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Title: Consideration of Resolution 2018-77, a Resolution to Adopt a Five-Year Rate Plan and Cost of Service Study for the Water and Sanitary Sewer Utility Fund, Fiscal Year 2019 through Fiscal Year 2023 (08/28/18 WS).

Sponsors: Mark Hilty, Michelle Hatcher

Indexes:

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Attachments: 1. RESOLUTION 2018-77 WMD 5YR RATE PLAN_with attachments.Law Approved 2, 2. 20180817_PPT_Jackson Thornton Rate Study Presentation_V1

Date	Ver.	Action By	Action	Result
9/11/2018	1	Board of Mayor & Aldermen	approved	Pass
8/28/2018	1	Work Session	referred	

DATE: August 21, 2018

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator
Mark Hilty, Assistant City Administrator - Public Works
Michelle Hatcher, Water Management Director

SUBJECT:

Consideration of Resolution 2018-77, a Resolution to Adopt a Five-Year Rate Plan and Cost of Service Study for the Water and Sanitary Sewer Utility Fund, Fiscal Year 2019 through Fiscal Year 2023 (08/28/18 WS).

Purpose

The purpose of this memorandum is to provide information to the Franklin Board of Mayor and Aldermen (BOMA) concerning the water and sanitary sewer cost of service study performed as a follow up to the Five-Year Rate Plan for the Water and Sanitary Sewer Utility Funds.

Background

The City of Franklin, through Resolution No. 2014-57, adopted a five-year rate plan (FY 2015 through FY 2019) to establish the necessary expenditures and revenues for operations. The plan considered the long-term effect of capital projects and upgrades of facilities, and operational costs including projected increases in personnel, utilities, and other expenses that scale with changes in system size or customer base. The plan also incorporated the estimated effects of inflation and customer growth on revenues and expenses to allow the Board and staff to better plan for future system needs.

As a follow-up to that plan and to ensure continued success, the Water Management Department has been working with Jackson Thornton Utilities Consultants (Contract 2018-0018) to perform a cost of service study to determine the impact to rates based upon updated capital planning and the anticipated construction of the new Water Reclamation Facility Upgrade project that was recently awarded.

The goal is to establish a new five-year rate plan by resolution based on the cost of service study and request that BOMA formally adopt the utility rates for the next two calendar years through ordinance. The rate plan anticipates targeted revenue increases for water and sanitary sewer as follows:

Implementation Date	Water	Sanitary Sewer
January 2019	2.9%	3.5%
January 2020	2.9%	3.5%
January 2021	2.9%	3.0%
January 2022	2.9%	3.0%
January 2023	2.9%	3.0%

Moving forward, Staff will present for consideration, a resolution to adopt a five-year rate plan in September. With respect to rates, staff will present an ordinance based on BOMA feedback. Below are suggested options for consideration, including the financial impacts for each option.

Options

The options that will be presented were developed as a starting point for the discussion. In general, the options include the following as a two-year rate plan for the City:

For water:

- Option A: Increase the monthly customer charge by \$1.50 (\$3.00 total) each of the next two years for each rate class.
- Option B: Increase the monthly customer charge by \$0.75 each (\$1.50 total) year for each rate class, in addition to increasing the volumetric charge by \$0.11 each year (\$0.22 total) for each rate class.

For wastewater:

- Option A: Increase the monthly customer charge by \$2.32 (\$4.64 total) each of the next two years for each rate class.
- Option B: Increase the monthly customer charge by \$1.16 (\$2.32 total) each of the next two-years for each rate class, in addition to increasing the volumetric charge by \$0.14 (\$0.28 total) each of the next two years for each rate class.

Financial Impact

As described above, Water Option A would generate approximately \$654,000 in additional revenue over the two-year period and Water Option B would generate approximately \$644,000 in additional revenue over the two-year period.

Sewer Option A would generate approximately \$1,327,000 in additional revenue over the two-year period and Sewer Option B would generate approximately \$1,300,000 in additional revenue over the two-year period.

Recommendation

Approval of a new five-year plan for the City's Water and Sanitary Sewer Utility is recommended. Both options presented are consistent with the proposed five-year plan and will meet the revenue targets needed to support operation of the water treatment and wastewater treatment utilities.