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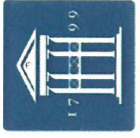
*City of Franklin, Tennessee*  
**Board of Mayor and Aldermen**

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# Stormwater Utility Financial Review and Discussion

BOMA Work Session

**November 13, 2018**



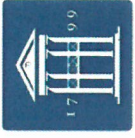
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## *City of Franklin, Tennessee* **Stormwater Fund Review**

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### **Agenda**

- Review Scope & Questions
- Current Operations of Fund
- Findings of Other Cities
- Fund Analysis
- Recommendations & Next Steps
- Questions



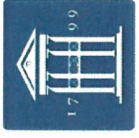
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## *City of Franklin, Tennessee* Stormwater Fund Review

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### Review: Scope and Questions

- Staff set out to review the Stormwater Fund in light of initial forecasts showing the fund is no longer accumulating fund balance capable of funding both ongoing operations and new capital projects.
- Staff set out to answer five (5) questions:
  - 1) What is the current design, funding, operation and structure of the Stormwater Fund in Franklin?
  - 2) What should the function of the Stormwater fund be?
  - 3) Is the revenue stream capable of providing for the needs of the fund in the future and if not to make recommendations on how to adjust the fees?
  - 4) What should be the services and responsibilities charged to the fund and if necessary make recommendations on opportunities to reduce what is charged to the Stormwater Fund and identify where these operations could be charged (e.g. General Fund)?
  - 5) What are the necessary and affordable capital projects that have Stormwater components and where they should be afforded from?



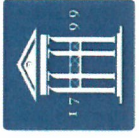
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### **Current Operations of the Fund**

- Function created in 2001, Stormwater Fund created in 2003, Stormwater Fee last modified in 2004
- Primary purpose is to account for activities necessary for the City's compliance with Phase II of the National Pollution Discharge Elimination System (NPDES) Municipal Separate Storm Sewer System (MS4) program
- Fund has 22 employees charged against two divisions; Streets (16) and Engineering (6)
- Operational revenues total \$2.7 M annually
- Operational expenses (NOT including capital) total \$2.6 M annually



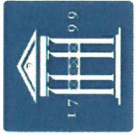
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## *City of Franklin, Tennessee* **Stormwater Fund Review**

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### **Current Operations of the Fund**

- **Activities the fund provides:**
- **Routine maintenance procedures**
- **Small repairs and upgrades to failing drainage systems**
- **Vacuuming storm drains and street sweeping**
- **Public Education and Outreach**
- **Public Involvement and Participation**
- **Illicit Discharge Detection and Elimination**
- **Construction Site Stormwater Runoff Control**
- **Permanent Stormwater Management in Development and Redevelopment**
- **Pollution Prevention for Municipal Operations**
- **Ambient Monitoring of Streams**
- **Completion of annual report to TDEC and EPA**

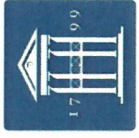


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# City of Franklin, Tennessee Stormwater Fund Review

## Current Operations of the Fund - Fee Structure: Based upon "ERU" – Equivalent Residential Unit

STORMWATER					
Applies to all properties inside the city limits of Franklin					
	SMALL	LARGE	Designated	ERU	
	3,350 = impervious surface* (<3,350 ft*) (>3,350 ft*)		Rate	(3,350 ft*)	
Residential - Inside City	\$2.74	\$4.38	NA	NA	NA
Duplexes/Trailers (not codified)	NA	NA	\$2.74	NA	NA
Apts/Condos (not codified)	NA	NA	\$2.74	NA	NA
Commercial - Inside City (per ERU)	NA	NA	NA	NA	\$3.65



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## *City of Franklin, Tennessee* Stormwater Fund Review

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### Findings from Other Cities

- Staff sampled 14 cities – 9 in Tennessee and 5 Outside
- Cities were chosen because
  - a) neighboring cities
  - b) cities which Franklin often benchmarks itself against
  - c) cities that have established Stormwater utilities
- Cities **widely** differ on how they have **structured the tiering** within the fee. Most are simple and similar to Franklin – two types of fees (Residential and Non-Residential) and have at least one tier in each type of fee. Some are much more complex (Nashville has 5 Residential and 9 Non-Residential tiers.
- Most use the ERU model and bill monthly; some bill quarterly.



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## *City of Franklin, Tennessee* **Stormwater Fund Review**

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### **Findings from Other Cities**

- ERU's vary widely as well. For Residential properties, the smallest ERU is less than 400 sq. ft. of impervious surface (Nashville) to 6,561 sq. ft. (Gallatin). Most have a wide variety of complexity in between. Non-Residential ERU's vary from the smallest of less than 400 sq. ft. (Nashville) to over 1,000,000 sq. ft. of impervious surface (again, Nashville)
- Most cities have updated their fees within the last few years.





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# City of Franklin, Tennessee

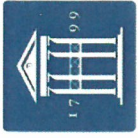
## Stormwater Fund Review

### Fund Analysis

- Franklin has not adjusted the fee or the tiers since 2004.
- Annual revenues have increased most years, but additional revenue has only resulted from new growth within the community.

Stormwater Fund Revenue - FY 2003-2019





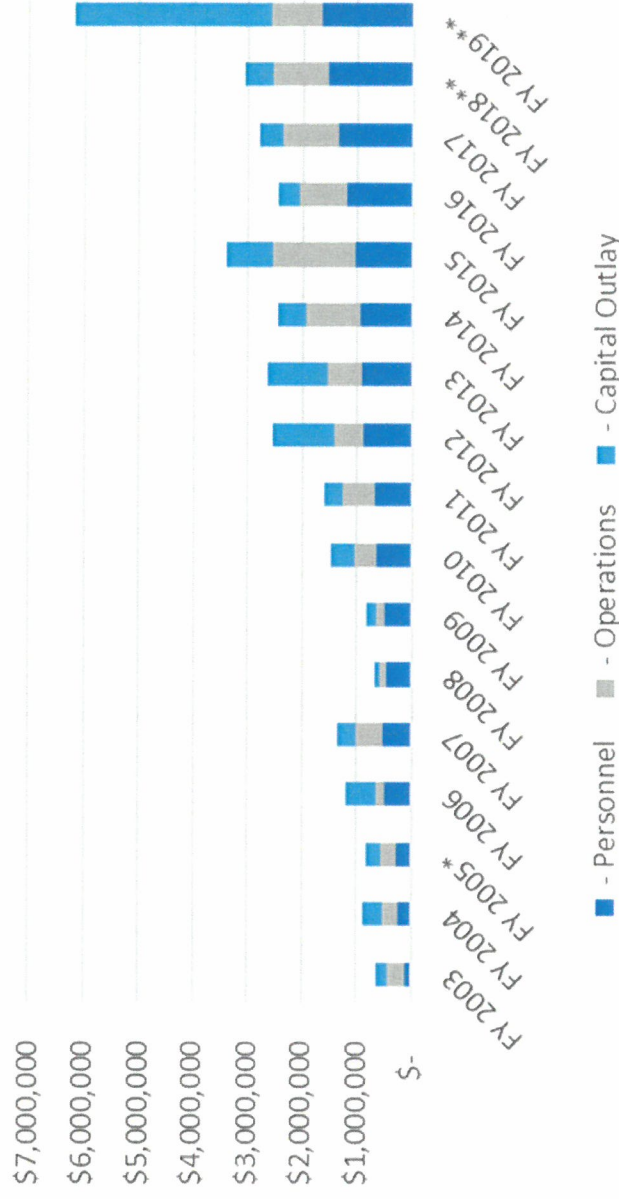
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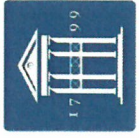
# City of Franklin, Tennessee Stormwater Fund Review

## Fund Analysis

- Annual expenses have also increased, as personnel adds and operational growth necessary to meet the demands of meeting our obligations under the NPDES permit have increased, and the community has continued to grow.

Stormwater Fund Expenses - FY 2003-2019





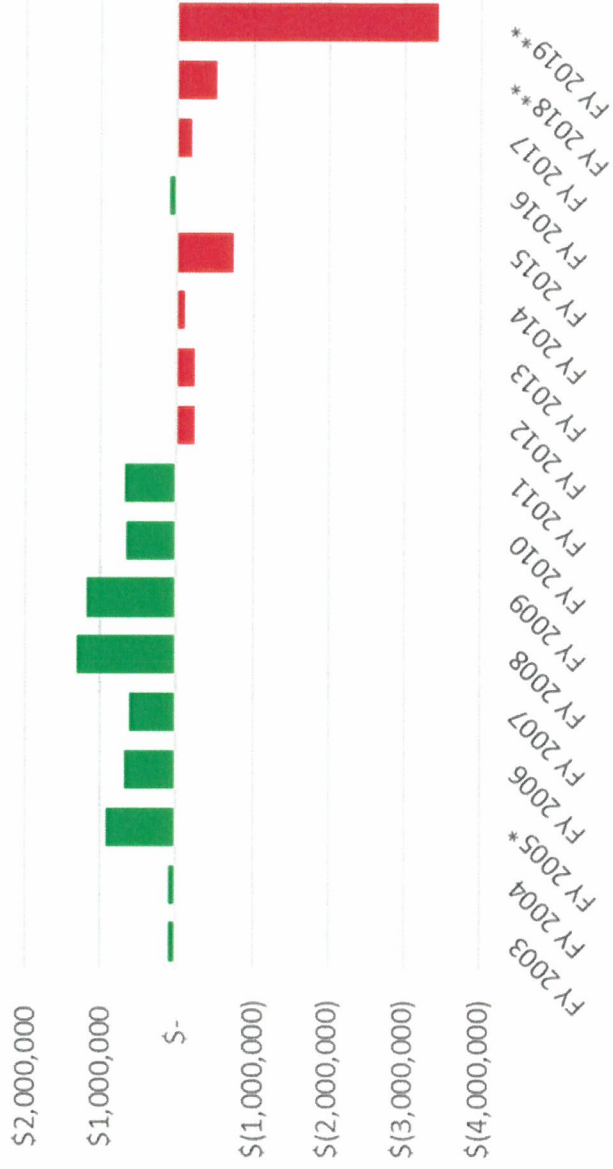
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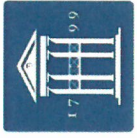
# City of Franklin, Tennessee Stormwater Fund Review

## Fund Analysis

- The result is that although the fee was appropriately set in 2004 and a healthy fund balance established, this cannot meet the operations and capital needs placed upon the fund. Only one of the last eight years of operations has produced positive fund balance.

Change in Stormwater Rev. v. Exp. FY 2003-2019





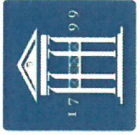
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## *City of Franklin, Tennessee* **Stormwater Fund Review**

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### **Fund Analysis**

- **Operational Expenses (Both in Personnel and Maintenance Operations) have caught up to Annual Revenues, leaving no additional funds for future capital other than what was accumulated in the first decade of operations.**
- **If no capital is funded moving forward other than purchase of equipment necessary to carry out functions required under our permit, the fund will exhaust its fund balance by FY 2027, and violate state laws for minimum fund balance requirements by FY 2025.**
- **Over \$20,000,000 of capital expenditures have been identified as eligible for Stormwater Funding in the FY 2019-2028 CIP.**



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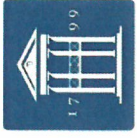
## *City of Franklin, Tennessee Stormwater Fund Review*

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### Recommendations & Next Steps

- Recommendations:

- 1) *Dedicate additional funding for Stormwater operations and capital needs.* First and foremost, the fee should likely be adjusted. It has not been raised in 14 years, and comparative fees throughout Tennessee and the United States indicate that Franklin is on the low end of scale – both in the fee assessed and the rate structure. *How that is to be achieved is up for further discussion and debate.*
- 2) *Update Title 23,* (section of City Code which contains the authorization for the Stormwater Fund), to include language similar to other funds which require a *mandatory review of the fee no less than every five fiscal years* and cleanup language on assessing penalties and interest which Title 17 and Title 18 have gone through in recent years.



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## *City of Franklin, Tennessee* Stormwater Fund Review

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### Recommendations & Next Steps

#### -Next Steps:

- 1) *Review this report and provide feedback* to staff.
- 2) Should the BOMA wish, *direct staff to provide options* as to what *different residential and non-residential tiers* look like, *as well as how fees could be increased* (or not dependent upon how the tiers are structured).
- 3) Also should the BOMA wish, *staff* will also *prepare the impacts of transfers from the General Fund* for funding a part or all of identified Stormwater capital projects through the FY 2019-2028 Capital Investment Program.
- 4) Staff will prepare various options as part of the FY 2020 annual operating budget process and *have ready by the March 2019 Budget review* of the Stormwater Fund. Structure and rate of fee could then be changed as part of the annual operating budget process.



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**Stormwater Fund Review**

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# Questions