



ANNUAL REPORT

Broadband Plans & Operations

as of June 30, 2022

February 1, 2024

Jason E. Mumpower
Comptroller of the Treasury



**DIVISION OF
LOCAL GOVERNMENT FINANCE**

Report on Broadband Plans and Operations

Tenn. Code Ann. §§ 7-36-107 et seq. and 7-52-601 et al.

Comptroller Review of Broadband Plans

As of June 30, 2022

Statutory Requirement

Pursuant to Tenn. Code Ann. §§ 7-36-107 and 7-52-601, a municipal energy authority, county, metropolitan government, or incorporated city or town operating an electric plant has the power, with certain limitations, to operate a **broadband** system. These local governments must develop a detailed **business plan** as described in Tenn. Code Ann. § 7-52-602 that is subject to review by the Comptroller's Division of Local Government Finance (LGF). Once a complete plan is submitted, LGF has 60 days to review the plan and present the local government with a report on the plan's feasibility. After the report is presented to the governing body, or after the expiration of the 60-day period, the governing body may proceed with the actions described in statute to approve and initiate the plan.

Key Terms

broadband – as pertaining to this report—the provision of services offered under Title 7, Chapter 52, Part 6, including cable TV and internet service.

business plan – a financial plan containing: a detailed explanation of the services to be provided; proforma financial schedules for proposed system; proposed financing; rate structure; and statistically relevant survey results to support assumptions in the plan, including prospective broadband customers of the electric system residing in the service area.

feasible – a determination that the **business plan**, as presented, is expected to have revenues sufficient to cover expenses and remain cash flow positive.

take rate – is the percentage of electric customers that subscribe to the broadband service. The take rate is a key determinate in projecting the success of a broadband system.

History and Purpose

Tennessee's General Assembly passed legislation in 1999 allowing county, metropolitan, and municipal electric systems to provide **broadband** services to its customers. Later, municipal energy authorities were given this same authority. Pursuant to the 1999 legislation, in 2005, the Comptroller of the Treasury evaluated and reported on the operations of the new systems to the state legislature and recommended that the authority to provide **broadband** services continue. In accord with subsequent

legislation, in 2008 the Comptroller of the Treasury reported to state legislators on a pilot project initiated to determine the feasibility of extending **broadband** services beyond a local government’s service area. In the 2008 report, the Comptroller recommended no changes to the existing statutory authority.

Before a local government provides **broadband** services, state law requires that local officials prepare a **business plan** that demonstrates their ability to operate a standalone **broadband** system without subsidies from the electric system. The Comptroller’s Local Government Finance division is charged with determining if the **business plan** presented is **feasible** and in compliance with state law. Additional information may be found at: <https://comptroller.tn.gov/office-functions/lgf/resources/broadband.html>.

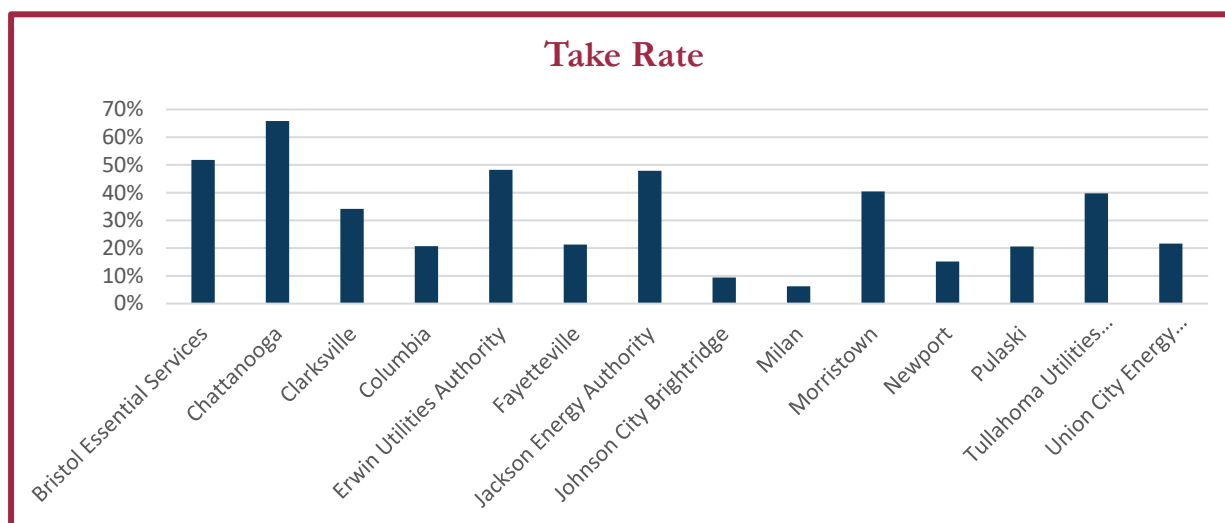
As summarized below, as of June 30, 2022, the Comptroller’s Office had reviewed 25 plans for 24 local governments since the law took effect in 1999.

	Feasible	Not able to Determine	Not Feasible	Total Plans
Comptroller Reviews	22	3	0	25

Of the 24 local governments that submitted **business plans** to our office, 15 were providing broadband services, four were building out infrastructure, four did not move forward with providing broadband services, and one sold their system to a private company as of June 30, 2022 (See Appendix B).

Take Rate Summary

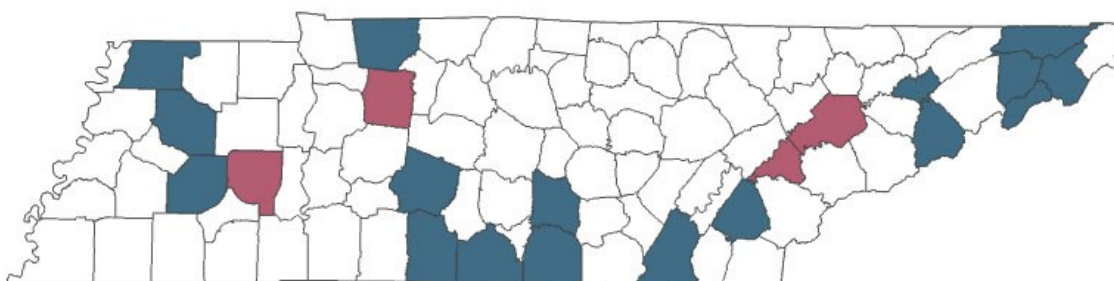
The **take rate** represents the percentage of electric customers that will subscribe to the broadband service and is a key determining factor of the feasibility of a proposed **business plan**. In the **business plan**, the percentage is based upon feedback from customer surveys and can take several years to realize once the system is in operation. For example, the lowest take rates in the following chart represent newer systems that began operations in the past few years.



The above **take rates** are for the 14 systems that reported a customer base of more than 100 in the audit for the fiscal year ended June 30, 2022. Note: Athens had a total of 13 customers (all commercial) as of June 30, 2022, with a **take rate** of 0.1% and is excluded from the chart due to scale.

Map of Local Governments Providing Broadband Services

The following map depicts counties where broadband services were being offered or where broadband infrastructure was being built out by local governments as of June 30, 2022. Twenty-one counties are represented, with the highest concentration in the state's eastern division. Some of the systems serve more than one county.



Systems In Operation
 Systems Under Construction

Financial Overview of Broadband Systems

As of June 30, 2022, there were 19 local government-run broadband systems in Tennessee, with 15 in operation and four building out infrastructure. The Comptroller's Local Government Finance division monitors the finances of these systems each year and compiles financial and customer data from the most recent audit for review and analysis. This information is included in Appendix A and is taken from fiscal year 2022 audits. Copies of the audits can be found at: <https://comptroller.tn.gov/advanced-search>. The four systems that had not started operations as of June 30, 2022, were the: City of Dickson, City of Knoxville, City of Lenoir City, and City of Lexington. These local governments have been excluded from the financial overview found in Appendix A.

Local Government Broadband Systems in Operation as of June 30, 2022

Appendix A

	Athens	Bristol Essential Services	Chattanooga	Clarksville	Columbia
First Full Year of Operation	FY 2018	FY 2007	FY 2005	FY 2009	FY 2004
Comptroller Plan Review Status	Feasible	Feasible	Feasible	Feasible	Feasible
Electric Customers	13,625	33,959	191,405	78,867	33,502
Broadband Customers	13	17,604	126,000	26,948	6,944
Take Rate	0.1%	51.8%	65.8%	34.2%	20.7%
Revenues	\$ 119,198	\$ 25,797,072	\$ 168,880,000	\$ 27,874,850	\$ 9,287,866
Expenses	68,196	20,517,161	141,760,000	23,187,799	7,484,281
Operating Income	51,002	5,279,911	27,120,000	4,687,051	1,803,585
Other Income	826	18,044	(561,000)	31,977	(47,519)
Income Before Contributions	51,828	5,297,955	26,559,000	4,719,028	1,756,066
Contributions and Transfers	34,145	(52,350)	569,000	(79,636)	38,027
Change in Net Position	\$ 85,973	\$ 5,245,605	\$ 27,128,000	\$ 4,639,392	\$ 1,794,093
Beginning Net Position	\$ 336,445	\$ 30,039,050	\$ 156,074,000	\$ 10,435,634	\$ 3,623,822
Ending Net Position	422,418	35,284,655	183,202,000	15,075,026	5,417,915
Change in Net Position as a % Revenues	72%	20%	16%	17%	19%
Cash	\$ 180,110	\$ 31,420,097	\$ 63,065,000	\$ 10,663,646	\$ 2,307,220

Local Government Broadband Systems in Operation as of June 30, 2022

Appendix A

	Erwin Utilities Authority	Fayetteville	Jackson Energy Authority	Johnson City Brightridge	Milan
First Full Year of Operation	FY 2015	FY 2002	FY 2004	FY 2019	FY 2020
Comptroller Plan Review Status	Feasible	Feasible	Feasible	Unable to Determine	Feasible
Electric Customers	8,987	18,927	36,507	80,830	8,296
Broadband Customers	4,334	4,030	17,484	7,697	514
Take Rate	48.2%	21.3%	47.9%	9.5%	6.2%
Revenues	\$ 3,362,397	\$ 4,117,215	\$ 34,863,072	\$ 7,846,521	\$ 419,526
Expenses	2,363,933	3,183,216	30,425,384	10,805,957	198,504
Operating Income	998,464	933,999	4,437,688	(2,959,436)	221,022
Other Income	510	21,333	(1,207,767)	(1,367,621)	(1,346)
Income Before Contributions	998,974	955,332	3,229,921	(4,327,057)	219,676
Contributions and Transfers	(9,325)	197,311	26,562	-	(257)
Change in Net Position	\$ 989,649	\$ 1,152,643	\$ 3,256,483	\$ (4,327,057)	\$ 219,419
Beginning Net Position	\$ 1,457,139	\$ 4,936,808	\$ 16,261,147	\$ (12,108,441)	\$ 293,598
Ending Net Position	2,446,788	6,089,451	19,517,630	(16,435,498)	513,017
Change in Net Position as a % Revenues	29%	28%	9%	-55%	52%
Cash	\$ 1,911,901	\$ 271,684	\$ 8,580,743	\$ 2,416,006	\$ 438,408

Local Government Broadband Systems in Operation as of June 30, 2022

Appendix A

	Morristown	Newport	Pulaski	Tullahoma Utilities Authority	Union City Energy Authority
First Full Year of Operation	FY 2007	FY 2019	FY 2007	FY 2010	FY 2018
Comptroller Plan Review Status	Feasible	Unable to Determine	Feasible	Feasible	Feasible
Electric Customers	15,650	23,320	14,867	11,151	6,355
Broadband Customers	6,329	3,531	3,061	4,436	1,375
Take Rate	40.4%	15.1%	20.6%	39.8%	21.6%
Revenues	\$ 11,456,245	\$ 4,353,865	\$ 4,135,513	\$ 7,068,870	\$ 1,223,259
Expenses	9,831,334	4,524,485	3,432,569	5,666,962	537,027
Operating Income	1,624,911	(170,620)	702,944	1,401,908	686,232
Other Income	(122,640)	(206)	66,355	(33,694)	23,538
Income Before Contributions and Transfers	1,502,271	(170,826)	769,299	1,368,214	709,770
Change in Net Position	\$ 1,502,271	\$ (170,826)	\$ 769,299	\$ 1,368,214	\$ 709,770
Beginning Net Position	\$ 6,204,684	\$ (3,692,816)	\$ 1,436,274	\$ 5,108,767	\$ 1,259,213
Ending Net Position	7,706,955	(3,863,642)	2,205,573	6,476,981	1,968,983
Change in Net Position as a % Revenues	13%	-4%	19%	19%	58%
Cash	\$ 1,929,620	\$ 805,359	\$ 2,547,643	\$ 5,118,291	\$ 1,766,408

Local Government Broadband Systems Plans Reviewed as of June 30, 2022

Appendix B

Local Government	County	Comptroller Report Date	Feasibility Determination	Status
1. Athens	McMinn	Jun 6, 2002	feasible	providing service
2. Bolivar	Hardeman	Oct 29, 1999	feasible	did not move forward
3. Bristol	Sullivan	Oct 7, 2004	feasible	providing service
4. Chattanooga (internet services)	Hamilton	May 13, 2002	feasible	providing service
5. Chattanooga (cable tv)	Hamilton	Aug 21, 2007	feasible	providing service
6. Clarksville	Montgomery	Jan 11, 2006	feasible	providing service
7. Columbia	Maury	<i>Information Not Available</i> -----		providing service
8. Covington	Tipton	Dec 9, 1999	feasible	sold 2007
9. Dickson	Dickson	Dec 28, 2021	feasible	building out
10. Erwin Utilities Authority	Unicoi	Aug 21, 2014	feasible	providing service
11. Fayetteville	Lincoln	Oct 27, 1999	feasible	providing service
12. Jackson Energy Authority	Madison	Feb 28, 2002	feasible	providing service
13. Johnson City Energy Authority – d/b/a BrightRidge	Washington, Sullivan, Carter	Jun 21, 2018	could not determine	providing service
14. Knoxville	Knox	May 11, 2021	feasible	building out
15. Lenoir City	Loudon	Dec 17, 2021	feasible	building out
16. Lexington	Henderson	Feb 18, 2022	feasible	building out
17. Milan	Gibson	Jun 21, 2018	feasible	providing service
18. Morristown	Hamblen	Jul 25, 2000	feasible	providing service
19. Newport	Cocke	May 17, 2017	could not determine	providing service
20. Paris	Henry	Nov 7, 2019	could not determine	did not move forward
21. Pulaski	Giles	Jun 7, 2002	feasible	providing service
22. Springfield	Robertson	Mar 20, 2002	feasible	did not move forward
23. Tullahoma (plan resubmitted)	Franklin, Coffee	Mar 5, 2007	feasible	providing service
24. Union City	Obion	Aug 15, 2016	feasible	providing service
25. Winchester	Franklin	May 6, 2004	feasible	did not move forward