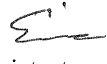




MEMORANDUM

August 13, 2010

TO: Board of Mayor and Aldermen

FROM: Eric S. Stuckey, City Administrator 
 Russell Truell, Assistant City Administrator – Finance and Administration
 Mark Hilty, Water Management Director

SUBJECT: Water Management - 2010-11 Biennial Budget and Five-Year Financial Plan, Proposed Amendments

We respectfully submit to the City of Franklin Board of Mayor and Aldermen these proposed amendments to the biennial budget for Fiscal Years 2010-11 and five-year financial plan (2010-14) for the City of Franklin's Water Management operations.

The proposed budget and financial plan had focused on some key themes. The proposed amendments continue to focus on these areas including:

- **Utility business planning.** The City will approach the management and operations of its water, wastewater, and reclaimed water utilities as distinct business units. To advance this effort, we are using multi-year planning focused on the self-sufficiency of each operation.
- **Cost Recovery.** The budget and financial plan has charted a course for full cost recovery through all water management operations within three years. As presented in the proposed budget amendments, sales have declined in both water and wastewater resulting in a decline in revenues for water and a modest increase in revenues in wastewater. The decline in sales is attributed primarily to economic strains. While sales have declined, expenditures were closely evaluated throughout the year enabling the department to achieve cost recovery. The department is continuing to work with Jackson Thornton to refine the rate structure and design and will be presenting information to the BOMA in the near future.

Section	2010 Revenues	2010 Projected Expenditures	Projected Expenditures as a Percent of Revenues
Water	\$ 6,982,853	\$ 6,953,731	99.6%
Wastewater	\$ 8,456,886	\$ 8,449,954	99.9%
Reclaimed Water	\$ 173,375	\$ 171,578	99.0%
Total	\$ 15,613,113	\$ 15,575,263	99.8%

- **Ensure that strong financial management is in place.** To manage utility functions over the long-term, strong financial management practices must be established and maintained. The department is still focused on establishing and building appropriate operational reserves with a goal of 25% and is considering this during rate analyses.



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In terms of approval process, the recommended Water Management budget amendments will be submitted for review by the Budget and Finance Committee. The Committee will discuss the recommended amendments at their August 19th meeting. At the Committee's direction the recommended amendments will be advanced to the full Board for consideration.

We look forward to working with the Board and supporting your policy deliberations as you consider the Water Management budget amendments.
