

MINUTES
MURFREESBORO WATER RESOURCES BOARD
March 21, 2023

The Murfreesboro Water Resources Board met on Tuesday, March 21, 2023 in the conference room at the Operations and Maintenance Building, 1725 S. Church Street. Present at the meeting were Board members: Mr. John Sant Amour, Dr. Al Carter, Mr. Ron Crabtree, Ms. Sandra Trail, and Ms. Madelyn Scales-Harris. Also present were Darren Gore, Doug Swann, Valerie Smith, Michele Pinkston, Sarah Mathews, Alan Cranford, Joe Russell, John Strickland, Matt Powers, Linda Sullivan, and Brent Fowler along with other members of the public.

The Consent Agenda was presented to the Board for approval:

- A. *Proposal from Jobe, Hastings & Associates for the Water Resources Department Audit and the Stormwater Fund Audit for the year ending June 30, 2023*
- B. *JBS Task Order 22-01, Biosolids Polymer System Change Order No. 1*
- C. *JBS Task Order 23-02, Pump Vibration & Infrared Analysis*
- D. *SRWTP vehicle purchase*
- E. *Single Source Purchase of parts for Clarifier at WRRF*
- F. *Water main participation & easement abandonment along St. Andrews Blvd*
- G. *Sewer main participation with Thornton's at Hwy 96 & Veterans Blvd*
- H. *Overall Creek Pump Station contingency allocations*

Sandra Trail made a motion to accept the Consent Agenda as presented and it was seconded by Dr. Carter. The Board voted unanimously to approve.

The January 24, 2023 Board Minutes were unanimously accepted as presented.

The Board considered Sanitary Sewer Rehab 2021/2022 Final Change Order No. 2.

The Board previously approved the award of the contract to SBW Constructors, LLC in the amount of \$4,677,182.

Final Change Order No. 2 is a decrease in the contract amount of \$603,220.96 for a total contract value of \$4,077,230.08. Staff requested using this surplus for the upcoming 2022/2023 sewer rehabilitation contract.

Staff recommended the Board recommend approval of the Final Change Order No. 2.

Sandra Trail made a motion to approve. Dr. Carter seconded. The motion unanimously passed.

The Board considered LJA Task Order Amendment for Hobas Rehabilitation project.

A Task Order was previously approved for LJA to proceed with the design of a project to rehabilitate approximately 8,222 linear feet of the existing "Hobas" sewer pipes within the sewer system after having two pipe failures along our Southwest Sewer Interceptor and determining that a number of

other Hobas pipe segments were deflecting. This design was completed, and the project was advertised in October/November 2022. Bids were to be received in November; however, no bids were received for the project. LJA contacted several of the bidders to ask why they did not submit bids and the contractors stated there was a lack of access as well as unknown requirements of working within CSX Railroad right of way.

At the request of staff, LJA has submitted an amendment to the Task Order for re-bidding the project as well as assisting in obtaining CSX approval and delineating access easements.

Staff recommended the Board recommend approval of the LJA Task Order Amendment as well as the offer amounts for Temporary Access Easements.

The original estimated costs for the work included \$392,500 for Engineering and \$9.3M for Construction. The additional funds requested are \$28,550 for Engineering and \$31,650 for Access Easements. Funding for this work would come from the Department's working capital reserves.

Sandra Trail made a motion to approve. Madelyn Scales-Harris seconded. The motion unanimously passed.

The Board considered G2O Technologies Contract Amendment No. 1 for chemicals at SRWTP.

The water treatment plant uses polyaluminum hydroxichloride as its coagulant for removing particles from the water during the treatment process. The Department currently has a contract with G2O Technologies, LLC. G2O Technologies has requested that due to significant increases in raw materials and transportation costs, it needs to update pricing on their next extension. The new extension will be from February 24, 2023, until February 24, 2024.

The current pricing is for \$0.2520 per pound and would increase to \$0.3050 per pound. Staff has reviewed the justification and recommends that this increase be granted.

Staff recommended the Board recommend to City Council approving the renewal of the chemical bid extension.

Dr. Carter made a motion to approve. Madelyn Scales-Harris seconded. The motion unanimously passed.

The Board considered purchase of a pivot system irrigator for the Coleman Farm.

The Department owns the Jordan Farm off Leanna Road and the much larger Coleman Farm off Central Valley Road. They were purchased to play a significant role toward ensuring compliance with the City's EPA discharge permit via land irrigation of treated water from the WRRF. The irrigator will facilitate the utilization of the reuse water pipeline extension to the Coleman Farm.

The City's Purchasing Department issued an Invitation to Bid and Hughes Farm Services Inc. provided the lowest conforming bid.

Staff recommended the Board recommend to City Council approving the purchase of a pivot system irrigator at a cost of \$220,405.

The Department budgeted \$190,000 to purchase the pivot system irrigator. The remaining \$30,405 would be funded from Working Capital Reserves.

Sandra Trail made a motion to approve. Madelyn Scales-Harris seconded. The motion unanimously passed.

The Board reviewed the proposed water and sewer rate design.

MWRD Water/Sewer Rate Design (Assuming \$45M in Debt by FY26)

Fiscal Year	2022 Rate	2023 Current Rate	2024 Proposed Rate	2025 PF	2026 PF
Sewer					
Residential Min. Monthly Charge	\$10.22	\$10.22	\$10.72	\$11.72	\$12.72
Commodity Charge (\$/kgal)	\$5.67	\$5.67	\$5.50	\$5.25	\$5.00
Sewer Over/Under Recovery (Less Add'l Fees)		128.7%	126.0%	123.1%	120.1%
Sewer Over/Under Recovery (if No Rate Change)		128.7%	127.6%	126.6%	125.6%
Avg Sewer Bill @ 4,900 gal/month		\$38.00	\$37.67	\$37.45	\$37.22
Water					
Residential Min. Monthly Charge	\$8.72	\$9.72	\$10.72	\$11.72	\$12.72
Commodity Charge (\$/kgal)	\$3.66	\$3.66	\$3.66	\$3.66	\$3.66
Water Over/Under Recovery (Less Add'l Fees)		102.1%	100.7%	100.3%	99.9%
Water Over/Under Recovery (if No Rate Change)		101.8%	98.4%	96.1%	93.9%
Avg Water Bill @ 5,730 gal/month		\$30.69	\$31.69	\$32.69	\$33.69
Combined Recovery		<u>FY21 COSS</u>			
Avg Combined Water/Sewer Bill	\$67.69	\$68.69	\$69.36	\$70.14	\$70.91
% Increase		1.48%	0.97%	1.12%	1.10%
Combined Recovery		118.5%	116.3%	114.3%	112.3%
Combined Recovery (if No Rate Change)		118.4%	116.4%	114.9%	113.4%

The table above shows MWRD's rates from FY22, current FY23, proposed FY24 and future FY25-FY26. The table also shows the anticipated over/under recovery based on the rate design adjustments. The major item to note is the reduction of the sanitary sewer commodity fee from current \$5.67 per thousand gallons to \$5.50 per thousand gallons.

Without implementing rate changes, the sewer and water recoveries will be 125.6% versus 93.9% in FY26, a 31.7% difference. By implementing the proposed rate changes, the sewer and water recoveries are estimated to be 120.1% and 99.9% in FY26, a difference of only 20.2%. The combined recovery without implementing any rate changes is estimated at 113.4% and with rate changes 112.3%; very close to the same.

Since MWRD started conducting cost-of-service studies, the goal has always been to try and align the Department's water and sewer rate structure with the actual cost of service results.

The primary purpose of a cost-of-service study is to allocate a utility's overall revenue requirements (i.e., expenses) to the various customer classes it serves in a manner that reflects the relative costs of providing service to each customer class.

The secondary purpose of the cost-of-service is to assign costs to the fixed cost portions of a utility's operation via minimum monthly fees and to the variable cost portions of a utility's operation via commodity fees. Fixed costs are costs which remain constant regardless of the volume of throughput and are predominately associated with capital investment in the utility system. Fixed costs include costs such as labor, asset repair and replacement, and debt. Variable costs are costs which vary with the volume of throughput, such as fuel, chemicals, and increased O&M expenses as the system expands.

As studies have shown, MWRD's minimum monthly fees have been lower than the cost-of-service study recommended. The Department knowingly kept the minimum monthly fees lower to cause the least impact to low-and fixed-income customers. However, based on FY21 cost-of-service study results and the FY26 pro forma, staff is recommending some adjustments to the Departments rate design due to the widening disparity between the recommended cost-of-service minimum monthly fees and commodity fees.

The combined rate revenue requirements for the 2024 pro forma are \$41,397,207. If no rate changes are made the combined water and sewer rate revenue (less additional fees) is estimated at \$48,262,679. If the proposed rate changes are made, the combined water and sewer rate revenue (less additional fees) is estimated at \$48,137,713.

The proposed rate design would generate approximately \$131,000 less annual revenue and increase the residential monthly fee by approximately 1% or \$0.67 per month.

The Board considered Section 33-2.1.1 Ordinance Amendment for Outside City Sewer.

At the March 8th City Council workshop, a discussion occurred regarding allowing the Rutherford County School Board the option of asking for sanitary sewer as an outside City sewer customer without having to ask for annexation into the Murfreesboro City Limits.

The discussion primarily revolved around the Batey property located off Baker Road. City Council recognized that if the City does not provide sanitary sewer service to the proposed school on this property, then an additional 12 acres will need to be acquired to support a STEP system effluent disposal field. This would be an additional \$1 million in expenses to the school site development, approximately.

A "conditional will serve" letter was sent to Dr. James Sullivan on March 15, 2023 that described the good faith attempts the Council desired to take to give the County School Board the option of being served with sanitary sewer.

As the letter states, the proposed modification to Ordinance 33 subsection 2.1.1 was discussed to provide a "carve out" provision for County Schools that will eliminate the requirement of requesting annexation when requesting for outside City sewer service.

Additionally, the letter provided Dr. Sullivan with the framework of anticipated elements (i.e., conducting a sanitary sewer hydraulic capacity analysis, etc.) contained in a development agreement that would need to be approved by Council should the City Code amendment be enacted.

Subject to the approval of the modification to Ordinance 33 by City Council and compliance with a subsequent development agreement approved by City Council and the County School Board, the City would allow the current planned Batey property school and any future schools outside the City limits the opportunity to be connected to the City sewer system.

The sanitary sewer connection fees would still be paid by the County and the school site would be charged 150% of the rates charged for inside City customers.

Staff recommended the Board recommend to City Council approval of the ordinance amendment subject to Legal approval.

Dr. Carter made a motion to approve. Ron Crabtree seconded. The motion unanimously passed.

The Board reviewed Customer Service and credit card trends.

With the adoption of our IT Strategic Plan in 2012, Murfreesboro Water Resources Department embarked on an ambitious plan to improve various Customer Service systems, including our billing system (CIS.Infinity), online access (Infinity.Link), account access via telephone (Interactive Voice Response – IVR) and mobile service order system (CIS.Mobile).

Some of the key benefits achieved through implementation of the products and customer options include:

- A 53% decrease in over-the-counter payments by customers
- A 60+% decrease in payments via mail and night deposit
- Of all calls to our Customer Service department in 2022, just over 80% (up from 70% in 2018) were handled via the IVR and did not initially require Customer Service Clerk interaction
- Credit card and e-check payments increased by 7% from 2021 to 2022
- 94% of credit card/e-check payments were made online or via IVR
- With the onset of COVID in 2020, MWRD put the most frequently used forms (new service, payment extension) online. At the end of 2022, online forms now account for over 2/3s' of our customer interactions which has improved efficiencies as online forms can be handled in a better workflow.

Staff presented and discussed the Water Resources Dashboard Performance for February 2023.

Staff presented the Financial Reports for the year ending February 28, 2023.

There being no further business, the meeting was adjourned.