



MEMORANDUM

July 23, 2014

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator
Russ Truell, Assistant City Administrator/CFO
Lawrence Sullivan, Asst City Recorder, Revenue Management

SUBJECT: Berry's Chapel Water District Billing and Collection Services Relationship

Purpose

The purpose of this memorandum is to provide the Board of Mayor and Alderman (BOMA) with the information to consider an agreement to modify the existing contract with Berry's Chapel Utility, Inc. (Berry's Chapel).

Background

The City of Franklin (City) and Berry's Chapel have between 300 and 400 mutual customers where the City provides water and Berry's Chapel provides sewer services. Under an agreement originally approved December 14, 1999 and modified June, 19, 2007 and again on April 12, 2011, the City bills the Berry's Chapel sewer charges to these mutual customers as a line item on our water bills. The City also collects the gross sewer payments and remits them to Berry's Chapel, less a fee of 7.5% for performing the billing and collection services.

At its outset in 1999, the sewer rates for Berry's Chapel customers were set at 85% of COF "Outside the City" Water Rates. Based on an estimated consumption of 7,000 gallons the average customer sewer bill would have been \$23.61. With 275 customers, the service fee payable to the City would have averaged \$486.96 per month.

In 2014, the average customer pays \$74.59 for 7,000 gallons. With 350 current customers, the service fee paid to the City averages \$1,957.99 (approximately \$24,000 per year).

Berry's Chapel has made inquiries about modifying this agreement which initiated this review by staff. In addition to the background noted above, staff has determined that the average cost to the City for personnel and resources related to the contract approaches, but does not exceed, \$500 per month.

Financial Impact

Berry's Chapel believes it is in the best interest of the utility district and its customers to cancel the existing agreement with the City and begin to bill its customers directly under some yet to be determined basis of consumption data. This could reduce our annual fee income by the full \$24,000. In such a case, our mutual customers would begin to receive separate billings from each utility

provider. It is also plausible that Berry's Chapel would continue to operate under the existing agreement at some re-negotiated fee that is no longer based solely on a percentage of billed revenue; or, is based on a lower, more reasonable percentage that reflects the cost associated with the service provided by the City.

Options

- 1) Continue under the current contract
- 2) Direct Berry's Chapel to seek an alternative billing and collection option
- 3) Modify the existing contract to provide billing and collection services at a fee based on the actual cost of services provided, with both a fixed and a variable component.

Recommendation

Considering the costs and benefits to our mutual customers, the Berry's Chapel Utility District and the City of Franklin, it is recommended that the City approach Berry's Chapel to modify our current contracted fee. The recommended modification would include a fixed fee of \$300 per month and a variable fee of \$.50 per account billed. This projects to a fee of approximately \$500 per month or \$6,000 per year and covers the actual costs of services performed.