

# Impact Fees – Frequently Asked Questions

## 1. What costs are the City of Franklin trying to solve with these new fees?

The City developed the Integrated Water Resources Plan (Plan) in 2012 that analyzed water resources within the City and how they are used for our growing community. From this Plan, several projects were outlined as priorities for our growing community, including:

- Upgrade and expansion of the Water Treatment Facility that provided increased levels of treatment and higher water quality for our customers. This project was completed in 2018.
- Upgrade and expansion of the Water Reclamation Facility on Claude Yates that increased capacity from 12 million gallon per day (MGD) to 16 MGD. This project also provides for equipment updates and process enhancement. The implementation of a sustainable solids processing component is also included in this project. While aspects of this project are functioning now, this project will be fully complete in 2023.
- The construction of a southern wastewater treatment facility is designed to accommodate growth and development. Growth in the southern portion of Franklin in particular show new capacity that will be needed to accommodate the new development, both commercial and residential. The Plan identified additional treatment capacity in this area.

The costs associated with the Water Treatment Facility and the Claude Yates Water Reclamation Facility are based on actual costs of the projects associated with system enhancements and new capacity.

Costs for a new 8 MGD facility include the following:

- Current Southeast Wastewater Capacity Evaluation PSA (engineering – Hazen, \$4.3M) - actual
- Pilot plant construction cost (construction – Haren, \$1.65M) - actual
- Preliminary Engineering Report/Permit Development (engineering – Hazen, \$3M) - actual
- Anticipated Design Cost (engineering – TBD, \$7M)
- Anticipated construction inspection cost (inspection – TBD, \$12M)
- Anticipated construction cost (construction – TBD, \$150M)
- Anticipated interest cost for SE Clean Water Facility (bond – currently estimated at 3.5% for 30 years)

## 2. Can a summary of stakeholder input be provided?

Presentations have been given to the Board of Mayor and Aldermen on the following public meeting dates: January 26, 2021; March 23, 2021; March 8, 2022; March 22, 2022; April 12, 2022; October 11, 2022; November 8, 2022.

Presentations have also been given to the Design Professions/Developers Group (April 2022) outlining the concept and methodology shift and the Development Services Advisory Commission (November 2022) phased approach for full implementation of fees.

3. What consultants are working on the master planning of these expenses to qualify costs and needs?

The design consultant for the evaluation of additional southeast capacity is Hazen & Sawyer. Hazen & Sawyer was selected through a qualifications-based selection process in 2019.

4. What consultants are working on the impact fee process and application?

The Water Management Department used Jackson Thornton to complete the evaluation on the City's impact fees in 2019 based upon costs provided by the Department. The American Water Works Association, M1 Manual, Principles of Water Rates, Fees, and Charges was used for the basis of the study. The model is based off an initial treatment capacity of 8 MGD, and while the exact treatment cost is still being vetted by our engineering consultant, the proposed facility size was recommended by the Integrated Water Resources Plan based upon the growing size and needs of the City.

5. Can any of the studies that have been done to estimate the need for these updates be shared? What are the costs?

The City has created a consolidated page on its website that includes presentations to the BOMA, the Integrated Water Resources Plan (IWRP), and this FAQ. The City will continue to add resources to this site as they are developed. [Impact Fee Web Page](#)

6. Are the costs being proposed only for "new development" or are there existing infrastructure improvements that are necessary and are being incorporated into the model?

These costs are for new development only and include those new connections to the distribution or collection system. If redevelopment occurs and the demand increases, the developer will only be required for the delta in increase of demand and not the entire fee.

7. Where did the System Development Fees and Effluent Disposal Fees that have been historically charged by the COF go? The WWTP upgrades and new construction are not new projects and have been budgeted for years.

The existing Water Reclamation Facility (WRF) upgrades and expansion have been planned for years and collected impact fees have been designated for this project. For the current upgrade and expansion of the WRF, only 33% of the costs are being attributed to growth and the rest is assumed to be ratepayer funded capital investment projects. The 33% capacity increase is calculated from the increase from 12 MGD to 16 MGD capacity.

The effluent disposal fee that is charged for new sewer connections goes toward the upgrade of the reclaimed water system. This system diverts effluent from the Harpeth River and offsets the potable water demand for irrigation by customers. The City provides this service as a mutual benefit for customers and the City by providing irrigation water at a cheaper rate than potable water while also diverting the discharge (and also nutrients) from the river.

8. What alternative funding has been considered (i.e. federal or state grants, loans, etc.)?

A State Revolving Fund loan will be pursued as part of this project, and may include principal forgiveness, however, it is a loan at a lower interest rate than typically seen in open market conditions. The City is currently utilizing SRF loans for payment of the current WRF upgrade & expansion. Staff will continue to explore grant monies and other opportunities for funding as available.

9. What projects will be grandfathered? Is that based on approved plans, approved development plans, approved site plans, etc.?

The approach being recommended is a phased-in approach over a four-year period, increasing the fee by 25% each year until the full fee is reached. This phased-in approach will allow for those projects currently ready to begin the building process the benefit of receiving the smaller increment of the proposed fee.

10. Would the COF consider the creation of a MUD, PID, or a TIF district as alternatives to fund infrastructure?

Below is the definition of a TIF from the Comptroller's website.

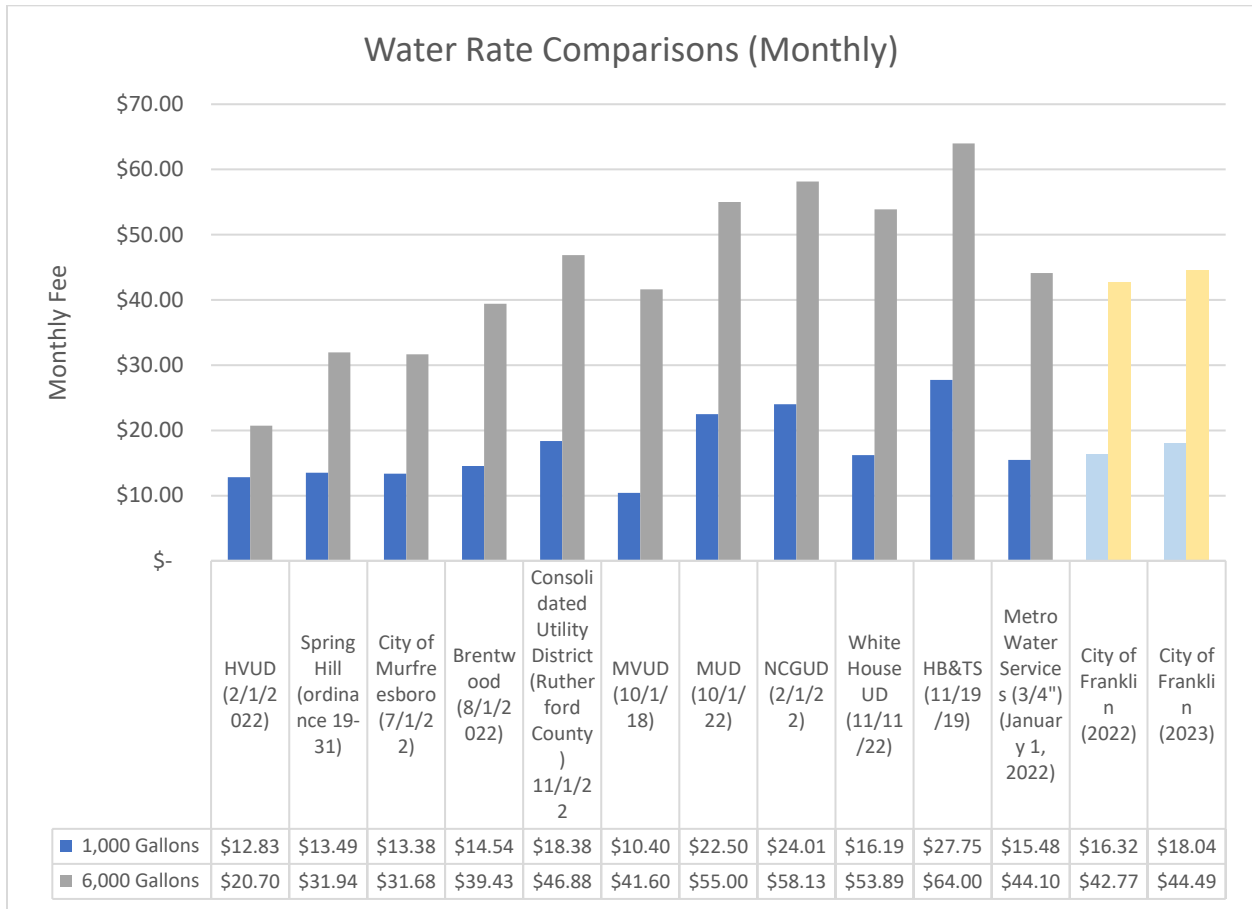
<https://comptroller.tn.gov/boards/state-board-of-equalization/sboe-services/property-tax-incentive-programs/tax-increment-financing.html>

Tax Increment Financing (TIF) is a method utilized by local governments to pay for community improvements with future tax revenues. Local governments are not allowed to intermingle utility revenues with property taxes to pay for improvements to the utility. Therefore, the use of a TIF is not an appropriate tool to use for the projects related to the impact fees.

Municipal Utility Districts (MUDs) and Public Improvement Districts (PIDs) are two of several types of Special-Use Districts (SUDs) and "tools" a developer can use to help finance the cost of roads, sanitary sewer, water lines, and other improvements to meet community needs which could not otherwise be provided. These districts are similar to special assessment districts and are geographically (district)-based. Special assessment districts eventually have improvements paid by those who most benefit from them. Once the developer has financed and constructed the improvements, the SUD is turned over and managed by a board of directors. This Board is elected from the people who live or own businesses within the "district" and has the authority to levy their own taxes and fees on themselves to repay the developer for their costs, repay any outstanding debt, and for future maintenance.

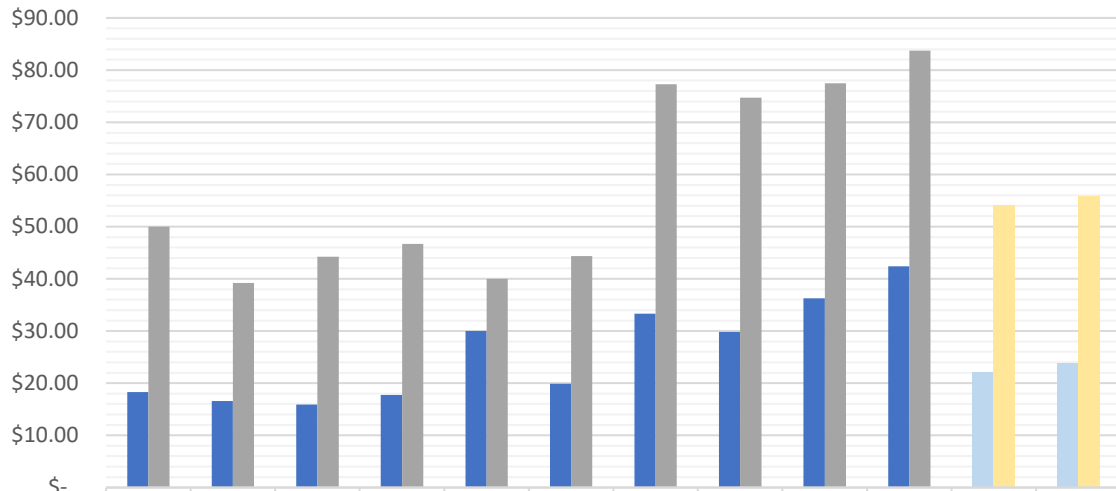
Franklin's proposed impact fees use a unit measure of flow or system demand to equitably distribute costs versus a specific geographic boundary. As has been discussed, a portion of the flows that are treated at the existing Water Reclamation Facility will be diverted in the future to the new treatment facility freeing up capacity to provide for ongoing growth and redevelopment in the northern portion of the City. As such, a defined geographic boundary may not be an equitable way to implement fees across the City.

11. How does the COF rate structure compare to other municipalities and utility districts in Middle Tennessee?



The average water fee for 1,000 and 6,000 gallon usage is \$17.18 and \$44.20, respectively.

## Sanitary Sewer Rate Comparisons (Monthly)



	HVUD (2/1/2022)	Spring Hill (1/1/2010)	City of Murfreesboro (7/1/22)	Brentwood (8/1/2022)	Consolidated Utility District - Rutherford County (11/1/22)	City of Columbia (6/1/2011)	Goodlettsville (21-988)	White House (11/11/22)	Eagleville (2018-01)	Metro Water Services (3/4") (January 1, 2022)	City of Franklin (2022)	City of Franklin (2023)
■ 1,000 Gallons	\$18.28	\$16.59	\$15.89	\$17.75	\$30.00	\$19.89	\$33.33	\$29.80	\$36.25	\$42.42	\$22.08	\$23.84
■ 6,000 Gallons	\$49.98	\$39.19	\$44.24	\$46.67	\$40.00	\$44.39	\$77.29	\$74.70	\$77.50	\$83.73	\$54.13	\$55.89

The average sanitary sewer fee for 1,000 and 6,000 gallon usage is \$25.51 and \$57.31, respectively.