



Legislation Text

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DATE: May 6, 2016

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator
Mark Hilty, Director of Water Management

SUBJECT:

Consideration of Ordinance 2016-015, To Be Entitled: "An Ordinance Amending The City of Franklin Municipal code, Appendix A - Comprehensive Fees and Penalties, Chapter 18 - Water & Sewers For The Purpose of Updating Water and Sanitary Sewer User Rates; (05/12/16 Finance 3-0, 05/24/16 WS, 05/24/2016 BOMA 7-0; 06/14/16 BOMA 2nd Reading 8-0) THIRD AND FINAL READING

Purpose

The purpose of this memorandum is to introduce the discussion of water and sanitary sewer rate design based on Resolution 2014-57 as adopted by the Board of Mayor and Aldermen on August 26, 2014.

Background

The City of Franklin Water Management Department, through a cost of service analysis, has developed a five year financial plan to establish the necessary expenditures and revenues for operations. The plan considers 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. Also, the plan incorporates 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.

On August 26, 2014, the Board of Mayor and Aldermen adopted the plan (Resolution 2014-57), indicating that rate designs should reflect consistent rate adjustments over a five-year period to achieve required revenues. A consistent five year approach include adjustments of 3.5% annually for water and 6.75% annually for sanitary sewer. An update to the study, completed in March 2016, was performed to determine the effectiveness of the five year approach. A key recommendation of the study was to reduce the sanitary sewer rate increases for years three, four and five from 6.75% to 5.5%.

Options

Three options were presented during the April 12, 2016 BOMA Work Session for the purposes of bracketing the impacts of various rate designs. The options included:

- Water, Option A, Years One and Two:
 - \$0.25 Annual increase in Consumption Charge per kGal for Inside Customers
 - \$0.39 Annual increase in Consumption Charge per kGal for Outside Customers

- Option A would generate approximately \$712,000 in additional revenue over the two year period.
- Water, Option B, Years One and Two:
 - \$1.60 Annual increase in Customer Charge per bill for Inside Customers
 - \$2.48 Annual increase in Customer Charge per bill for Outside Customers
 - Option B would generate approximately \$718,000 in additional revenue over the two year period.
- Water, Option C, Years One and Two:
 - \$1.00 Annual increase in Customer Charge per bill for Inside Customers
 - \$0.10 Annual increase in Consumption Charge per kGal for Inside Customers
 - \$1.55 Annual increase in Customer Charge per bill for Outside Customers
 - \$0.16 Annual increase in Consumption Charge per kGal for Outside Customers
 - Option C would generate approximately \$732,000 in additional revenue over the two year period
- Wastewater, Option A, Years One and Two:
 - \$0.45 Annual increase in Consumption Charge per kGal for Inside Customers
 - \$0.70 Annual increase in Consumption Charge per kGal for Outside Customers
 - Option A would generate approximately \$1,883,000 in additional revenue over the two year period.
- Wastewater, Option B, Years One and Two:
 - \$3.46 Annual increase in Customer Charge per bill for Inside Customers
 - \$5.36 Annual increase in Customer Charge per bill for Outside Customers
 - Option B would generate approximately \$1,880,000 in additional revenue over the two year period.
- Wastewater, Option C, Years One and Two:
 - \$2.00 Annual increase in Customer Charge per bill for Inside Customers
 - \$0.19 Annual increase in Consumption Charge per kGal for Inside Customers
 - \$3.10 Annual increase in Customer Charge per bill for Outside Customers
 - \$0.29 Annual increase in Consumption Charge per kGal for Outside Customers
 - Option C would generate approximately \$1,882,000 in additional revenue over the two year period.

Financial Impact

The financial impact associated with staff recommendation results in projected annual revenue increases of approximately \$732,000 for water and approximately \$1,882,000 for sanitary sewer over the two year period.

Recommendation

Based on discussion during the April 12, 2016 BOMA Work Session staff recommends that the BOMA adopt Ordinance 2016-## which establishes rates for FY 2017 and FY 2018 calculated using Option C for both water and wastewater, presented above.