



# MEMORANDUM

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February 4, 2011

**TO:** City of Franklin Board of Mayor and Alderman

**FROM:** Eric Stuckey, City Administrator  
Mark Hilty, Water Management Director  
Clay Matthews, Interim Assistant City Recorder

**SUBJECT:** Royal Oaks Apartments, Leak Adjustment Process and Information

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## **Purpose**

The purpose of this memorandum is to provide information to the Board of Mayor and Aldermen (BOMA) in response to a leak adjustment request from the owners of the Royal Oaks Apartments and to questions concerning the City of Franklin's current leak adjustment policy and related practices.

## **Background**

The City of Franklin has a policy and procedure in place to reduce a customer's utility charges in the event of a documented water leak in their water system. Representatives of Royal Oaks Apartments have requested a change or exception to the established policy. The customer experienced a major leak on their property and is eligible to have their bill reduced for the months of December, 2010 and January 2011. Royal Oaks has denied the leak adjustment to be executed to date as their representative disagrees with the City's policy and procedure. The customer has voiced their concern to the BOMA for their consideration.

The Board had a number of questions in follow-up to the customer's request. Responses to those questions, as well as supporting documents are provided.

## **Financial Impact**

During calendar year 2010, the City of Franklin absorbed an average of \$4,901.00 per month in leak adjustments for a total annual amount of \$58,812.00. Based on the current policy, Royal Oaks is eligible for an adjustment of \$4,896.95 to be absorbed by the City. The customer has requested they receive a larger adjustment by waiving all additional sewer charges related to their leak. The financial impact of this request would require the City of Franklin to absorb \$7,073.17.

## **Recommendation**

Staff recommends the current leak adjustment policy and practice remain in effect with no revisions.

## **Enclosures**

- 1) Questions and Responses
- 2) Royal Oaks Apartment Adjustment Comparison
- 3) Water Usage Variability Data

**Royal Oaks Apartments  
COF Leak Adjustment Policy and Practice  
Questions and Responses**

Question:

What was the average bill for December for the past 4 or 5 years?

Response:

221,800 Gallons for December 2005-2009, 5 year average.

Question:

What is the City's cost of water delivered to Royal Oaks Apartments?

Response:

Based on FY 2009 and 2010 water treatment and distribution expenditures versus water sold, the cost of water is approximately \$4.41/1000 gallons.

The cost of service (COS) analysis provided the cost of water inclusive of all anticipated expenditures including rate funded capital projects. In considering the analysis as it relates to the cost above, it is important to remember that COS is not a linear average but is broken down into a customer charge and user rate.

The cost of service, based on a residential application (approximately 7,000 gallons/month average consumption) is a customer charge (includes 1,000 gal) of \$10.71 with an average flat rate of \$4.23 per thousand gallons. The average rate for a 7,000 gallon customer is \$5.15/1000 gallons. The cost of service, based on a commercial application (approximately 24,000 gallons/month average consumption) is a customer charge (includes 1,000 gal) of \$14.46 with an average flat rate of \$4.20 per thousand gallons. The average rate for a 24,000 gallon customer is \$4.63/1000 gallons.

Question:

How does the adjustment requested by Royal Oaks Apartments translate to dollars when the sewer portion is forgiven?

Response:

Based on the current policy, Royal Oaks is eligible for an adjustment of \$4,896.95 to be absorbed by the City. The customer has requested they receive a larger adjustment by waiving all additional sewer charges related to their leak. The financial impact of this request would require the City of Franklin to absorb \$7,073.17.

Question:

What is the arithmetic on what the customer is asking versus what our current policy and practice?

Answer:

See attached "Royal Oaks Apartment Adjustment Comparison".

Question:

The first bill adjustment was said to be \$910.67 of a \$4,000.00 bill?

Answer:

The customer has refused our adjustment to date. See attached "Royal Oaks Apartment Adjustment Comparison".

Question:

What are the thresholds or limits used that would trigger the City to call the customer about high usage.

Answer:

The high usage limit is set at 250% above the average usage. A study was performed during October 2008 to determine the normal variability in customer usage. Based on the results of the study, this limit was established.

With the "High Usage" notification limit set at >200%, 9.2% or 1,577 customers would be notified that month. With the notification limit set at >300%, 5.7% or 977 customers would be notified that month.

High usage notifications are sent out as a written notice due to the volume of work required. Representatives regularly discuss usage with the customers, however, written notices are our protocol.

Please see the attached "Water Usage Variation" Chart

ROYAL OAKS APARTMENT ADJUSTMENT  
COMPARISON

*Leak Adjustment Calculation: Gallons used are adjusted and then rates are applied to determine the dollar amount of the adjustment.*

Billing Period	A Gallons Used Actual (per meter)	B Avg Gallons Used (12 mo. Avg.)	C Usage Above Average A-B=C	D Adjustment Amount C/2	E Adjusted Gallons Used B+D=E
12/30/2010	449,000	211,667	237,333	118,666	330,333
1/30/2011	1,180,000	211,667	968,333	484,166	695,833
City cost of Water \$4.41/K Gal.	\$7,183.89	\$1,866.90	\$5,316.98	\$2,658.49	\$4,525.39
Dec. 5 yr. Ave 2005-2009	221,800				

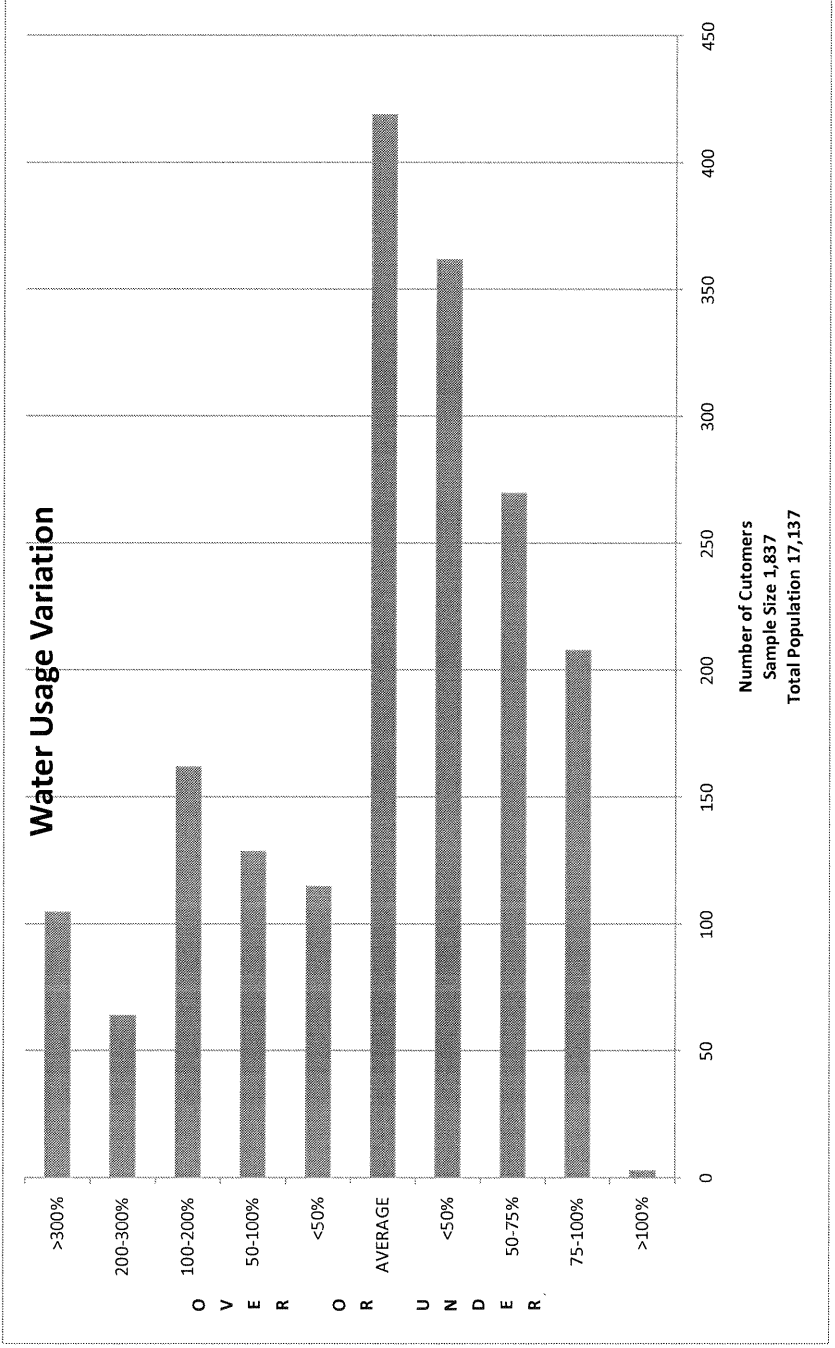
Billing Period	Water Usage Billed (A above)	Sales Tax Applied (water only)	Sewer Usage Billed (A above)	Adjustment Water (D above)	Adjustment Sales Tax	Adjustment Sewer (D above)	Above Avg. Usage City Absorbs	Above Avg. Usage Cust. Pays	Avg. Usage Customer Pays	Total Customer Pays
12/30/2010	\$1,880.28	\$173.93	\$2,007.29	-\$441.44	-\$40.84	-\$428.39	\$910.67	\$910.67	\$2,240.16	\$3,150.18
1/30/2011	\$5,139.00	\$475.36	\$4,425.00	-\$2,251.38	-\$208.26	-\$1,526.64	\$3,986.28	\$3,986.28	\$2,066.80	\$6,053.08
Total	\$7,019.28	\$649.29	\$6,432.29	-\$2,692.82	-\$249.10	-\$1,955.03	\$4,896.95	\$4,896.95	\$4,306.96	\$9,203.26

Above details

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12/30/2010	\$1,880.28	\$173.93	\$2,007.29	-\$441.44	-\$40.84	-\$856.77	\$1,339.05	\$482.28	\$2,240.16	\$2,722.44
1/30/2011	\$5,139.00	\$475.36	\$4,425.00	-\$2,251.38	-\$208.26	-\$3,274.48	\$5,734.12	\$2,238.44	\$2,066.80	\$4,305.24
Total	\$7,019.28	\$649.29	\$6,432.29	-\$2,692.82	-\$249.10	-\$4,131.25	\$7,073.17	\$2,720.72	\$4,306.96	\$7,027.68

Above details

>100%	3	2%
75-100%	208	11.30%
50-75%	270	14.70%
<50%	362	19.70%
AVERAGE	419	27.80%
<50%	115	6.30%
50-100%	129	7.00%
100-200%	162	8.80%
200-300%	64	3.50%
>300%	105	5.70%



Note: Based on the sample distribution, and with the "High Usage" notification limit set at >200%, 9.2% OR 1,577 customers would be notified this month. With the notification limit set at >300%, 5.7% or 977 customers would be notified this month. Study performed on usage incurred during the month of October 2008. Billing would be received by the customer in late November to early December.