
**MINUTES OF THE SPECIAL WORK SESSION
WATER AND WASTEWATER RATE STRUCTURE
BOARD OF MAYOR AND ALDERMEN
FRANKLIN, TENNESSEE
CITY HALL BOARDROOM
THURSDAY, OCTOBER 21, 2010 – 5:30 P.M.**

Board Members

Mayor John Schroer	P	Alderman Dana McLendon	A
Alderman Clyde Barnhill	P	Alderman Ken Moore	A
Alderman Pearl Bransford	P	Alderman Ann Petersen	A
Alderman Beverly Burger	P	Alderman Michael Skinner	A
Alderman Margaret Martin	A		

Department Directors/Staff

Eric Stuckey, City Administrator	P	Lanaii Benne, Assistant City Recorder	P
Russell Truell, ACA Finance & Administration	P	Linda Fulwider, Board Recording Secretary	P
Mark Hilty, Water Management Director			

1. Call to Order

Mayor John Schroer called to order the Special Work Session of the Board of Mayor and Aldermen, Water and Wastewater Rate Structure, City of Franklin, Tennessee, on Thursday, October 21, 2010 at 5:37 p.m. in the City Hall Boardroom.

2. Discussion of Water and Wastewater Rate Structure

Mark Hilty, Water Management Director

Eric Stuckey noted different ways to achieve full recovery of water and wastewater rates would be presented to get feedback on how to move forward. There will be a three reading ordinance with a public hearing and the goal is to implement the rates on January 1, 2011.

Jim Marshall of Jackson Thornton presented the Cost of Service Study (12-months ending June 2011 ProForma).

Typical Objectives of Rate Study

1. Revenue Stability and Sufficiency
2. Fairness and Equity
 - Fair is related to cross subsidies
 - Equity is related to Price=Cost
3. Ability to Pay
4. Simplicity (Administrative & Customer Understanding)
5. Legally Defendable

Overview of Process

1. Determine Revenue Requirements
 - How much does the system need to make?
2. Develop Revenue Requirements by Rate Class

- How much is needed by rate class?
- 3. Develop COS Rates and Design Acceptable Rates
 - How to best recover the needed revenues?
- 4. Implement Rate Changes

WATER COST OF SERVICE

Cash Method – Water Revenue Requirement

Total Revenue Required		Total
Operations & Maintenance Expense	\$	7,561,711
Plus: Taxes & PILOT	\$	81,403
Plus: Debt Service	\$	410,587
Plus: Rate Funded Capital	\$	1,100,000
Total Revenue Requirement	\$	9,153,701
Less: Other Revenue	\$	492,172
Rate Requirement	\$	8,661,529

<u>Recovery by Rate Class</u>	
Total	90%
Residential-In	78%
Residential-Out	110%
Commercial-In	120%
Commercial-Out	143%

Results & Options – Water

- ◊ Based on the 12-months ending June 2011, the City is projected to under-recover by approximately \$954,000
- ◊ As discussed at the meeting held on September 28, in taking a measured 5-Year Approach, 4% annual rate increases should be enough to achieve revenue sufficiency for the water system. A 4% increase this year is approximately \$308,000.

Water Availability Charge - Breakdown

Availability Charge Revenue Requirement	2011	Funding %
Operations & Maintenance Expense	\$ 2,176,924	82.1%
Plus: Debt Service	\$ 410,587	15.5%
Plus: Rate Funded Capital	\$ 63,471	2.4%
Plus: Reserve (for future years)	\$ -----	0.0%
Total Revenue Requirement	\$ 2,650,982	100%

Water Rate Change – Option 1

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000)	\$ 10.71	\$ 7.22	\$ 9.22	\$ 2.00
Next 9,000 Gallons	\$ 4.23	\$ 3.72	\$ 3.72	--
Next 15,000 Gallons		\$ 4.65	\$ 4.65	--
All Additional		\$ 5.58	\$ 5.58	--

Water Option 1 – Rate Impacts

Usage (K gal)	COS Rates	Current Rates	Proposed Rates	Monthly Change	Daily Change	COS Rate/kGal	Current Ratek/Gal	Proposed Rate/kGal	Change/ Kgal
1	\$ 14.94	\$ 7.22	\$ 9.22	\$ 2.00	\$ 0.07	\$ 14.94	\$ 7.22	\$ 9.22	\$ 2.00
3	\$ 23.39	\$ 14.66	\$ 16.66	\$ 2.00	\$ 0.07	\$ 7.80	\$ 4.89	\$ 5.55	\$ 0.67
5	\$ 31.85	\$ 22.10	\$ 24.10	\$ 2.00	\$ 0.07	\$ 6.37	\$ 4.42	\$ 4.82	\$ 0.67
7	\$ 40.31	\$ 29.54	\$ 31.54	\$ 2.00	\$ 0.07	\$ 5.76	\$ 4.22	\$ 4.51	\$ 0.29
9	\$ 48.77	\$ 36.98	\$ 38.98	\$ 2.00	\$ 0.07	\$ 5.42	\$ 4.11	\$ 4.33	\$ 0.22
12	\$ 61.45	\$ 50.00	\$ 52.00	\$ 2.00	\$ 0.07	\$ 5.12	\$ 4.17	\$ 4.33	\$ 0.17
15	\$ 74.14	\$ 63.95	\$ 65.95	\$ 2.00	\$ 0.07	\$ 4.94	\$ 4.26	\$ 4.40	\$ 0.13
20	\$ 95.28	\$ 87.20	\$ 89.20	\$ 2.00	\$ 0.07	\$ 4.76	\$ 4.36	\$ 4.46	\$ 0.10
30	\$ 137.57	\$ 138.35	\$ 140.35	\$ 2.00	\$ 0.07	\$ 4.59	\$ 4.61	\$ 4.68	\$ 0.07
40	\$ 179.85	\$ 194.15	\$ 196.15	\$ 2.00	\$ 0.07	\$ 4.60	\$ 4.85	\$ 4.90	\$ 0.05
Average Usage 6.607									

Proposed Increase in Availability Revenue	\$ 311,990
Proposed Increase in Usage Revenue	---
Proposed Increase in Revenue	\$ 311,990

Water Rate Change – Option 2 – (Residential-Inside)

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000)	\$ 10.71	\$ 7.22	\$ 8.82	\$ 1.60
Next 9,000 Gallons	\$ 4.23	\$ 3.72	\$ 3.72	--
Next 15,000 Gallons		\$ 4.65	\$ 4.65	--
All Additional		\$ 5.58	\$ 5.58	--

Water Option 2 – Rate Impacts (Residential-Inside)

Usage (K gal)	COS Rates	Current Rates	Proposed Rates	Monthly Change	Daily Change	COS Rate/kGal	Current Ratek/Gal	Proposed Rate/kGal	Change/ Kgal
1	\$ 14.94	\$ 7.22	\$ 8.82	\$ 1.60	\$ 0.05	\$ 14.94	\$ 7.22	\$ 8.82	\$ 1.60
3	\$ 23.39	\$ 14.66	\$ 16.26	\$ 1.60	\$ 0.05	\$ 7.80	\$ 4.89	\$ 5.42	\$ 0.53
5	\$ 31.85	\$ 22.10	\$ 23.70	\$ 1.60	\$ 0.05	\$ 6.37	\$ 4.42	\$ 4.74	\$ 0.32
7	\$ 40.31	\$ 29.54	\$ 31.14	\$ 1.60	\$ 0.05	\$ 5.76	\$ 4.22	\$ 4.45	\$ 0.23
9	\$ 48.77	\$ 36.98	\$ 38.58	\$ 1.60	\$ 0.05	\$ 5.42	\$ 4.11	\$ 4.29	\$ 0.18
12	\$ 61.45	\$ 50.00	\$ 51.60	\$ 1.60	\$ 0.05	\$ 5.12	\$ 4.17	\$ 4.30	\$ 0.13
15	\$ 74.14	\$ 63.95	\$ 65.55	\$ 1.60	\$ 0.05	\$ 4.94	\$ 4.26	\$ 4.37	\$ 0.11
20	\$ 95.28	\$ 87.20	\$ 88.80	\$ 1.60	\$ 0.05	\$ 4.76	\$ 4.36	\$ 4.44	\$ 0.08
30	\$ 137.57	\$ 138.35	\$ 139.95	\$ 1.60	\$ 0.05	\$ 4.59	\$ 4.61	\$ 4.67	\$ 0.05
40	\$ 179.85	\$ 194.15	\$ 195.75	\$ 1.60	\$ 0.05	\$ 4.50	\$ 4.85	\$ 4.89	\$ 0.04
Average Usage 6.607									

Proposed Increase in Availability Revenue	\$ 249,592
Proposed Increase in Usage Revenue	---
Proposed Increase in Revenue	\$ 249,592

Water Rate Change – Option 2 – (Residential-Outside)

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000)	\$ 10.84	\$ 9.22	\$ 10.82	\$ 1.60
Next 9,000 Gallons	\$ 4.23	\$ 5.80	\$ 5.80	--
Next 15,000 Gallons		\$ 6.38	\$ 6.38	--
All Additional		\$ 6.96	\$ 6.96	--

Water Option 2 – Rate Impacts (Residential-Outside)

Usage (K gal)	COS Rates	Current Rates	Proposed Rates	Monthly Change	Daily Change	COS Rate/kGal	Current Ratek/Gal	Proposed Rate/kGal	Change/ Kgal
1	\$ 15.12	\$ 9.22	\$ 10.82	\$ 1.60	\$ 0.05	\$ 15.12	\$ 9.22	\$ 10.82	\$ 1.60
3	\$ 23.67	\$ 20.82	\$ 22.42	\$ 1.60	\$ 0.05	\$ 7.89	\$ 6.94	\$ 7.47	\$ 0.53
5	\$ 32.23	\$ 32.42	\$ 34.02	\$ 1.60	\$ 0.05	\$ 6.45	\$ 6.48	\$ 6.80	\$ 0.32
7	\$ 40.78	\$ 44.02	\$ 45.62	\$ 1.60	\$ 0.05	\$ 5.83	\$ 6.29	\$ 6.52	\$ 0.23
9	\$ 49.34	\$ 55.62	\$ 57.22	\$ 1.60	\$ 0.05	\$ 5.48	\$ 6.18	\$ 6.36	\$ 0.18
12	\$ 62.17	\$ 74.18	\$ 75.78	\$ 1.60	\$ 0.05	\$ 5.18	\$ 6.18	\$ 6.32	\$ 0.13
15	\$ 75.00	\$ 93.32	\$ 94.92	\$ 1.60	\$ 0.05	\$ 5.00	\$ 6.22	\$ 6.33	\$ 0.11
20	\$ 96.39	\$ 125.22	\$ 126.82	\$ 1.60	\$ 0.05	\$ 4.82	\$ 6.26	\$ 6.34	\$ 0.08
30	\$ 139.17	\$ 191.92	\$ 193.52	\$ 1.60	\$ 0.05	\$ 4.64	\$ 6.40	\$ 6.45	\$ 0.05
40	\$ 181.94	\$ 261.52	\$ 263.12	\$ 1.60	\$ 0.05	\$ 4.55	\$ 6.54	\$ 6.58	\$ 0.04
Average Usage 6.607									

Proposed Increase in Customer Revenue	\$ 44,088
Proposed Increase in Usage Revenue	---
Proposed Increase in Revenue	\$ 44,088

Water Rate Change – Option 2 – (Commercial-Inside)

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000)	\$ 14.46	\$ 10.01	\$ 11.61	\$ 1.60
Next 9,000 Gallons	\$ 4.20	\$ 3.72	\$ 3.72	--
Next 15,000 Gallons		\$ 4.65	\$ 4.65	--
All Additional		\$ 5.58	\$ 5.58	--

Water Option 2 – Rate Impacts (Commercial-Inside)

Usage (K gal)	COS Rates	Current Rates	Proposed Rates	Monthly Change	Daily Change	COS Rate/kGal	Current Ratek/Gal	Proposed Rate/kGal	Change/ Kgal
5	\$ 35.45	\$ 24.89	\$ 26.49	\$ 1.60	\$ 0.05	\$ 7.09	\$ 4.98	\$ 5.30	\$ 0.32
10	\$ 56.44	\$ 43.49	\$ 45.09	\$ 1.60	\$ 0.05	\$ 5.64	\$ 4.35	\$ 4.51	\$ 0.16
15	\$ 77.42	\$ 66.74	\$ 68.34	\$ 1.60	\$ 0.05	\$ 5.16	\$ 4.45	\$ 4.56	\$ 0.11
20	\$ 98.41	\$ 88.99	\$ 91.59	\$ 1.60	\$ 0.05	\$ 4.92	\$ 4.50	\$ 4.58	\$ 0.08
25	\$ 119.40	\$ 113.24	\$ 114.84	\$ 1.60	\$ 0.05	\$ 4.78	\$ 4.53	\$ 4.59	\$ 0.06
30	\$ 140.38	\$ 141.14	\$ 142.74	\$ 1.60	\$ 0.05	\$ 4.68	\$ 4.70	\$ 4.76	\$ 0.05
35	\$ 161.37	\$ 169.04	\$ 170.64	\$ 1.60	\$ 0.05	\$ 4.61	\$ 4.83	\$ 4.88	\$ 0.05
40	\$ 182.36	\$ 196.94	\$ 198.54	\$ 1.60	\$ 0.05	\$ 4.56	\$ 4.92	\$ 4.96	\$ 0.04
45	\$ 203.34	\$ 224.84	\$ 226.44	\$ 1.60	\$ 0.05	\$ 4.52	\$ 5.00	\$ 5.03	\$ 0.04
50	\$ 224.33	\$ 252.74	\$ 254.34	\$ 1.60	\$ 0.05	\$ 4.49	\$ 5.05	\$ 5.09	\$ 0.03
Average Usage 23,948									

Proposed Increase in Customer Revenue	\$ 19,662
Proposed Increase in Usage Revenue	---
Proposed Increase in Revenue	\$ 19,662

Water Rate Change – Option 2 – (Commercial-Outside)

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000)	\$ 15.54	\$ 10.81	\$ 12.41	\$ 1.60
Next 9,000 Gallons	\$ 4.35	\$ 5.80	\$ 5.80	--
Next 15,000 Gallons		\$ 6.38	\$ 6.38	--
All Additional		\$ 6.96	\$ 6.96	--

Water Option 2 – Rate Impacts (Commercial-Outside)

Usage (K gal)	COS Rates	Current Rates	Proposed Rates	Monthly Change	Daily Change	COS Rate/kGal	Current Ratek/Gal	Proposed Rate/kGal	Change/ Kgal
5	\$ 37.29	\$ 34.01	\$ 35.61	\$ 1.60	\$ 0.05	\$ 7.46	\$ 6.80	\$ 7.12	\$ 0.32
10	\$ 59.04	\$ 63.01	\$ 64.61	\$ 1.60	\$ 0.05	\$ 5.90	\$ 6.30	\$ 6.46	\$ 0.16
15	\$ 80.79	\$ 94.91	\$ 96.51	\$ 1.60	\$ 0.05	\$ 5.39	\$ 6.33	\$ 6.43	\$ 0.11
20	\$ 102.54	\$ 126.81	\$ 128.41	\$ 1.60	\$ 0.05	\$ 5.13	\$ 6.34	\$ 6.42	\$ 0.08
25	\$ 124.29	\$ 158.71	\$ 160.31	\$ 1.60	\$ 0.05	\$ 4.97	\$ 6.35	\$ 6.41	\$ 0.06
30	\$ 146.05	\$ 193.51	\$ 195.11	\$ 1.60	\$ 0.05	\$ 4.87	\$ 6.45	\$ 6.50	\$ 0.05
35	\$ 167.80	\$ 228.31	\$ 229.91	\$ 1.60	\$ 0.05	\$ 4.79	\$ 6.52	\$ 6.57	\$ 0.05
40	\$ 189.55	\$ 263.11	\$ 264.71	\$ 1.60	\$ 0.05	\$ 4.74	\$ 6.58	\$ 6.62	\$ 0.04
45	\$ 211.30	\$ 297.91	\$ 299.51	\$ 1.60	\$ 0.05	\$ 4.70	\$ 6.62	\$ 6.66	\$ 0.04
50	\$ 233.05	\$ 332.71	\$ 334.31	\$ 1.60	\$ 0.05	\$ 4.66	\$ 6.65	\$ 6.69	\$ 0.03
Average Usage 26,169									

Proposed Increase in Customer Revenue	\$ 1,221
Proposed Increase in Usage Revenue	---
Proposed Increase in Revenue	\$ 1,221

Water Option 2 - Summary

Rate Class	Additional Revenue
Residential – Inside	\$ 249,592
Residential – Outside	\$ 44,088
Commercial/Industrial – Inside	\$ 19,662
Commercial/Industrial - Outside	\$ 1,221
Total	\$ 9,153,701
	\$ 314,563

WASTEWATER COST OF SERVICE

Revenue Requirement	
	Total
Total Revenue Required	
Operations & Maintenance Expense	\$ 7,559,163
Plus: Taxes & PILOT	\$ 134,886
Plus: Debt Service	\$ 1,894,551
Plus: Rate Funded Capital	\$ 3,000,000
Total Revenue Requirement	\$ 12,588,600
Less: Other Revenue	\$ 46,195
Rate Requirement	\$ 12,542,405

Sewer Recovery by Rate Class

Total	76%
Residential-In	72%
Residential-Out	84%
Commercial-In	85%
Commercial-Out	128%

Results & Options – Wastewater

- ◇ Based on the 12-months ending June 2011, the City is projected to under-recover by approximately \$3,052,000
- ◇ As discussed at the meeting held on September 28, in taking a measured 5-Year approach, 7% annual rate increases should be enough to achieve revenue sufficiently for the water system. A 7% increase this year is approximately \$664,000.
- ◆ **Option 1:** Recover the \$664,000 by increasing the Availability Charges on all four rate classes.

- ◆ **Option 2:** Recover the \$664,000 by increasing the Usage Charges on all classes but Commercial Outside
- ◆ **Option 3:** Recover the \$664,000 by a combination of availability and usage charges on all classes but Commercial Outside

Wastewater Availability Charge - Breakdown

Availability Charge Revenue Requirement	2011	Funding %
Operations & Maintenance Expense	\$ 7,694,049	61.1%
Plus: Debt Service	\$ 1,894,551	15.0%
Plus: Rate Funded Capital	\$ 3,000,000	23.8%
Plus: Reserve (for future years)	\$ -----	0.0%
Total Revenue Requirement	\$ 12,588,600	100%

Wastewater Rate Change – Option 1 (Residential Inside)

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 21.56	\$ 10.05	\$ 12.45	\$ 2.40
Next 14,000 Gallons	\$ 3.26	\$ 3.61	\$ 3.61	--
All Additional		\$ 2.82	\$ 2.82	--

Wastewater Option 1 – Rate Impacts (Residential Inside)

Usage (K gal)	COS Rates	Current Rates	Proposed Rates	Monthly Change	Daily Change	COS Rate/kGal	Current Ratek/Gal	Proposed Rate/kGal	Change/ Kgal
1	\$ 24.82	\$ 10.05	\$ 12.45	\$ 2.40	\$ 0.08	\$ 24.82	\$ 10.05	\$ 12.45	\$ 2.40
3	\$ 31.35	\$ 17.27	\$ 19.67	\$ 2.40	\$ 0.08	\$ 10.45	\$ 5.76	\$ 6.56	\$ 0.80
5	\$ 37.87	\$ 24.49	\$ 26.89	\$ 2.40	\$ 0.08	\$ 7.57	\$ 4.90	\$ 5.38	\$ 0.48
7	\$ 44.40	\$ 31.71	\$ 34.11	\$ 2.40	\$ 0.08	\$ 6.34	\$ 4.53	\$ 4.87	\$ 0.34
9	\$ 50.93	\$ 38.93	\$ 41.33	\$ 2.40	\$ 0.08	\$ 5.66	\$ 4.33	\$ 4.59	\$ 0.27
12	\$ 60.72	\$ 49.76	\$ 52.16	\$ 2.40	\$ 0.08	\$ 5.06	\$ 4.15	\$ 4.35	\$ 0.20
15	\$ 70.51	\$ 60.59	\$ 62.99	\$ 2.40	\$ 0.08	\$ 4.70	\$ 4.04	\$ 4.20	\$ 0.16
20	\$ 86.83	\$ 74.69	\$ 77.09	\$ 2.40	\$ 0.08	\$ 4.34	\$ 3.73	\$ 3.85	\$ 0.12
30	\$ 119.46	\$ 102.89	\$ 105.29	\$ 2.40	\$ 0.08	\$ 3.98	\$ 3.43	\$ 3.51	\$ 0.08
40	\$ 152.10	\$ 131.09	\$ 133.49	\$ 2.40	\$ 0.08	\$ 3.80	\$ 3.28	\$ 3.34	\$ 0.06
Average Usage 6.707									

Proposed Increase in Customer Revenue	\$ 516,790
Proposed Increase in Usage Revenue	---
Proposed Increase in Revenue	\$ 516,790

Wastewater Rate Change – Option 1 (Residential Outside)

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 19.68	\$ 11.21	\$ 14.21	\$ 3.00
Next 14,000 Gallons	\$ 3.26	\$ 5.62	\$ 5.62	--
All Additional		\$ 4.47	\$ 4.47	--

Wastewater Option 1 – Rate Impacts (Residential Outside)

Usage (K gal)	COS Rates	Current Rates	Proposed Rates	Monthly Change	Daily Change	COS Rate/kGal	Current Ratek/Gal	Proposed Rate/kGal	Change/Kgal
1	\$ 22.94	\$ 11.21	\$ 14.21	\$ 3.00	\$ 0.10	\$ 22.94	\$ 11.21	\$ 14.21	\$ 3.00
3	\$ 29.47	\$ 22.45	\$ 22.45	\$ 3.00	\$ 0.10	\$ 9.82	\$ 7.48	\$ 8.48	\$ 1.00
5	\$ 36.00	\$ 33.69	\$ 33.69	\$ 3.00	\$ 0.10	\$ 7.20	\$ 6.74	\$ 7.34	\$ 0.60
7	\$ 42.52	\$ 44.93	\$ 47.93	\$ 3.00	\$ 0.10	\$ 6.07	\$ 6.42	\$ 6.85	\$ 0.43
9	\$ 49.05	\$ 56.17	\$ 59.17	\$ 3.00	\$ 0.10	\$ 5.45	\$ 6.24	\$ 6.57	\$ 0.33
12	\$ 58.84	\$ 73.03	\$ 76.03	\$ 3.00	\$ 0.10	\$ 4.90	\$ 6.09	\$ 6.34	\$ 0.25
15	\$ 68.63	\$ 89.89	\$ 92.89	\$ 3.00	\$ 0.10	\$ 4.58	\$ 5.99	\$ 6.19	\$ 0.20
20	\$ 84.95	\$ 112.24	\$ 115.24	\$ 3.00	\$ 0.10	\$ 4.25	\$ 5.61	\$ 5.76	\$ 0.15
30	\$ 117.58	\$ 156.94	\$ 159.94	\$ 3.00	\$ 0.10	\$ 3.92	\$ 5.23	\$ 5.33	\$ 0.10
40	\$ 150.22	\$ 201.64	\$ 204.64	\$ 3.00	\$ 0.10	\$ 3.76	\$ 5.04	\$ 5.12	\$ 0.08
Average Usage 3,686									

Proposed Increase in Customer Revenue	\$ 12,099
Proposed Increase in Usage Revenue	---
Proposed Increase in Revenue	\$ 12,099

Wastewater Rate Change – Option 1 (Commercial Inside)

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 43.52	\$ 13.00	\$ 21.00	\$ 8.00
Next 14,000 Gallons	\$ 3.35	\$ 4.42	\$ 4.42	--
All Additional		\$ 3.43	\$ 3.43	--

Wastewater Option 1 – Rate Impacts (Commercial Inside)

Usage (K gal)	COS Rates	Current Rates	Proposed Rates	Monthly Change	Daily Change	COS Rate/kGal	Current Ratek/Gal	Proposed Rate/kGal	Change/Kgal
5	\$ 60.30	\$ 30.68	\$ 38.68	\$ 8.00	\$ 0.27	\$ 12.06	\$ 6.14	\$ 7.74	\$ 1.60
10	\$ 77.07	\$ 52.78	\$ 60.78	\$ 8.00	\$ 0.27	\$ 7.71	\$ 5.28	\$ 6.08	\$ 0.80
15	\$ 93.85	\$ 74.88	\$ 82.88	\$ 8.00	\$ 0.27	\$ 6.26	\$ 4.99	\$ 5.53	\$ 0.53
20	\$ 110.62	\$ 92.03	\$ 100.03	\$ 8.00	\$ 0.27	\$ 5.53	\$ 4.60	\$ 5.00	\$ 0.40
25	\$ 127.40	\$ 109.18	\$ 117.18	\$ 8.00	\$ 0.27	\$ 5.10	\$ 4.37	\$ 4.69	\$ 0.32
30	\$ 144.17	\$ 126.33	\$ 134.33	\$ 8.00	\$ 0.27	\$ 4.81	\$ 4.21	\$ 4.48	\$ 0.27
35	\$ 160.95	\$ 143.48	\$ 151.48	\$ 8.00	\$ 0.27	\$ 4.60	\$ 4.10	\$ 4.33	\$ 0.23
40	\$ 177.72	\$ 160.63	\$ 168.63	\$ 8.00	\$ 0.27	\$ 4.44	\$ 4.02	\$ 4.22	\$ 0.20
45	\$ 194.50	\$ 177.78	\$ 185.78	\$ 8.00	\$ 0.27	\$ 4.32	\$ 3.95	\$ 4.13	\$ 0.18
50	\$ 211.27	\$ 194.93	\$ 202.93	\$ 8.00	\$ 0.27	\$ 4.23	\$ 3.90	\$ 4.06	\$ 0.16
Average Usage 40,923									

Proposed Increase in Customer Revenue	\$ 130,248
Proposed Increase in Usage Revenue	---
Proposed Increase in Revenue	\$ 130,248

Wastewater Rate Change – Option 1 (Commercial Outside)

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 37.46	\$ 15.00	\$ 22.00	\$ 7.00
Next 14,000 Gallons	\$ 3.35	\$ 6.91	\$ 6.91	--
All Additional		\$ 5.02	\$ 5.02	--

Wastewater Option 1 – Rate Impacts (Commercial Outside)

Usage (K gal)	COS Rates	Current Rates	Proposed Rates	Monthly Change	Daily Change	COS Rate/kGal	Current Ratek/Gal	Proposed Rate/kGal	Change/Kgal
5	\$ 54.24	\$ 42.64	\$ 49.64	\$ 7.00	\$ 0.23	\$ 10.85	\$ 8.53	\$ 9.93	\$ 1.40
10	\$ 71.01	\$ 77.19	\$ 84.19	\$ 7.00	\$ 0.23	\$ 7.10	\$ 7.72	\$ 8.42	\$ 0.70
15	\$ 87.79	\$ 111.74	\$ 118.74	\$ 7.00	\$ 0.23	\$ 5.85	\$ 7.45	\$ 7.92	\$ 0.47
20	\$ 104.56	\$ 136.84	\$ 143.84	\$ 7.00	\$ 0.23	\$ 5.23	\$ 6.84	\$ 7.19	\$ 0.35
25	\$ 121.34	\$ 161.94	\$ 168.94	\$ 7.00	\$ 0.23	\$ 4.85	\$ 6.48	\$ 6.76	\$ 0.28
30	\$ 138.11	\$ 187.04	\$ 194.04	\$ 7.00	\$ 0.23	\$ 4.60	\$ 6.23	\$ 6.47	\$ 0.23
35	\$ 154.89	\$ 212.14	\$ 219.14	\$ 7.00	\$ 0.23	\$ 4.43	\$ 6.06	\$ 6.26	\$ 0.20
40	\$ 171.66	\$ 237.24	\$ 244.24	\$ 7.00	\$ 0.23	\$ 4.29	\$ 5.93	\$ 6.11	\$ 0.18
45	\$ 188.44	\$ 262.34	\$ 269.34	\$ 7.00	\$ 0.23	\$ 4.19	\$ 5.83	\$ 5.99	\$ 0.16
50	\$ 205.21	\$ 287.44	\$ 294.44	\$ 7.00	\$ 0.23	\$ 4.10	\$ 5.75	\$ 5.89	\$ 0.14
Average Usage 31,436									

Proposed Increase in Customer Revenue	\$ 5,663
Proposed Increase in Usage Revenue	---
Proposed Increase in Revenue	\$ 5,663

Wastewater Rate Change – Option 2 (Residential Inside)

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 21.56	\$ 10.05	\$ 10.05	\$ --
Next 14,000 Gallons	\$ 3.26	\$ 3.61	\$ 4.01	\$ 0.40
All Additional		\$ 2.82	\$ 3.22	\$ 0.40

Wastewater Option 2 – Rate Impacts (Residential Inside)

Usage (K gal)	COS Rates	Current Rates	Proposed Rates	Monthly Change	Daily Change	COS Rate/kGal	Current Ratek/Gal	Proposed Rate/kGal	Change/Kgal
1	\$ 24.82	\$ 10.05	\$ 10.05	\$ -----	\$ -----	\$ 24.82	\$ 10.05	\$ 10.05	-----
3	\$ 31.35	\$ 17.27	\$ 18.07	\$ 0.80	\$ 0.03	\$ 10.45	\$ 5.76	\$ 6.02	\$ 0.27
5	\$ 37.87	\$ 24.49	\$ 26.09	\$ 1.60	\$ 0.05	\$ 7.57	\$ 4.90	\$ 5.22	\$ 0.32
7	\$ 44.40	\$ 31.71	\$ 34.11	\$ 2.40	\$ 0.08	\$ 6.34	\$ 4.53	\$ 4.87	\$ 0.34
9	\$ 50.93	\$ 38.93	\$ 42.13	\$ 3.20	\$ 0.11	\$ 5.66	\$ 4.33	\$ 4.68	\$ 0.36
12	\$ 60.72	\$ 49.76	\$ 54.16	\$ 4.40	\$ 0.15	\$ 5.06	\$ 4.15	\$ 4.51	\$ 0.37
15	\$ 70.51	\$ 60.59	\$ 66.19	\$ 5.60	\$ 0.19	\$ 4.70	\$ 4.04	\$ 4.41	\$ 0.37
20	\$ 86.83	\$ 74.69	\$ 82.29	\$ 7.60	\$ 0.25	\$ 4.34	\$ 3.73	\$ 4.11	\$ 0.38
30	\$ 119.46	\$ 102.89	\$ 114.49	\$ 11.60	\$ 0.39	\$ 3.98	\$ 3.43	\$ 3.82	\$ 0.39
40	\$ 152.10	\$ 131.09	\$ 146.69	\$ 15.60	\$ 0.52	\$ 3.80	\$ 3.28	\$ 3.67	\$ 0.39
Average Usage 6.707									

Proposed Increase in Customer Revenue	\$ -----
Proposed Increase in Usage Revenue	\$ 491,569
Proposed Increase in Revenue	\$ 491,569

Wastewater Rate Change – Option 2 (Residential Outside)

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 19.68	\$ 11.21	\$ 11.21	\$ ----
Next 14,000 Gallons	\$ 3.26	\$ 5.62	\$ 6.12	\$ 0.50
All Additional		\$ 4.47	\$ 4.97	\$ 0.50

Wastewater Option 2 – Rate Impacts (Residential Outside)

Usage (K gal)	COS Rates	Current Rates	Proposed Rates	Monthly Change	Daily Change	COS Rate/kGal	Current Rate/kGal	Proposed Rate/kGal	Change/Kgal
1	\$ 22.94	\$ 11.21	\$ 11.21	\$ -----	\$ -----	\$ 22.94	\$ 11.21	\$ 11.21	\$ -----
3	\$ 29.47	\$ 22.45	\$ 23.45	\$ 1.00	\$ 0.03	\$ 9.82	\$ 7.48	\$ 7.82	\$ 0.33
5	\$ 36.00	\$ 33.69	\$ 35.69	\$ 2.00	\$ 0.07	\$ 7.20	\$ 6.74	\$ 7.14	\$ 0.40
7	\$ 42.52	\$ 44.93	\$ 47.93	\$ 3.00	\$ 0.10	\$ 6.07	\$ 6.42	\$ 6.85	\$ 0.43
9	\$ 49.05	\$ 56.17	\$ 60.17	\$ 4.00	\$ 0.13	\$ 5.45	\$ 6.24	\$ 6.69	\$ 0.44
12	\$ 58.84	\$ 73.03	\$ 78.53	\$ 5.50	\$ 0.18	\$ 4.90	\$ 6.09	\$ 6.54	\$ 0.46
15	\$ 68.63	\$ 89.89	\$ 96.89	\$ 7.00	\$ 0.23	\$ 4.58	\$ 5.99	\$ 6.46	\$ 0.47
20	\$ 84.95	\$ 112.24	\$ 121.74	\$ 9.50	\$ 0.32	\$ 4.25	\$ 5.61	\$ 6.09	\$ 0.48
30	\$ 117.58	\$ 156.94	\$ 171.44	\$ 14.50	\$ 0.48	\$ 3.92	\$ 5.23	\$ 5.71	\$ 0.48
40	\$ 150.22	\$ 201.64	\$ 221.14	\$ 19.50	\$ 0.65	\$ 3.76	\$ 5.04	\$ 5.53	\$ 0.49
Average Usage 3,686									

Proposed Increase in Customer Revenue	\$ -----
Proposed Increase in Usage Revenue	\$ 5,416
Proposed Increase in Revenue	\$ 5,416

Wastewater Rate Change – Option 2 (Commercial Inside)

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 43.52	\$ 13.00	\$ 13.00	\$ -----
Next 14,000 Gallons	\$ 3.35	\$ 4.42	\$ 4.67	\$ 0.25
All Additional		\$ 3.43	\$ 3.68	\$ 0.25

Wastewater Option 2 – Rate Impacts (Commercial Inside)

Usage (K gal)	COS Rates	Current Rates	Proposed Rates	Monthly Change	Daily Change	COS Rate/kGal	Current Rate/kGal	Proposed Rate/kGal	Change/Kgal
5	\$ 60.30	\$ 30.68	\$ 31.68	\$ 1.00	\$ 0.03	\$ 12.06	\$ 6.14	\$ 6.34	\$ 0.20
10	\$ 77.07	\$ 52.78	\$ 55.03	\$ 2.25	\$ 0.08	\$ 7.71	\$ 5.28	\$ 5.50	\$ 0.23
15	\$ 93.85	\$ 74.88	\$ 78.38	\$ 3.50	\$ 0.12	\$ 6.26	\$ 4.99	\$ 5.23	\$ 0.23
20	\$ 110.62	\$ 92.03	\$ 96.78	\$ 4.75	\$ 0.16	\$ 5.53	\$ 4.60	\$ 4.84	\$ 0.24
25	\$ 127.40	\$ 109.18	\$ 115.18	\$ 6.00	\$ 0.20	\$ 5.10	\$ 4.37	\$ 4.61	\$ 0.24
30	\$ 144.17	\$ 126.33	\$ 133.58	\$ 7.25	\$ 0.24	\$ 4.81	\$ 4.21	\$ 4.45	\$ 0.24
35	\$ 160.95	\$ 143.48	\$ 151.98	\$ 8.50	\$ 0.28	\$ 4.60	\$ 4.10	\$ 4.34	\$ 0.24
40	\$ 177.72	\$ 160.63	\$ 170.38	\$ 9.75	\$ 0.33	\$ 4.44	\$ 4.02	\$ 4.26	\$ 0.24
45	\$ 194.50	\$ 177.78	\$ 188.78	\$ 11.00	\$ 0.37	\$ 4.32	\$ 3.95	\$ 4.20	\$ 0.24
50	\$ 211.27	\$ 194.93	\$ 207.18	\$ 12.25	\$ 0.41	\$ 4.23	\$ 3.90	\$ 4.14	\$ 0.25
Average Usage 40,923									

Proposed Increase in Customer Revenue	\$ -----
Proposed Increase in Usage Revenue	\$ 162,497
Proposed Increase in Revenue	\$ 162,497

Wastewater Rate Change – Option 3 (Residential Inside)

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 21.56	\$ 10.05	\$ 11.40	\$ 1.35
Next 14,000 Gallons	\$ 3.26	\$ 3.61	\$ 3.81	\$ 0.20
All Additional		\$ 2.82	\$ 3.02	\$ 0.20

Wastewater Option 3 – Rate Impacts (Residential Inside)

Usage (K gal)	COS Rates	Current Rates	Proposed Rates	Monthly Change	Daily Change	COS Rate/kGal	Current Ratek/Gal	Proposed Rate/kGal	Change/ Kgal
1	\$ 24.82	\$ 10.05	\$ 11.40	\$ 1.35	\$ 0.05	\$ 24.82	\$ 10.05	\$ 11.40	\$ 1.35
3	\$ 31.35	\$ 17.27	\$ 19.02	\$ 1.75	\$ 0.06	\$ 10.45	\$ 5.76	\$ 6.34	\$ 0.58
5	\$ 37.87	\$ 24.49	\$ 26.64	\$ 2.15	\$ 0.07	\$ 7.57	\$ 4.90	\$ 5.33	\$ 0.43
7	\$ 44.40	\$ 31.71	\$ 34.26	\$ 2.55	\$ 0.08	\$ 6.34	\$ 4.53	\$ 4.89	\$ 0.36
9	\$ 50.93	\$ 38.93	\$ 41.88	\$ 2.95	\$ 0.10	\$ 5.66	\$ 4.33	\$ 4.65	\$ 0.33
12	\$ 60.72	\$ 49.76	\$ 53.31	\$ 3.55	\$ 0.12	\$ 5.06	\$ 4.15	\$ 4.44	\$ 0.30
15	\$ 70.51	\$ 60.59	\$ 64.74	\$ 4.15	\$ 0.14	\$ 4.70	\$ 4.04	\$ 4.32	\$ 0.28
20	\$ 86.83	\$ 74.69	\$ 79.84	\$ 5.15	\$ 0.17	\$ 4.34	\$ 3.73	\$ 3.99	\$ 0.26
30	\$ 119.46	\$ 102.89	\$ 110.04	\$ 7.15	\$ 0.24	\$ 3.98	\$ 3.43	\$ 3.67	\$ 0.24
40	\$ 152.10	\$ 131.09	\$ 140.24	\$ 9.15	\$ 0.31	\$ 3.80	\$ 3.28	\$ 3.51	\$ 0.23
Average Usage 6.707									

Proposed Increase in Customer Revenue	\$ 290,694
Proposed Increase in Usage Revenue	\$ 245,785
Proposed Increase in Revenue	\$ 536,479

Wastewater Rate Change – Option 3 (Residential Outside)

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 19.68	\$ 11.21	\$ 13.21	\$ 2.00
Next 14,000 Gallons	\$ 3.26	\$ 5.62	\$ 5.87	\$ 0.25
All Additional		\$ 4.47	\$ 4.72	\$ 0.25

Wastewater Option 3 – Rate Impacts (Residential Outside)

Usage (K gal)	COS Rates	Current Rates	Proposed Rates	Monthly Change	Daily Change	COS Rate/kGal	Current Rate/kGal	Proposed Rate/kGal	Change/ Kgal
1	\$ 22.94	\$ 11.21	\$ 13.21	\$ 2.00	\$ 0.07	\$ 22.94	\$ 11.21	\$ 13.21	\$ 2.00
3	\$ 29.47	\$ 22.45	\$ 24.95	\$ 2.50	\$ 0.08	\$ 9.82	\$ 7.48	\$ 8.32	\$ 0.83
5	\$ 36.00	\$ 33.69	\$ 36.69	\$ 3.00	\$ 0.10	\$ 7.20	\$ 6.74	\$ 7.34	\$ 0.60
7	\$ 42.52	\$ 44.93	\$ 48.43	\$ 3.50	\$ 0.12	\$ 6.07	\$ 6.42	\$ 6.92	\$ 0.50
9	\$ 49.05	\$ 56.17	\$ 60.17	\$ 4.00	\$ 0.13	\$ 5.45	\$ 6.24	\$ 6.69	\$ 0.44
12	\$ 58.84	\$ 73.03	\$ 77.78	\$ 4.75	\$ 0.16	\$ 4.90	\$ 6.09	\$ 6.48	\$ 0.40
15	\$ 68.63	\$ 89.89	\$ 95.39	\$ 5.50	\$ 0.18	\$ 4.58	\$ 5.99	\$ 6.36	\$ 0.37
20	\$ 84.95	\$ 112.24	\$ 118.99	\$ 6.75	\$ 0.23	\$ 4.25	\$ 5.61	\$ 5.95	\$ 0.34
30	\$ 117.58	\$ 156.94	\$ 166.19	\$ 9.25	\$ 0.31	\$ 3.92	\$ 5.23	\$ 5.54	\$ 0.31
40	\$ 150.22	\$ 201.64	\$ 213.39	\$ 11.75	\$ 0.39	\$ 3.76	\$ 5.04	\$ 5.33	\$ 0.29
Average Usage 3.686									

Proposed Increase in Customer Revenue	\$ 8,066
Proposed Increase in Usage Revenue	\$ 2,708
Proposed Increase in Revenue	\$ 10,774

Wastewater Rate Change – Option 3 (Commercial Inside)

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 43.52	\$ 13.00	\$ 15.00	\$ 2.00
Next 14,000 Gallons	\$ 3.35	\$ 4.42	\$ 4.57	\$ 0.15
All Additional		\$ 3.43	\$ 3.58	\$ 0.15

Wastewater Option 3 – Rate Impacts (Commercial Inside)

Usage (K gal)	COS Rates	Current Rates	Proposed Rates	Monthly Change	Daily Change	COS Rate/kGal	Current Ratek/Gal	Proposed Rate/kGal	Change/Kgal
5	\$ 60.30	\$ 30.68	\$ 33.28	\$ 2.60	\$ 0.09	\$ 12.06	\$ 6.14	\$ 6.66	\$ 0.52
10	\$ 77.07	\$ 52.78	\$ 56.13	\$ 3.35	\$ 0.11	\$ 7.71	\$ 5.28	\$ 5.61	\$ 0.34
15	\$ 93.85	\$ 74.88	\$ 78.98	\$ 4.10	\$ 0.14	\$ 6.26	\$ 4.99	\$ 5.27	\$ 0.27
20	\$ 110.62	\$ 92.03	\$ 96.88	\$ 4.85	\$ 0.16	\$ 5.53	\$ 4.60	\$ 4.84	\$ 0.24
25	\$ 127.40	\$ 109.18	\$ 114.78	\$ 5.60	\$ 0.19	\$ 5.10	\$ 4.37	\$ 4.59	\$ 0.22
30	\$ 144.17	\$ 126.33	\$ 132.68	\$ 6.35	\$ 0.21	\$ 4.81	\$ 4.21	\$ 4.42	\$ 0.21
35	\$ 160.95	\$ 143.48	\$ 150.58	\$ 7.10	\$ 0.24	\$ 4.60	\$ 4.10	\$ 4.30	\$ 0.20
40	\$ 177.72	\$ 160.63	\$ 168.48	\$ 7.85	\$ 0.26	\$ 4.44	\$ 4.02	\$ 4.21	\$ 0.20
45	\$ 194.50	\$ 177.78	\$ 186.38	\$ 8.60	\$ 0.29	\$ 4.32	\$ 3.95	\$ 4.14	\$ 0.19
50	\$ 211.27	\$ 194.93	\$ 204.28	\$ 9.35	\$ 0.31	\$ 4.23	\$ 3.90	\$ 4.09	\$ 0.19
Average Usage 40,923									

Proposed Increase in Customer Revenue	\$ 32,562
Proposed Increase in Usage Revenue	\$ 97,498
Proposed Increase in Revenue	\$ 130,060

Wastewater Options Summary

Rate Class	Option 1	Option 2	Option 3
Residential Inside	\$ 516,790	\$ 491,569	\$ 536,479
Residential Outside	\$ 12,099	\$ 5,416	\$ 10,774
Commercial Inside	\$ 130,248	\$ 162,497	\$ 130,060
Commercial Outside	\$ 5,663	\$ -----	\$ -----
Total	\$ 664,800	\$ 659,482	\$ 677,313

Discussion:

- ◆ Unequal rates for Inside and Outside customers
- ◆ \$954,000 shortfall on 2011 expenses
- ◆ Five-year plan 4% increase = \$308,000 for year
- ◆ Water: 4% annual increase equals being caught up at the end of five years and covering any expenses every year for five years. Over five-year period would add \$1.7 million
- ◆ This is a measured consistent approach to dig out of a hole and meet increased expenses
- ◆ Have rate-funded capital as a component for yet to be identified projects
- ◆ Integrated Water Plan factored in
- ◆ Look at development impact fees
- ◆ Availability charge a fixed expense component (previously called minimum charge)
- ◆ Request for development associated impact fees broken out
- ◆ Shouldn't finance maintenance with debt
- ◆ Request for information on what the City has been doing and what costs have been
- ◆ Request for percentages on wastewater debt service of \$1,894,551
- ◆ Plant expansion and changes to entire system would benefit for 30-40 years
- ◆ Breakout of plant improvements and impact and access fees can be done
- ◆ More debt service with sewer
- ◆ Goal is to pay as you go for improvements and maintenance
- ◆ Assessment of infrastructure has started

- ◆ Reviewing tap and access fees and methodology of calculations
- ◆ Disadvantages of doing only one – consumption or availability

Proposed Changes to Water and Wastewater rates as follows

WATER

Option 2

Residential Inside	Current	Proposed	Difference	Cost of Service
Availability Charge (1000 Gal)	\$ 7.22	\$ 8.82	\$ 1.60	\$ 10.71
Residential Outside				
Availability Charge (1000 Gal)	\$ 9.22	\$ 10.82	\$ 1.60	\$ 10.84
Commercial Inside				
Availability Charge (1000 Gal)	\$ 10.01	\$ 11.61	\$ 1.60	\$ 14.46
Commercial Outside				
Availability Charge (1000 Gal)	\$ 10.81	\$ 12.41	\$ 1.60	\$ 15.54

WASTEWATER

Option 1 Revised

Residential Inside	Current	Proposed	Difference	Cost of Service
Availability Charge (1000 Gal)	\$ 10.05	\$ 12.30	\$ 2.25	\$ 21.56
Residential Outside				
Availability Charge (1000 Gal)	\$ 11.21	\$ 15.21	\$ 4.00	\$ 19.68
Commercial Inside				
Availability Charge (1000 Gal)	\$ 13.00	\$ 21.00	\$ 8.00	\$ 43.52
Commercial Outside				
Availability Charge (1000 Gal)	\$ 15.00	\$ 23.00	\$ 8.00	\$ 37.46

ADJOURN

Work Session adjourned @ 7:18 p.m.

Mayor John C. Schroer

Minutes prepared by: Linda Fulwider, Board Recording Secretary, City Administrator's Office - 11/22/2010 9:53 AM