




HISTORIC  
FRANKLIN  
TENNESSEE

ITEM #7  
WRKS 10/26/2010

## MEMORANDUM

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October 24, 2010

**TO:** Board of Mayor and Aldermen  
**FROM:** City Administrator Eric S. Stuckey   
Assistant City Administrator Russ Truell  
**SUBJECT:** Water issues related to access fees

These are the issues that came up during the October 21<sup>st</sup> special work session on water/sewer rates:

Impact fees: Are they being used for capital projects? What are the balances of each type of fee? Specifically, on the sewer plant improvements, how is the debt service being paid?

For background, I am including the citation from the municipal code regarding access fees and system development fees. A longer excerpt from the code is placed at the end of this memo.

Municipal Code, Section 18-102

(6)

**System development fee** refers to a fee to be paid by any person or entity making a connection to the public water system of the City of Franklin, which fee is made for the purpose of enabling the City of Franklin **to repair and replace its facilities** as necessary.

(7)

**Installation fee** refers to a fee to be paid the City of Franklin for the purpose of reimbursing the city its expenses, including labor, equipment and materials, for installing a service line from the water main to the property line of a potential customer, including the meter, meter box, and any related apparatus or equipment.

(8)

**Access fee** refers to a fee to be paid to the City of Franklin for the purpose of providing funds for additions, replacements, improvements and expansions to the Franklin Water System, such improvements being **required periodically because of growth.**

With respect to the issue of rate-funded capital being used for projects, the FY2011 debt service of the water & sewer system is listed below. Immediately below those totals is the breakdown of how each issue is funded. The determination of how to allocate the debt service, on all but the 2008 issue, was made by the Board and City Administrator at the time of original issuance. [Note that the refunding issues cover original issues that date back to the mid-1990's.] The 2008 issue contains incomplete projects whose final determination of allocation has yet to be made. Based on the multiple projects involved in that issue, staff has



assigned 818,000 (53%) of the 1,538,000 annual debt service payments to sewer access fees. The balance is divided among the operational groupings.

**2011 DEBT SERVICE by issue**

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
1999 REFUNDING	390,000	8,190	398,190
2002A REFUNDING	725,000	76,100	801,100
2002A NOTES	175,000	3,500	178,500
2002B ISSUE	700,000	141,875	841,875
2005 REFUNDING	280,000	1,208,250	1,488,250
2008 ISSUE	638,000	900,000	1,538,000
	2,908,000	2,337,915	5,245,915

**2011 DEBT SERVICE by funding source**

	<u>WATER OPERATIONS</u>	<u>WASTEWATER OPERATIONS</u>	<u>RECLAIMED OPERATIONS</u>	<u>WASTEWATER ACCESS FEES</u>	<u>TOTAL</u>
1999 REFUNDING		398,190			398,190
2002A REFUNDING		48,066		753,034	801,100
2002A NOTES		178,500			178,500
2002B ISSUE		210,469		631,406	841,875
2005 REFUNDING		595,300		892,950	1,488,250
2008 ISSUE	353,740	272,995	92,280	818,985	1,538,000
	353,740	1,703,520	92,280	3,096,375	5,245,915

The account balances are listed below. Based on the guidance of the Board and City Administrator, the improvements to the wastewater plant funded by bonds were to be split between access fees and operations on a three to one basis. That is, 25% of the improvements were to be funded by rate-funded capital; 75% of the improvements were designated as due to increased system capacity and were to be funded by access fees. Because of the expected growth of the City and the large annual debt payments, it was determined that debt service would be paid by the access fees rather than using existing balances to fund more of the improvements.

There appear to be two bond issues that cover the sewer plant expansion: a \$7 million issue that account for refunding improvements in 1995 and 1997; and a \$26 million issue (2002, refunded in 2005) that covers the majority of the expansion



HISTORIC  
FRANKLIN  
TENNESSEE

## MEMORANDUM

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### ***ACCOUNT BALANCES by revenue source***

	<u>WATER</u>	<u>SEWER</u>	<u>RECLAIMED</u>	<u>COMBINED</u>
SYSTEM DEVELOPMENT FEES	6,336,446	10,871,158	195,163	17,402,767
ACCESS FEES	792,809	-5,746,068	985,280	-3,967,978
BOND PROCEEDS	-157,136	-2,309,878	-27,314	-2,494,328
<b>TOTAL</b>	<b>6,972,118</b>	<b>2,815,213</b>	<b>1,153,129</b>	<b>10,940,461</b>

Note that the large expenditures on sewer plant upgrades were intended to be funded from sewer access fees. Those fees have not been collected in sufficient quantity to fund the allocated amount of debt service. Thus, there is a negative balance in sewer access fees reflecting temporary borrowing from system development fees until such time as sewer access fees are collected. The negative amounts in the bond proceeds category reflect expenditures for projects that exceed the amounts currently borrowed through bond issues. When the projects reach completion, it is anticipated that those deficit balances will be cured either from allocation of system development fees or additional borrowing.

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**Further excerpts from Municipal code:**

**Sec. 18-106. - Assessment and collection of fees.**

Before a new connection is made to the water system or an existing customer increases requirements by expansion of the original served facilities, fees shall be assessed and collected by the city.

The system development fee is paid for the purpose of enabling the city to repair and replace its facilities as necessary. The installation charge is paid to reimburse the city the cost of labor, equipment and materials used in installing the service line and meter. The system development fee and installation fee for all customers is assessed and shall be paid prior to the issuance of a building permit.

The system development fee shall be based on the size of the meter needed to serve each customer. The smallest meter shall be a 5/8 × 3/4 inch meter, which has a capacity of 12.5 gallons per minute. The system development fee for developments requiring larger meters will be based on its capacity in relation to the capacity of the 5/8 × 3/4 inch meter. The developer's engineer shall determine meter sizes. The director will accept or reject the size of the meter based on:

- (1) Information furnished to the director by the person or entity desiring to connect to the waterlines or facilities,
- (2) Information contained in recognized state or national publications,
- (3) Records of similar installations, or
- (4) Information provided from other reliable sources approved by the director.

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**Sec. 18-107. - Water line access fee.**

In order to provide funds for additions, replacements and improvements to the Franklin Water System, such improvements being required periodically because of increases in needs due to expanding service requirements, the City of Franklin hereby establishes a waterline access fee, hereinafter referred to as the "access fee." The access fee is to be assessed to any person or entity connecting to the waterlines or facilities of the City of Franklin for the purpose of furnishing water service to a new or enlarged residential, commercial or industrial site.

For the purpose of this section, the point of connection to the system shall be that point at which any new line or service tap is connected to an existing line in the Franklin Water System. Such point may be remote from the site of the development or customer requiring service.



The access fee shall be based on the size of the meter to be used for the development. The developer's engineer shall determine meter sizes. The director will accept or reject the size of the meter based on:

- (1) Information furnished to the director by the person or entity desiring to connect to the waterlines or facilities;
- (2) Information contained in recognized state or national publications,
- (3) Records of similar installations, or
- (4) Information provided from other reliable sources approved by the director.

The access fee shall be no less than \$1,186.00. However an access fee greater than that listed herein for access to any specific section of a water main may be established by resolution of the board of mayor and aldermen upon recommendation of the appropriate committee.

The access fee for residential customers is assessed and shall be paid prior to the issuance of a construction permit for the installation of water facilities to serve developments or individual customers, prior to the issuance of a building permit. The access fee for all other customers is assessed and shall be paid prior to the issuance of a building permit. Funds paid to the city as access fees shall be deposited in a special account for the purpose of providing funds for additions, replacements and improvements to the Franklin water system.

*(1976 Code, § 13-107; Ord. No. 2001-56, 4- -2002; Ord. No. 2005-28, 5- -2005; Ord. No. 2007-119, § II, 2-12-2008)*

### **Main extensions and facilities funded in whole or in part by developers.**

In the event that a person has been required to pay all or a part of the cost of constructing water lines or facilities (hereinafter "improvements"), which improvements become part of the Franklin Water System and are available for use and benefit of the customers of the Franklin Water System, that person may be eligible to be reimbursed a portion of its costs of construction of the said improvements.

Reimbursement shall be allowed only by the board of mayor and aldermen after review by the appropriate committee and shall be paid from revenue generated from the water line access fee account. Cost reimbursement will not be allowed for improvements constructed, on or off-site, for the sole benefit of the development. Costs eligible for reimbursement include labor, equipment, supplies, materials, engineering design, supervision, inspection, legal, and acquisition costs for easements and right-of-way. Fiscal costs, including interest, finance charges, and other similar costs are ineligible for reimbursement.

The person requesting reimbursement must enter into a written agreement with the city prior to commencement of construction of any improvements for which reimbursement is sought. This agreement shall set out:

- (1) A description of the improvements;
- (2) The estimated total eligible costs, as above defined;
- (3) The portion of the cost of such improvements for which reimbursement will be allowed. The latter determination shall be based generally upon the difference in sizing or capacity of the line or facility needed for the development and the size or capacity needed for the system as a whole, the



cost of "up-sizing." However, the board may in its reasonable discretion consider such other factors as are necessary for an equitable sharing of costs of any system improvements so constructed.

Further, prior to dedication and acceptance of the improvements by the city, the person requesting reimbursement must present to the board a detailed statement of the actual eligible costs and the board in its discretion may amend the agreement, and the reimbursement amount, to reflect the actual project costs.

*(1976 Code, § 13-108; Ord. No. 1296, 11- -1994; Ord. No. 2001-56, 4- -2002)*

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**Sec. 18-206. - Building sewer or service line connections.**

No person not authorized by the director shall uncover, make any connections with or opening into, use, alter, or disturb any public sewer or appurtenance, thereof, without first obtaining a written permit from the director. Also all connections to the system must be made under the supervision of the director.

**(1)**

*Permits.*

**(a)**

All applications for permits for connections to the public sanitary sewer shall be made on blank forms approved and furnished by the city recorder, for each building or connection desired.

**(b)**

There shall be two classes of building sewer or service line permits:

**(i)**

For residential and commercial service, and

**(ii)**

For service to establishments producing industrial wastes. In either case, the owner or his agent shall make application on a special form furnished by the city. The permit application shall be supplemented by any plans, specifications, or other information considered pertinent in the judgment of the director.

**(c)**

If in the opinion of the director of water and wastewater or his designee, after appropriate inspection, any work inspected under the terms of this chapter fails to comply with the law, and notice is given to the permittee or his agent, and any reinspection of the same work is required, then a fee of \$50.00 per reinspection may be assessed against and collected from the permittee or his agent. No portion of the permitted work shall continue without first paying the reinspection fee.

**(2)**

*Assessment and collection of tap fees.* The connection charge for all customers is assessed and shall be paid prior to the issuance of a building permit. The installation charge is assessed and shall be paid whenever the city provides labor, equipment or materials to install the portion of the service line between the sewer main and the customer's part of the service line.

**(a)**

The installation charge is assessed and shall be paid whenever the city provides labor, equipment or materials to install the portion of the service line between the sewer main and the customer's part of the service line. The installation charge consists of the cost of labor, materials and equipment involved in installing the service line and required appurtenances, and will be paid in accordance with the following schedule:

EXHIBIT A. PROPOSED DEVELOPMENT FEES AND SANITARY SEWER RATES



<b>Access, System Development (SDF) and Installation Fees</b>				
<b>Meter size</b>	<b>Access fee</b>	<b>System development fee (SDF)</b>	<b>Installation fee, tap in place</b>	<b>Installation fee, tap not in place</b>
3/4"	\$ 2,100.00	\$ 1,444.00	\$263.00	\$1,240.00
1"	8,400.00	5,775.00	263.00	1,240.00
1 1/2"	20,160.00	13,860.00	263.00	1,240.00
2"	26,880.00	18,480.00	263.00	1,240.00
3"	58,800.00	40,425.00	263.00	1,240.00
4"	84,000.00	57,750.00	263.00	1,240.00
6"	201,600.00	138,600.00	263.00	1,240.00
8"	252,000.00	173,250.00	263.00	1,240.00

(b)

In the event the city does any installation work not covered in the above table of installation charges, the cost of such work shall be charged to the customer according to a schedule of rates established by the water and sewer department. The installation charge shall be paid within ten days after the service line or lines have been laid and before water service is received by the customer.

(c)

Connections to the public sanitary sewage system shall be made in accordance with the established standards of the city. The city shall be responsible for installing that portion of the service line from the sewer main to the customer's property line unless there is approval by the city for the customer or its agent to install that portion of the service line. When a service line is completed and accepted by the city as part of the public sewer system, the city shall be responsible for the maintenance and upkeep of such service line from the main to the customer's property line and that portion of the line shall belong to the city. The remaining portion of the service line beyond the customer's property line and extending into the customer's property shall belong to and be the maintenance responsibility of the customer. Maintenance shall include repairs or corrections to correct infiltration or inflow of rainwater or groundwater.

(d)

A separate and independent building sewer or service line shall be provided for every building. Except where one building stands at the rear of another on an interior lot and a service line cannot be constructed to the rear building through an adjoining alley, courtyard, or driveway, the building sewer service line from the building may be extended to the rear building and the whole is considered as one building sewer service line.

(e)

In case application is made to connect multiple units (such as would be contained in a shopping center, trailer park, apartment complex, condominium, duplex, triplex, etc.) to the sanitary sewage system, no privilege shall be granted unless a sewage connection fee as above set out is paid for each individual unit to be served within said development.

(3)

*Schedule of rates.* These fees will be assessed for any connection inside or outside the corporate limits.

Wastewater Access and System Development Fees  
Base upon Single-Family Unit Equivalent (SFUE) of 350 gal./day Discharge



Current			
Meter Size	Access Fee	System Development Fee	Total
5/8" X 3/4"	\$ 995	\$ 1,470	\$ 2,465
1"	\$ 3,980	\$ 5,880	\$ 9,860
1 1/2"	\$ 9,552	\$ 14,112	\$ 23,664
2"	\$ 12,736	\$ 18,816	\$ 31,552
3"	\$ 27,860	\$ 41,160	\$ 69,020
4"	\$ 39,800	\$ 58,800	\$ 98,600
6"	\$ 95,520	\$141,120	\$236,640
8"	\$119,400	\$176,400	\$295,800
Proposed			
Meter Size	Access Fee	System Development Fee	Total
5/8" X 3/4"	\$ 2,000	\$ 1,375	\$ 3,375
1"	\$ 8,000	\$ 5,500	\$ 13,500
1 1/2"	\$ 19,200	\$ 13,200	\$ 32,400
2"	\$ 25,600	\$ 17,600	\$ 43,200
3"	\$ 56,000	\$ 38,500	\$ 94,500
4"	\$ 80,000	\$ 55,000	\$135,000
6"	\$192,000	\$132,000	\$324,000
8"	\$240,000	\$165,000	\$405,000

This fee shall be paid in total to the City of Franklin after development plan approval and before any sewer infrastructure construction commences within a development.

*(1976 Code, § 13-206; Ord. No. 97-05, 2- -1997; Ord. No. 2001-56, 4- -2002; Ord. No. 2002-32, 1- -2003; Ord. No. 2005-29, 5- -2005; Ord. No. 2005-66, 10- -2005)*

**Sec. 18-207. - Sewer line access fee.**

(1)

**In order to provide additional funds for additions, replacements and improvements to the Franklin Sewer System, such improvements being required periodically because of growth,** the City of Franklin hereby establishes a sewer line access fee, hereinafter referred to as the "access fee." The access fee shall be assessed to any person or entity connecting to the sewer lines or facilities of the City of Franklin for the purpose of furnishing sewer service to a new or enlarged residential, commercial or industrial site.

(2)

For the purposes of this section, the point of connection to the system shall be that point at which any new line or service tap is connected to an existing line in the Franklin Sewer System. Such point may be remote from the site of the development or customer requiring service.

(3)

The access fee shall be based on the anticipated wastewater discharge for the development. Such anticipated discharge shall be determined by the director, and shall be based on the following:

(a)





HISTORIC  
FRANKLIN  
TENNESSEE

## MEMORANDUM

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Information furnished to the director by the person or entity desiring to connect to the sewer lines or facilities;

- (b) Information contained in recognized state or national publications;
  - (c) Records or similar installations; or
  - (d) Information supplied from other reliable sources approved by the director.
- (4) The unit of measure shall be the single-family unit (SFU) which shall be equivalent to a daily wastewater discharge of 350 gallons.
- (5) The access fee shall be no less than \$2,100.00 per SFU; however, an access fee greater than \$2,100.00 per SFU for access to any specific section of a sewer main may be established by resolution of the board of mayor and aldermen upon recommendation of the appropriate committee.
- (6) Funds paid to the city as access fees shall be deposited in a special account for the purpose of providing funds for additions, replacements and improvements to the Franklin Sewer System. Such funds may be withdrawn from the account by resolution of the board of mayor and aldermen.
- (7) The access fee for residential customers is assessed and shall be paid prior to the issuance of a construction permit for the installation of sewer facilities to serve developments or individual customers, prior to the issuance of a building permit, or prior to the issuance of a permit to tap a sewer main, whichever occurs first. The access fee for all other customers is assessed and shall be paid prior to the issuance of a building permit.

*(1976 Code, § 13-207; Ord. No. 97-05, 2- -1997; Ord. No. 2001-56, 4- -2002; Ord. No. 2002-32, 1- -2003; Ord. No. 2005-29, 5- -2005; Ord. No. 2007-120, § IV, 2-12-2008)*