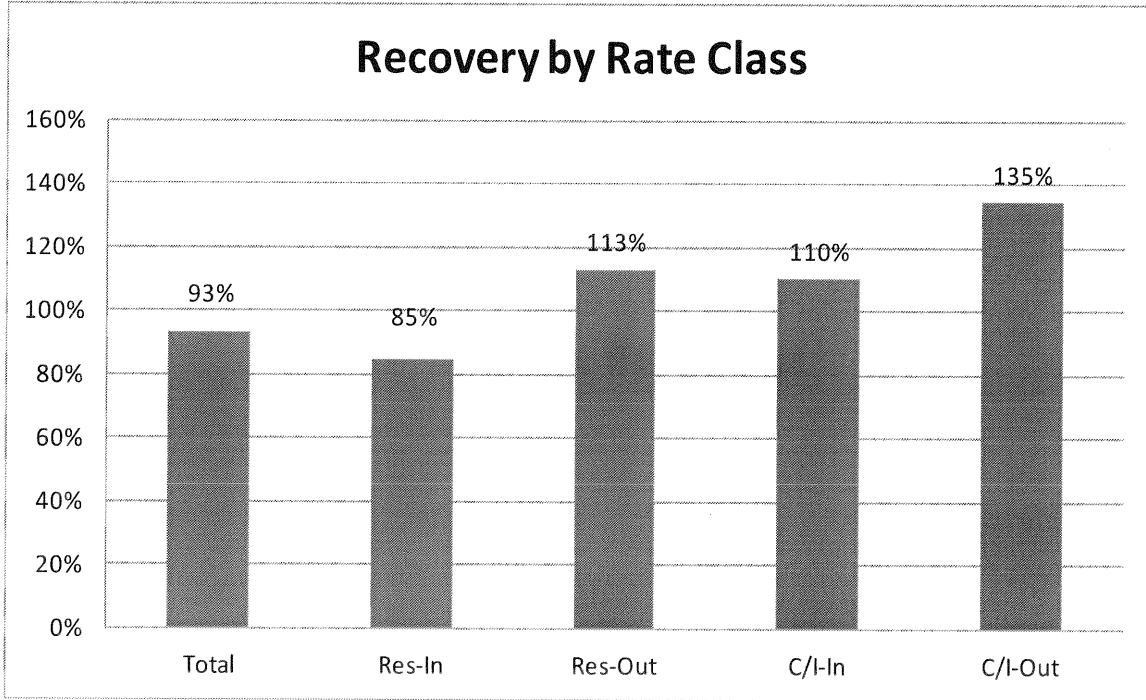
Sanitary Sewer Service Volume	Residential Inside	Residential Outside	Percent Difference	Commercial Inside	Commercial Outside	Percent Difference
1,000 Gallons	\$14.55	\$19.21	32%	\$29.00	\$31.00	7%
7,000 Gallons	\$36.21	\$52.93	46%	\$55.52	\$72.46	31%
10,000 Gallons	\$47.04	\$69.79	48%	\$68.78	\$93.19	35%
25,000 Gallons	\$93.29	\$142.59	53%	\$125.18	\$177.94	42%

Sanitary Sewer Comparison Using Proposed Rates

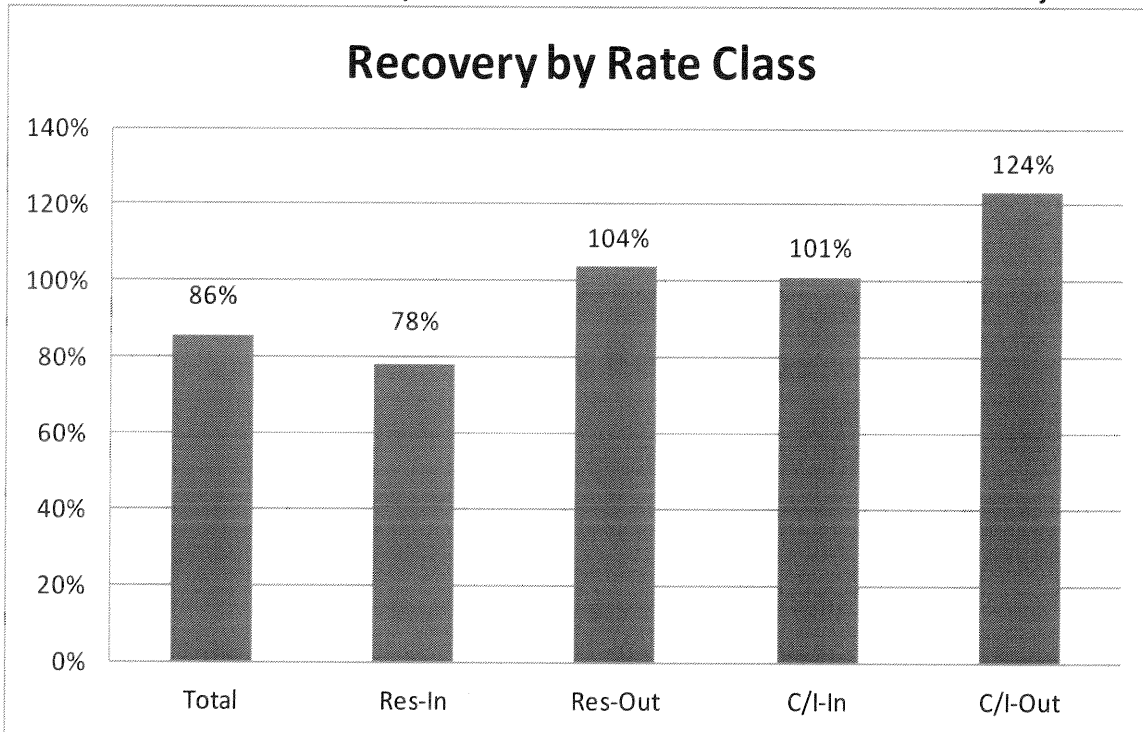
Sanitary Sewer Service Volume	Residential Inside	Residential Outside	Percent Difference	Commercial Inside	Commercial Outside	Percent Difference
1,000 Gallons	\$15.55	\$20.39	31%	\$35.41	\$38.16	8%
7,000 Gallons	\$38.83	\$56.81	46%	\$62.83	\$81.00	29%
10,000 Gallons	\$50.47	\$75.02	49%	\$76.54	\$102.42	34%
25,000 Gallons	\$100.77	\$154.57	53%	\$135.19	\$190.62	41%

- Present the percent recovery for water and wastewater based on only the approved BOMA projects.

Water Percent Recovery WITHOUT ADDITIONAL Debt Service

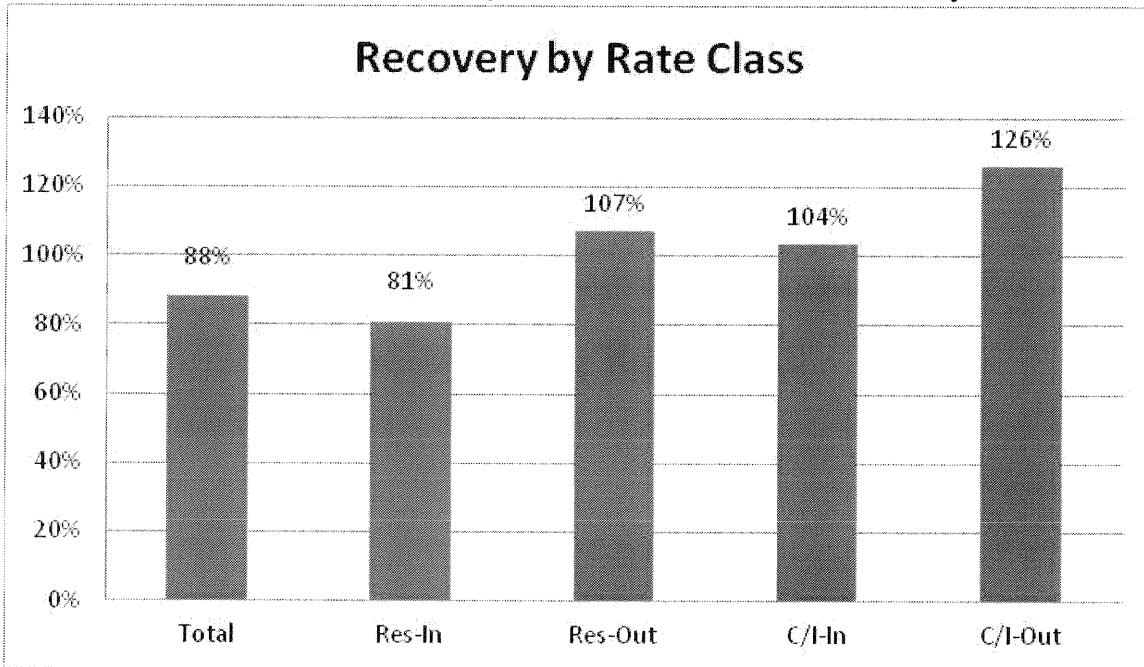


Water Percent Recovery with Debt Service for APPROVED and PENDING Projects

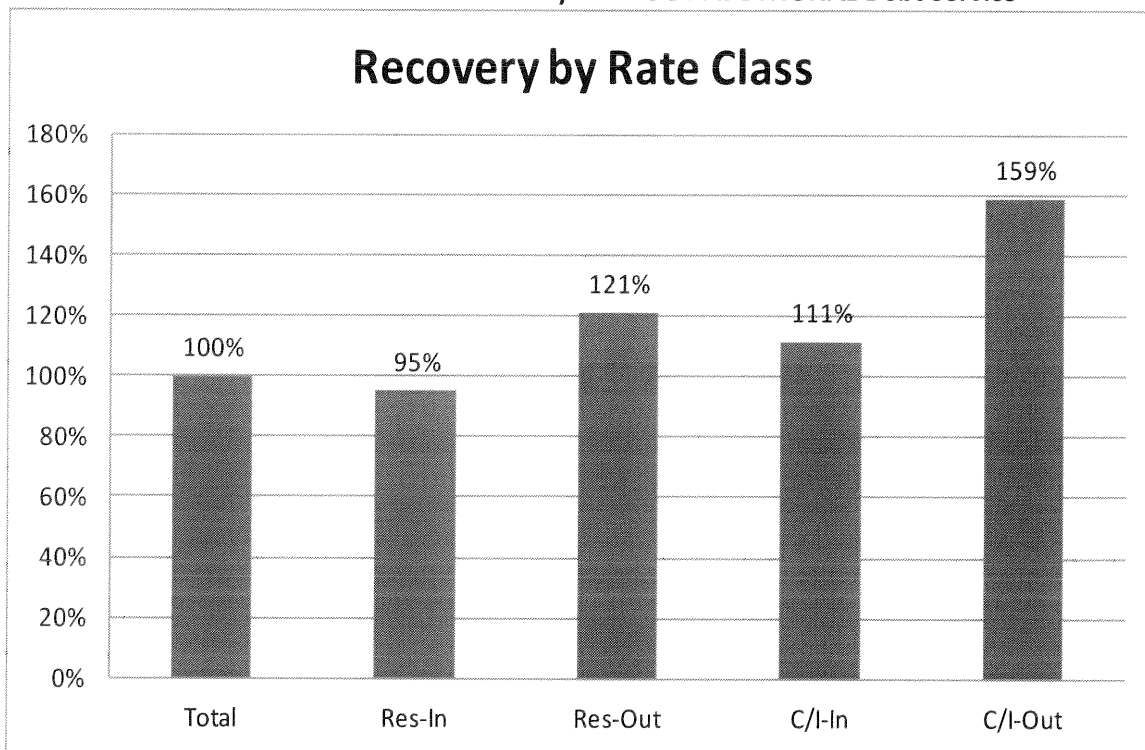




Water Percent Recovery with Debt Service for APPROVED Projects

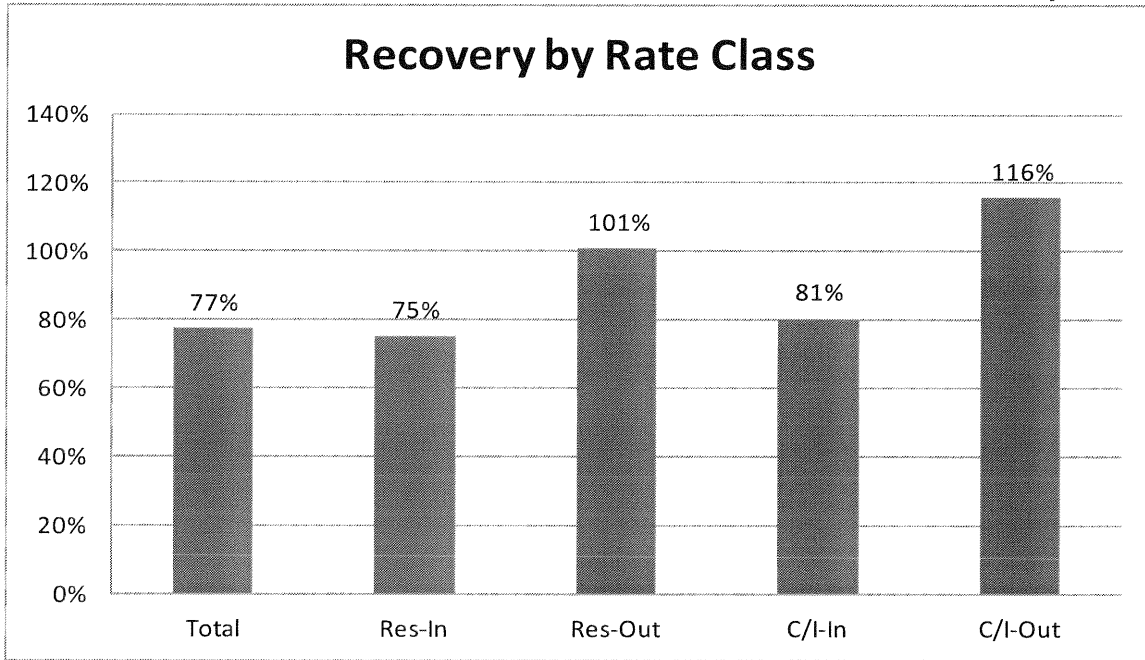


Wastewater Percent Recovery WITHOUT ADDITIONAL Debt Service





Wastewater Percent Recovery with Debt Service for APPROVED and PENDING Projects



Wastewater Percent Recovery with Debt Service for APPROVED Projects

