



HISTORIC
FRANKLIN
TENNESSEE

ITEM #9
FINANCE
08-28-13

MEMORANDUM

August 22, 2013

TO: Board of Mayor and Aldermen

FROM: Eric S. Stuckey, City Administrator
Russell Truell, Assistant City Administrator / CFO
Mark Hilty, Water Management Director

SUBJECT: Water Management Update - Water rate Increase Request from TDEC for SRF Loan

Purpose

The purpose of this memorandum is to present to and discuss with the Board of Mayor and Aldermen (BOMA) the attached letter received from the Tennessee Department of Environment and Conservation (TDEC) regarding State Revolving Fund (SRF) funding and in general, funding of the Integrated Water Resources Plan (IWRP) projects.

Background

The City has expressed interest to the TDEC SRF group for funding of various projects related to the (IWRP). These projects include:

| Clean Water Projects (\$45M) | BOMA Funding Status | Project Status |
|--------------------------------------|---|----------------------------------|
| Water Reclamation Facility Expansion | Design Funded | Design Ongoing |
| Biosolids Facility Improvements | Preliminary Design Funded through Digestion | Design through Digestion Ongoing |
| SCADA System Improvements | Design Funded | Design Ongoing |

| Drinking Water Projects (\$18M) | BOMA Funding Status | Project Status |
|--|---|-----------------------------|
| Water Treatment Plant Improvements | Design Funded for 2MGD, Preliminary Design Funded for 4 MGD | Design as Approved, Ongoing |
| Advanced Metering Infrastructure (AMI) | Not Funded | On Hold |
| Water Distribution System Improvements | Design Funded | On Hold |
| SCADA System Improvements | Design Funded | Design Ongoing |

The City received a letter from TDEC (attached) regarding the status of the loans, indicating that funding through SRF would require a rate increase of 12.2% (total for water and sanitary sewer) based on their analysis of revenues and expenditures. In reviewing the analysis, there are several revenue streams that are not considered. These include customer growth, development fees, and future rate increases. Staff is currently evaluating active development projects to document anticipated revenues for consideration by TDEC, including an estimate of customer growth that can be validated by planning documentation and development activity.

As discussed during the IWRP process, it was anticipated that rates would need to be further evaluated to ensure adequate funding of operations and capital projects. Staff is in the process of getting a proposal to refine



HISTORIC
FRANKLIN
TENNESSEE

MEMORANDUM

our cost of service analyses and is working to refine the development fee structure for consideration by the BOMA.

Recommendation

At this time, staff is not requesting any action by the BOMA but wishes to bring these matters to the forefront for discussion and guidance.



STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
State Revolving Fund Loan Program
Division of Water Resources
William R. Snodgrass Tennessee Tower
312 Rosa L. Parks Avenue, 12th Floor
Nashville, TN 37243

August 9, 2013

The Honorable Ken Moore, Mayor
109 Third Avenue South
Franklin, TN 37064

RE: Additional Revenue Recommendation
Franklin (Williamson County), TN
DWSRF Water Treatment Improvements; Advanced Metering Infrastructure; Water
Distribution System Improvements; and, CWSRF Wastewater Reclamation Facility
Upgrades; Bio-solids Facility; and, Wastewater SCADA System Improvements

Dear Mayor Moore:

Based on a review of audited financial statements for fiscal years 2010 through 2012; information from the facilities plan; projections of revenue and expenses through fiscal year ending June 30, 2017; and, user rates including the rates established via Ordinance # 2012-57, the State Revolving Fund (SRF) Loan Program has determined that the City of Franklin needs to generate an additional approximate \$1,760,000 per year (\$147,000 per month) to qualify for the \$17,500,000 Drinking Water non-subsidized SRF loan or \$2,800,000 per year (\$234,000 per month) to qualify for the \$45,000,000 non-subsidized Clean Water SRF loan. To qualify for both loans, Franklin would need to increase the revenue by \$3,500,000 per year (\$292,000 per month).

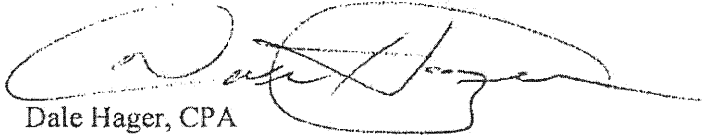
The additional revenue could be generated by a 7.6% increase in the existing water and wastewater user rates to qualify for the Drinking Water loan or 12.2% increase in the existing water and wastewater user rates to qualify for the Clean Water loan. To qualify for both loans an increase of 15.3% would be needed. Other means may be used to generate the needed increase in revenues. Please note that user rate increases may be implemented in increments and that the final increment does not have to be effective until the loan reaches the repayment cycle or completion of construction whichever occurs first.

This proposed loan will be subject to by-pass after November 15, 2013 if no significant progress toward processing of the loan is noted by SRF personnel.

Mayor Moore
RE: Additional Revenue Needed
Date August 9, 2013
Page 2

If you have any questions, please contact me at (615) 532-0457 or Dale.Hager@TN.gov .

Sincerely,



Dale Hager, CPA

State Revolving Fund Loan Program, Finance Section

cc: Mr. Eric Stuckey, City Administrator, Franklin, TN (via e-mail)
Mr. Mark Hilty, Director of Water Management, Franklin, TN (via e-mail)
Mr. Sherwin Smith, Program Manager, SRF Loan Program (via e-mail)
Mr. Sam Gaddipati, Environmental Manager, SRF Loan Program (via e-mail)
Ms. Felicia Freeman, Manager, Technical Section, SRF Loan Program (via e-mail)
Dr. Bagher Sami, Manager, Administrative Section, SRF Loan Program (via e-mail)
User Charge System File



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August 22, 2013

TO: Budget & Finance Committee

FROM: Eric S. Stuckey, City Administrator
Russell Truell, Assistant City Administrator / CFO
Mark Hilty, Water Management Director

SUBJECT: Water Management Update – Consideration of Meter Reading Equipment

Purpose

The purpose of this memorandum is to present to the Board of Mayor and Aldermen (BOMA) information regarding potential purchase of meter reading equipment.

Background

The City uses Sensus equipment to perform meter reading activities for the water distribution system. A transmitter, referred to as an MXU, is placed at metered delivery points and transmits data to a receiver (VXU). The City's system currently employs the 505B (obsolete), the 505C (obsolete) and the "R" model MXUs in the distribution system. The newer version of the MXU, the "M" model, has been introduced to the market and it is anticipated that the "R" model will be phased out in the near term.

The Water Management Department is interested in moving forward with replacement of aging MXUs with the "M" model however it will require the purchase of a new VXU in order to process the data. While this does require an unplanned expenditure, there are some benefits to moving forward with the procurement. These benefits include:

- Installation of best available technology offered by the City's metering system vendor,
- "M" model is compatible with advanced metering infrastructure (AMI) system ("R" model is not) which would ultimately reduce costs on installation and equipment purchases should the BOMA proceed with AMI, and
- VXU is also compatible with AMI system should BOMA proceed with that system.

Financial Impact

The financial impact is \$42,000. It is important to clarify the quote received by the vendor. The quote inaccurately states a unit price of \$2,000. As explained in the accompanying email from the vendor representative, a software issue prevents displaying a unit price over a certain number of characters and the unit price is \$42,000.

Options

There are various options to consider. Some options include continuing replacement of aging MXUs with the "R" model, begin use of the "M" model with the purchase of the new VXU, or evaluating other metering options.

Recommendation

Due to the long term benefits perceived by staff, it is recommended that the City proceed with replacing aging MXUs with the "M" model.

** QUOTATION **

S1612117

THE C.I. THORNBURG CO., INC.
3333 HYDES FERRY ROAD
NASHVILLE, TN 37218

Page# 1

Bid To:

Ship To:

Acct #13277
FRANKLIN WATER & WASTEWATER
405 HILLSBORO ROAD
FRANKLIN, TN 37064
Phone # : 615-794-4554

FRANKLIN WATER & WASTEWATER
405 HILLSBORO ROAD
FRANKLIN, TN 37064

--Bid-Date--Expr-Date--Writer--Terms-----Ship Via-----
08/02/13 10/01/13 PORPHI NET 30 DAYS I65S
--Purchase Order #-----CTNS / WT----Picker----Loader----Delivered By-----
VGB/VXU

| Bid-Qty-- | | Unit Pric | Net |
|-----------|---|------------|----------|
| 1 | ^VEHICLE TRANSCEIVER UNIT 3600VXU and VXU OPERATING SOFTWARE | 2000.000ea | 42000.00 |
| 1 | ^VEHICLE GATEWAY BASE STATION TRANSCIEVER UNIT 4600VGB OPERTAING SOFTWARE w/ LAPTOP | 0.000ea | 0.00 |
| 1 | SENSUS FLEXNET COMMAND LINK | 0.000ea | 0.00 |
| 1 | AUTOVU MODULE GPS MAPPING PROGRAM, GPS CARD, TWO DAYS TRAINING | 0.000ea | 0.00 |
| | BID TOTAL | | 42000.00 |
| | Bid Amount | | 42000.00 |

Extras not listed or spelled out are not included in pricing.
We reserve the right to correct clerical errors.

Mark Hilty

From: Stephen Hunter
Sent: Thursday, August 22, 2013 3:07 PM
To: 'harveys@farnklintn.gov'
Subject: VGB Quote

Harvey,

The reason your only seeing 2000 as the unit price on your bid is because our system under unit price will only show 4 places then a decimal and then 3 places after it. The correct unit price is 42,000.00. They are working on our system to correct that issue. I'm sorry for the confusion

Stephen Hunter
Sales Representative

The C.I Thornburg Co., Inc
Leading the World Through Clean Water
3333 Hydes Ferry Road, Nashville, Tn 37218
615.254.3484 | c:615.310.6627 | f:615.770.9999
stephen.hunter@cithornburg.com
www.cithornburg.com