



JASON E. MUMPOWER
Comptroller

MINUTES
of the
TENNESSEE BOARD OF UTILITY REGULATION MEETING
July 17, 2025
10:00 am

Greeting:

Chairman Moody detected a quorum and called to order the first meeting of the Tennessee Board of Utility Regulation (“TBOUR” or “the Board”) in the Volunteer Conference Center on the 2nd Floor of the Cordell Hull Building in Nashville, TN at 10:00 a.m. (CDT).

Board Members Present and Constituting a Quorum:

Greg Moody, Chairman
Paula Mitchell, Vice Chair
Edwin Carter
Eugene Hampton
David Purkey
Steve Stone
Bruce Giles
Alex Smith
Britt Dye
Anthony Pelham
Candance Vannasdale

Staff Present:

Ross Colona, Comptroller’s Office
Ben Johnson, Comptroller’s Office
Meghan Denson, Comptroller’s Office
Nate Fontenot, Comptroller’s Office
Charlie Lester, Comptroller’s Office
Alex Behnke, Comptroller’s Office
Mason Jernigan, Comptroller’s Office

Counsel Present:

Seth May, Comptroller’s Office

Others present and Addressing the Board:

Steve Osborne, Assistant Director, LGF, Comptroller’s Office
Sheila Reed, Director, LGF, Comptroller’s Office



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Approval of Minutes

Motioned by Mr. Dye. Second by Mr. Smith. It passed unanimously with no discussion.

Conflict of Interest Statement:

Counsel Seth May read the following statement: “The Board was created to act for the public welfare and in furtherance of the legislature’s intent that utility systems be operated as self-sufficient enterprises. Board members are not authorized to participate in the discussion of or to vote on matters involving entities in which the Board member has a financial interest, with which the Board member has a conflict of interest, with which the Board member has a contract of employment, or if there is any appearance of impropriety.”

Board members will recuse themselves or declare any conflict of interest at the time each relevant case is presented.

Welcome and Recognition

Chair Ross Colona opened the meeting by noting that Mr. Tom Moss had retired from TDEC and would no longer serve on the Board. He welcomed Ms. Paula Mitchell as the new TDEC appointee, filling Mr. Moss’s vacancy.

Public Comment Period

Mr. Colona introduced a public comment period and states that there will be two issues discussed today at this time. First, Ms. Joyce Carpenter addressed the Board to provide an update on progress in Mooresburg Utility District, noting she made the effort to attend in person. She reported that two new board members have joined, and she has returned to the office at the request of customers. Ms. Carpenter highlighted improvements in water loss, which has dropped to approximately 23–24%, due in part to correcting meter reading issues and fixing system errors. Mr. Giles thanked Ms. Carpenter on the record, recognizing the utility’s progress in a short time.

The next issue to be discussed during this period was regarding the potential merger between Leoma Utility District and Lawrenceburg Utility Systems (LUS). Two concerned customers of Leoma, Kayla Corbett and Corey Birdyshaw, addressed the Board to express opposition to the proposed merger.



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Ms. Corbett spoke first, citing significant community concern over rising rates, with her personal bill projected to increase by 122% under LUS's structure. She argued the merger would shift control away from Leoma, where LUS board members have minimal local representation. She also stated that Leoma Utility is making strong progress: audit findings have been addressed, a booster station project is underway, and financial improvements are being implemented. She framed the merger as a loss of community control and urged the Board to reject the proposal. Mr. Birdyshaw echoed these concerns, sharing that many residents first learned of the merger through a letter and later attended a packed community meeting in opposition. He argued that the findings cited to justify the merger have been resolved, with fines paid and policies corrected. He cited a recent independent financial review showing a near-break-even financial ratio of 0.93 and noted that a small rate adjustment could restore full financial stability. He concluded by urging the Board to reject the merger, stating the system is not failing but recovering.

The Board thanked both speakers. No further comments were made before the public comment period concluded.

CONSENT AGENDA

Annual Information Report Non-Compliance

Mr. Johnson, Board staff, presented the consent agenda and began with the first item of non-compliance with the Annual Information Report (AIR) filing requirement. He noted that the entities listed in the packet failed to meet the statutory deadline to submit their AIR by the end of their fiscal year.

Board staff recommended that all non-compliant utilities submit their AIR by August 31. If they fail to do so, the Board may issue subpoenas requiring them to appear at the next meeting.

Mr. Pelham asked whether a recurring administrative item like this could be handled differently to simplify future agendas. Mr. Colona clarified that staff preferred to keep the current approach for now but agreed to discuss potential streamlining after the meeting.

The motion was made by Mr. Pelham to move staff recommendation and was seconded by Mr. Stone. Motion carried unanimously with no further discussion.



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AIR Release

Mr. Johnson presented a list of entities that had previously failed to submit their AIRs on time but have since come into compliance. Staff recommended releasing these entities from Board oversight now that the required reports have been submitted.

Mr. Stone moved staff recommendation, and it was seconded by Mr. Purkey. The motion carried unanimously and there was no further discussion.

Training Non-Compliance

Mr. Johnson presented a list of entities with governing body members who have not met the required training hours, noting the change in requirement from 12 to 6 hours. Board staff recommended that these utilities provide proof of compliance by August 31. Failure to comply may result in subpoenas for appearance at the next board meeting.

Mr. Pelham raised the question about whether improper compensation had been issued to noncompliant board members, since training completion is tied to per diem eligibility. Mr. Johnson confirmed that staff could audit those records and report back.

Mr. Pelham moved the motion to accept staff recommendations, and it was seconded by Ms. Vannasdale. The motion carried unanimously with no further discussion.

Training Release

Mr. Johnson presented a list of entities that had previously been referred to the Board for training non-compliance. He reported that these entities have now submitted the required documentation and are back in compliance. Staff recommended releasing these entities from Board oversight.

The motion was moved by Mr. Purkey, and it was seconded by Mr. Smith. Motion carried unanimously with no discussion.



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Water Loss Release

Mr. Johnson presented four entities previously under Board oversight for excessive water loss, defined as exceeding 40% non-revenue water as reported in the AIR. Each of the entities has now shown two consecutive years of acceptable water loss levels, and board staff recommended they be released from oversight.

The motion was made by Mr. Purkey and was seconded by Mr. Giles. Motion carried unanimously with no discussion.

Water Loss Update Cycle

Mr. Johnson presented four entities that had previously been flagged for excessive water loss but had since submitted the required documentation, including the AWWA 6.1 form and a water loss plan. These entities are now eligible to be placed into the update cycle, where board staff will continue monitoring for two consecutive years of compliance before releasing oversight.

Mr. Giles made a motion to accept staff recommendations, and it was seconded by Ms. Vannasdale. The motion carried unanimously and there was no discussion.

Financial Distress Release

Mr. Johnson presented a list of entities recommended for release from financial distress oversight. These utilities have taken corrective actions, including completing rate studies, adjusting rate structures, and achieving two consecutive years of positive net position. Board staff confirmed that each has submitted all required documentation and is now financially stable.

The motion to accept staff recommendations was made by Mr. Purkey and it was seconded by Mr. Pelham. Motion carried unanimously without any discussion.

DEFICIT UNRESTRICTED NET POSITION CASES

City of Bells

Mr. Johnson presented the case of the City of Bells, which reported a negative unrestricted net position of \$53,068 in its water and sewer fund. This issue reflects insufficient available cash to



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meet current liabilities, a liquidity concern that is becoming a more frequent focus under the Board's expanded financial oversight beginning in 2023.

Board staff recommended that the utility:

- Modify its cash balance policy to align with the Comptroller's recommendation of maintaining at least 15% of current liabilities in available cash, and
- Conduct a rate study to ensure rates are sufficient to meet operational expenditures.

Chairman Moody moved to accept staff recommendations, and it was seconded by Mr. Giles. Motion carried unanimously without any discussion.

City of Copperhill

Mr. Johnson presented the case of the City of Copperhill, which reported a negative unrestricted net position in its water and sewer fund. Board staff identified a low cash position relative to liabilities as a primary cause and initially recommended the city conduct a rate study to assess the sufficiency of its current rates.

During discussion, Mr. Hampton noted that, for consistency, the recommendation should also include adopting a cash reserve policy similar to what was required of the City of Bells—specifically, maintaining available cash equal to at least 15% of current liabilities. Mr. Johnson agreed and amended the recommendation accordingly.

- The original motion was made by Mr. Giles to move staff recommendation and was seconded by Mr. Stone.
- The amended motion, to include 15% cash reserve policy, was moved by Mr. Giles.
- The amended motion was carried unanimously.

City of Lakeland

Mr. Johnson presented the case of the City of Lakeland, which reported a negative unrestricted net position due to a low cash balance relative to its current liabilities, despite being able to meet liability obligations. Board staff originally recommended that the city adopt a cash reserve policy maintaining at least 15% of current liabilities in available cash, consistent with Comptroller guidance.



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Chairman Moody moved to amend the recommendation to also include a rate study, for consistency with other similar cases. The amended motion was seconded by Mr. Dye, and it was carried out unanimously with no further discussion.

City of South Fulton

Mr. Johnson presented the case of the City of South Fulton, which reported a negative unrestricted net position. The city has maintained sufficient liability payments, but its low cash reserves raised concerns. Staff initially recommended a rate study and a cash reserve policy, but the written recommendation did not explicitly include the Comptroller's standard of maintaining cash equal to 15% of current liabilities.

Additionally, staff identified a potential interfund loan between the sewer fund and the general fund. Mr. Johnson recommended that the city engage with the Division of Local Government Finance to develop a corrective action plan to address that issue.

Chairman Moody moved to accept staff recommendation with the added requirement of the 15% cash reserve policy, and the motion was seconded by Vice Chair Mitchell.

Mr. Hampton asked about the timing and visibility of the interfund loan, to which Mr. Johnson clarified that it was identified in the FY24 audit and would not appear on the quick summary audit sheet but would be reflected in the full audited statements. After this, the motion carried with no further discussion.

CUSTOMER COMPLAINTS

Nolensville College Grove – Deana Douglas

Mr. Colona presented the complaint from Ms. Deana Douglas, which was carried over from previous meetings. The issue involved a leak in the customer's irrigation system, for which Ms. Douglas had requested a leak adjustment.

Upon review, board staff confirmed that the utility followed its written policy, which clearly states that leak adjustments will not be granted for irrigation system leaks. Since the utility acted



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within its established guidelines, board staff recommended the complaint be closed with no further action.

Ms. Vannasdale moved the motion to accept staff recommendations, and it was seconded by Mr. Smith. Motion was carried unanimously with no discussion.

Nolensville College Grove – Josh Drummond

Mr. Colona presented a second complaint from Nolensville College Grove Utility District, which closely mirrored the previously addressed complaint from Ms. Deana Douglas. The issue again involved a leak in an irrigation system, for which the customer sought a billing adjustment.

Board staff confirmed that the utility followed its policy, which does not allow leak adjustments for irrigation systems. Staff reviewed other similar claims and found consistent denials across the board, confirming fair and uniform application of the policy. As the utility has acted in accordance with its established procedures, staff recommended the complaint be closed with no further action.

Mr. Giles made the motion to accept staff recommendations, and it was seconded by Mr. Dye. The motion carried unanimously without any discussion.

Wastewater and Water Authority of Wilson County – Ken Young

Mr. Colona presented a complaint from Mr. Ken Young, who previously brought concerns to the Board alleging that the Water and Wastewater Authority of Wilson County had not properly adopted bylaws at its formation. Board staff investigated and confirmed that Mr. Young was correct—the utility lacked properly adopted bylaws when it was originally established. Since then, the utility has formally adopted bylaws and is now operating in accordance with them. During the review, board staff also noted that the utility only holds quarterly public board meetings, which is unusually infrequent given the size of the utility and the volume of business it conducts. While the utility asserted that it is not legally obligated to meet more frequently, staff recommended that they adopt a policy to schedule monthly meetings, allowing for greater public engagement. Staff emphasized that these meetings could be canceled if no business is pending, but having a regular schedule would offer customers more consistent access and reduce the likelihood of communication issues like those experienced by Mr. Young.



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In discussion, Mr. Pelham asked whether this complaint was connected to a recent sewer service issue involving the utility. Mr. Colona clarified that the sewer issue was entirely separate, and closing this complaint would not prevent the Board from initiating a separate review if needed in the future. Mr. Pelham also asked whether the Board has the authority to require the utility to adopt a more frequent meeting policy. Mr. Colona responded that, under the Board's authority to review customer complaints, it may evaluate both the presence and adequacy of utility policies. Staff's position was that quarterly meetings are inadequate for a utility of this size and that more frequent scheduling is a reasonable and appropriate recommendation.

Board staff recommended that the utility be required to:

- Adopt a policy to schedule monthly board meetings, or
- Submit a written explanation by August 31 justifying why quarterly meetings are sufficient for the utility's operations.

Mr. Pelham made a motion to move staff recommendations, and it was seconded by Ms. Mitchell. The motion carried unanimously with no further discussion.

MANAGER CASES

Ocoee Utility District

The Ocoee Utility District (OUD) was originally referred to the Board under a standard case of financial distress, due to a negative change in net position. At the time, staff recommended the utility complete a rate study and implement resulting adjustments. However, since the initial referral, the situation has significantly escalated, raising serious concerns among board staff regarding the utility's financial trajectory, transparency, and governance.

OUD engaged Jackson Thornton to conduct a cost-of-service study, which assumed a \$51 million capital improvement plan and recommended a 30% increase to the fixed rate and a 6% increase to the volumetric rate. Despite this, OUD engaged Kidwell & Company as its municipal advisor and instead adopted a far more aggressive rate plan—three consecutive 25% annual increases—based on guidance from Kidwell and its engineering consultant. At the same time, the utility has since indicated plans to pursue up to \$62.5 million in financing, including bonds and USDA loans, raising concerns about whether the capital plan used in the rate study reflects the true scope of planned spending.



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Staff expressed particular concern that these steep increases would nearly double monthly bills, making water and sewer service potentially unaffordable for many customers. In addition, they noted that implemented rates appeared to be influenced by long-term credit rating goals rather than operational realities or customer affordability. Compounding these concerns, the utility had already paid Kidwell & Company \$200,000 in fees toward a 1.5% advisor contract—far above the statewide average of 0.25%—without board staff finding clear evidence of deliverables or value commensurate with that cost.

After multiple attempts to request basic documentation (prior rate structure, planned rate structure, capital details, and debt strategy), board staff reported limited cooperation from the utility and a lack of clarity around the full scope of capital improvements and financial plans. Thus, after presenting the case, board staff's recommendation was for Ocoee Utility District engage Jackson Thornton to perform an updated rate study based on its current capital needs and financial position. In the meantime, the utility was advised not to issue any debt or accept grant funds until board staff could verify that customers could reasonably afford the proposed rates and capital improvements.

Board Discussion:

Board members engaged in an extended and detailed discussion following presentations from Board staff, General Manager Tim Lawson, and Mr. Larry Kidwell of Kidwell & Company. Mr. Giles, Mr. Pelham, and Mr. Purkey questioned why the utility deviated so dramatically from Jackson Thornton's recommendations and how such substantial rate hikes were justified without first seeking a revised professional rate study. Lawson offered little explanation beyond stating the utility board and engineers believed the approach was correct. Mr. Hampton inquired about Mr. Kidwell's expertise in rate studies, which Lawson declined to answer. Ms. Vannasdale raised concerns about whether the proposed improvements were urgently necessary or supported by engineering justification.

Mr. Lawson disclosed that OUD currently serves approximately 8,400 customers and confirmed a troubling water loss rate of around 50%. He could not state the utility's current debt total, which staff clarified to be approximately \$35 million, potentially rising to over \$90 million after the planned borrowing. Mr. Stone and Ms. Vannasdale questioned the utility's growth assumptions and whether a phased approach had been considered. Lawson clarified there was no in-house engineering staff and no concrete plan to phase capital improvements.



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When Mr. Kidwell addressed the board, he defended the 1.5% fee structure as having been in place since 2009 and emphasized the firm's active presence at OUD meetings. However, board members remained concerned that this structure far exceeded common municipal advisor fees.

Mr. Giles and Mr. Pelham pressed him on the justification for unusually high fees on USDA loans, which typically incur minimal costs. Mr. Kidwell compared his firm's upfront costs to the state's amortized SRF administrative fees, but this explanation was not viewed as directly analogous by staff or board members.

As the discussion progressed, it became clear that the lack of a clearly documented Capital Improvement Plan (CIP) was a central issue. Board members stressed that without a full understanding of the projects and their necessity, even a new rate study would be of limited use. Ms. Vannasdale emphasized the need for OUD to consider and present at least two project alternatives—one including the full scope of improvements and one with a reduced or phased approach—and to disclose the anticipated customer impact of each. Concerns were also raised about compliance with ARP grant requirements, including the need for matching funds and upcoming construction milestones. The board collectively questioned whether the utility could meet these obligations in time given its current lack of documentation and planning clarity.

There was also discussion of the fact that no public hearing had been held prior to implementing the substantial rate increases. Board staff suggested that this could render the adopted rates procedurally improper. Mr. Giles characterized the situation as "preposterous," and multiple members agreed that customers likely did not understand the scale of the impending financial impact.

Final Recommendation and Board Action:

Based on the extensive discussion and continued lack of clarity from the utility, board staff reiterated its recommendation with a key amendment to increase accountability and transparency.

Key Actions Ordered by the Board:

1. OUD must submit a full CIP to board staff for review, detailing the scope, timeline, and cost of each proposed project.
2. The CIP must include at least two alternatives:
 - One reflecting the full original project scope



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- One with a reduced or phased approach
- 3. OUD must engage Jackson Thornton to perform an updated cost-of-service rate study, based explicitly on the revised alternatives.
- 4. OUD may not issue any new debt or accept grant funds until board staff reviews and confirms the affordability of the proposed plan and its customer impact.
- 5. Upon receipt of complete and accurate information, board staff will complete their review within 15 days, extendable only if additional information is requested.

Board Action:

- The initial motion was made by Mr. Giles and seconded by Mr. Pelham to accept staff recommendations as originally presented. However, after further discussion this motion was rescinded.
- The final motion was made by Ms. Vannasdale and seconded by Mr. Giles to accept staff recommendation with amendments to require submission of the full CIP and inclusion of two project alternatives in the revised rate study. This motion carried unanimously.

Leoma Utility District

Leoma Utility District (Leoma) was originally referred to the Board for financial distress and later placed under administrative review following a Comptroller Division of Investigations report regarding misappropriation under prior management. Staff also noted earlier TDEC compliance concerns and continuing delinquent audits. A Water Finance Exchange (WFX) feasibility study concluded that merger with Lawrenceburg Utility Systems (LUS) would be operationally and financially feasible. Following a highly attended public hearing, staff acknowledged overwhelming customer opposition to merger but maintained their recommendation to proceed by ordering Leoma to begin negotiations with LUS. Staff clarified there is no requirement that post-merger rates immediately match LUS's outside-city rates; their recommendation stands.

Representative Clay Doggett and Lawrence County Executive David Morgan addressed the Board, both opposing forced consolidation and requesting additional time for the new Leoma board to complete corrective actions. Representative Doggett stated that over 1,000 of roughly 1,500 customers had signed a petition opposing merger. Mr. Morgan noted his office had received no service complaints from Leoma customers and cautioned against undermining local control.



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Leoma's contract distribution operator, Mr. Lynden Smith, described operational improvements, including grant-funded zone meters, typical water loss in the 20–30% range, current TDEC reporting, and plans to address 24-hour storage/second source via a booster-station project. He confirmed two full-time staff (a general manager and office staff) with his oversight and availability for emergencies.

Counsel for Leoma, Mr. Ben Guestelle, argued that under TCA § 7-82-704(f) the Board must find merger "not harmful to the public being served," and asserted the public hearing demonstrated such harm (eroded trust and loss of representation). He reported the FY2023 audit had been completed with a positive position, FY2024 was expected by the end of July, and the Board would consider adopting a WFX rate option in August.

Board Discussion

Mr. Pelham confirmed Leoma's primary supply is its own well with LUS as backup, serving about 1,400–1,500 customers. He verified emergency coverage—full-time field staff handle day-to-day work with contractor oversight and after-hours response. He noted water loss was about 20–30% and highlighted key needs: the zone-metering program to pinpoint leaks and a booster-station project to satisfy second source/24-hour storage. He also clarified administrative/accounting roles and proposed a compliance-first path (audits, sanitary survey, rate implementation, storage plan) under a firm deadline.

Mr. Giles pressed for a firm FY2024 audit date (counsel cited a July 31 extension), confirmation that a WFX rate option would be implemented, and status of the sanitary survey and budget alignment. He then moved a different recommendation to defer the merger and set December 1, 2025 milestones, later amending it (at Mr. Pelham's request) to require a FY2026 budget aligned to audited figures.

Ms. Mitchell asked what "harm" a merger would cause; counsel cited disenfranchisement/erosion of trust. She also commended Leoma's use of grant-funded improvements. Mr. Alex Smith confirmed FY2023 and FY2024 audits remained delinquent as of the meeting, despite reports that FY2023 had been finished and sent to the comptroller. While board staff continued to view consolidation as the best long-term option, several members favored giving Leoma a defined window to demonstrate compliance.



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Final Recommendation and Board Action

Based on the discussion, the Board adopted a different recommendation focused on near-term compliance milestones, deferring merger proceedings.

Key Actions Ordered by the Board (due December 1, 2025):

1. Submit all delinquent audits (catch up through FY2024).
2. Provide the most recent sanitary survey.
3. Implement one of the WFX rate study recommendations.
4. Submit a plan to address the 24-hour storage/retention requirement.
5. Submit an FY2026 budget that reflects audited figures and planned expenses. (Note: FY2025 audit is due next June.)

Board Action

Mr. Giles moved the initial motion to adopt the compliance milestones above (deferring merger action); Mr. Smith seconded. At Mr. Pelham's request, the motion was amended to add the FY2026 budget requirement. Mr. Giles accepted the amendment. The amended motion was carried out unanimously with no further discussion. Staff noted that failure to meet the December 1, 2025, requirements will return the matter for renewed merger proceedings. Mr. Colona thanked Leoma attendees and closed the case.

South Fork Utility District

South Fork Utility District (SFUD) has been before the Board since the UMRB era. At the last meeting, Board staff were directed to mediate a merger agreement between SFUD and Bristol Bluff City Utility District (BBCUD), with BBCUD as the surviving entity. Staff reported substantial progress: an immediate 5% rate decrease for SFUD customers at merger; a cost-of-service study to begin within one year to move both sides to a uniform rate structure; retention of SFUD General Manager Adam Hail as manager of the merged system; and a new name to be selected by the merged board. The remaining impasse was board composition: SFUD preferred five commissioners; BBCUD preferred three.

Counsel Eric Reeher (SFUD) argued TCA § 7-82-704's forced-merger authority was not triggered because SFUD is no longer "ailing" and has posted multiple years of positive net position (FY2024 audit filed). He asked the Board to allow a voluntary merger and noted SFUD's willingness to bar any transfer to the City of Bristol without a unanimous district vote



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and TBOUR approval. Counsel Tom Seely (BBCUD) maintained that if terms cannot be agreed, statute preserves the surviving district's current commissioners and emphasized BBCUD's concern—based on prior public comments—that a future transfer to the City of Bristol could create a regional monopoly water supplier. BBCUD also contrasted commissioner compensation (BBCUD: statutory \$250/meeting only; SFUD: includes health-insurance reimbursements totaling about \$31,350/year), supporting a three-member board for efficiency.

Board Discussion

Members focused on customer impact, governance, and finality. Mr. Giles questioned the Board's authority and timelines (audits, rate alignment) and pressed for a clear path to implementation. Mr. Pelham recused (TUA affiliation) and did not participate further. Mr. Stone asked about commissioner benefits and costs; the parties confirmed BBCUD commissioners receive only the statutory stipend, while SFUD also provides health-insurance reimbursements. Mr. Hampton probed the "monopoly" concern; BBCUD clarified it referred to wholesale choices for neighboring utilities, not retail customers. Staff reiterated that both communities' benefit from merger (including the immediate 5% SFUD rate decrease) and recommended resolving the board-makeup impasse. TBOUR Legal Counsel Seth May confirmed the motion could adopt all mediated terms and set board composition/transition.

Final Recommendation and Board Action

The Board approved the merger framework and resolved board composition.

Key Terms Adopted

1. Board composition & transition:
 - At merger: 5-member board — 3 from BBCUD (all current BBCUD commissioners) and 2 from SFUD (chosen by SFUD).
 - Stagger to 3 after 2 years: At Year 2, three seats expire (2 BBCUD, 1 SFUD); at Year 3, one SFUD seat expires; at Year 4, one BBCUD seat expires. After Year 2, the board becomes the standard 3-member board appointed by the county mayor.
2. Rates: Immediate 5% decrease for SFUD customers at merger; COS study to begin within one year to establish a uniform rate structure.
3. Management: Adam Hail to serve as manager of the merged utility.
4. Name: The merged board will select a new name.



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5. Transfer safeguard: 10-year moratorium on any transfer of the merged utility to the City of Bristol; after that, any proposed transfer requires a unanimous vote of the merged district's board and TBOUR approval.

Board Action

Mr. Giles moved to adopt the mediated terms above and set the board composition/transition as described and was seconded by Mr. Purkey. Motion carried with one abstention (Mr. Pelham, recused due to TUA service).

Sevier County Utility District (SCUD)

SCUD returned to the Board following a Comptroller Division of Investigations report detailing serious misconduct by the former president and broad governance failures by the then-sitting commission. The investigation and staff follow-up described losses in the hundreds of thousands of dollars, alongside evidence of inadequate internal controls and a retaliatory culture that chilled reporting—even after a 2011 investigative report had already flagged concerns. After interviewing SCUD leadership and reviewing documents, Mr. Colona and Board staff stated on the record that, given the scale of loss and breach of fiduciary duty, they believe the appropriate remedy is ouster; one commissioner has since retired, and staff recommended initiating a contested case to remove the two remaining commissioners.

Attorney Janet Hayes (outside employment/investigations counsel engaged by SCUD in 2023) countered that this commission acted decisively once alerted: it terminated the president, self-reported to the Comptroller, rolled out extensive policy and internal-control updates, reprimanded the CFO, opened direct reporting channels to commissioners, and mandated district-wide ethics training. She urged stability—suggesting probation/heightened oversight in lieu of removal—adding that many details of the kickback scheme only surfaced through subpoena power.

Board Discussion

Mr. Pelham pressed on why outside employment counsel—rather than board counsel—was engaged, and whether any staff were complicit. Hayes said her specialty is workplace investigations and that interviews did not substantiate complicit internal actors beyond the former president; the CFO received a written reprimand. Pelham questioned why earlier



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concerns (post-2011) didn't trigger stronger controls, and later emphasized commissioners' fiduciary duty to "trust but verify."

Mr. Giles focused on accountability and culture, citing the report's statement that employees feared retaliation. He questioned how a single executive could approve work, sign checks, and bypass guardrails for years without board detection, and asked process questions about the contested-case mechanics.

Mr. Hampton probed invoice approval flows and "second set of eyes" on change orders. New president James Green (promoted from engineering) testified that major projects had an external construction manager, internal reviews, and dual signatures—but the kickback arrangement wasn't known until investigators obtained bank records. He and Hayes stated that culture has "radically" improved, with direct contact lines to commissioners and renewed emphasis on transparency.

Mr. Stone, Ms. Vannasdale, Mr. Alex Smith, and Mr. Dye raised governance and visibility concerns: how commissioners can see inside the organization; the role definition of commissioners; why audits didn't flag issues; and whether auditor continuity contributed. Green outlined the executive team and changes to meeting participation and oversight; members stressed that board oversight must be active and documented.

Board Direction (staff recommendation adopted):

- Initiate a contested case to determine whether the two remaining SCUD commissioners should be removed pursuant to T.C.A. §§ 7-82-307 and 7-82-702.
- Authorize staff to close the contested case if the commissioners voluntarily step down.
- Clarify that commissioners remain in office pending the hearing; the Secretary of State will docket the case, an administrative law judge will be assigned, Board counsel will present evidence, and the Board will act as finder of fact. (When asked whether utility counsel could defend the commissioners, Board counsel noted "no comment" given differing professional-responsibility guidance.)

Board Action

Mr. Pelham made a motion to move staff recommendations, and it was seconded by Mr. Hampton. Again, during voting, Mr. Purkey emphasized his recusal. After much discussion, motion carried.



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UTILITIES WITH SUBPEONAS ISSUED FOR APPEARANCE

Town of Gibson

This was a brief, subpoena-driven appearance. Mr. Fontenot presented this case and clarified that only Mayor Halk was subpoenaed (not the full board). Two active orders are in place: (1) a late-audit order (basis for the subpoena) and (2) a financial-distress case requiring a feasibility study. Progress on audits since the March order: FY2021 filed in May, FY2022 filed in July, with FY2023 expected by end of July and FY2024 to follow shortly after. The FY2025 audit is anticipated by January 2026 per the auditor. Staff noted the feasibility-study contract deadline was extended from May 31 to June 30, but no vendor has been retained; the Town reports difficulty obtaining responses.

Mayor's Remarks

Mayor Hauk (elected Nov. 2024) described inherited record-keeping failures under the prior administration, including minimal bookkeeping and inadequate meter-reading controls. The Town spent ~\$20,000 on outside accounting to reconstruct records; audits cost ~\$8,000 each. Operational fixes include replacing the meter reader and implementing dual-reader verification. The Town enacted a 10% rate increase and plans a rate study once audits are current. The utility is debt-free.

Board Discussion

Members commended the catch-up effort and asked what support would keep progress on track. Staff recommended staying the course: continue the feasibility study requirement and let the rate study proceed once audits are current; no additional action tied to the subpoena was requested.

Board Action

Mr. Pelham makes a motion to maintain current orders; continue with the feasibility study; permit staff flexibility to grant limited deadline extensions if positive progress continues; and allow the rate study to start once audits are up to date. The motion was seconded by Mr. Smith and passed unanimously with no further discussion.



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Town of Mason

Mason appeared under subpoena requested by the Board in March (not for non-compliance). Attendees included Mayor Eddie Norman, Vice Mayor, the utility manager, and consulting engineer Ricky Oakley.

Staff confirmed there are no delinquent items currently outstanding; key items in progress are the feasibility study and routine filings (including the annual water loss audit/plan, submitted June 27).

Mayor/Operations Update

- Since taking office, the Mayor reports a major leakage reduction: water loss dropped from ~62% to roughly 32–29%, driven by ~75–85 leak repairs, new leak-detection equipment, and tighter field oversight.
- Metering program: ARP-funded replacement of ~1,000 meters is out for bid; bid opening August 13. Expectation is better revenue capture (and aligned sewer billing) as slow meters are replaced.
- System/production: Town produces its own water (two wells, a third in development). Additional grant funding is supporting sewer repairs and the new well.
- Workforce & contracting: Day-to-day operations and maintenance led by the utility manager and licensed staff; consultants noted certain operators function under contract operations, while the Mayor emphasized an ongoing shift to bring functions in-house to control costs.
- Finance/admin: Prior backlogs in audits and budgeting have been addressed with a new finance team; audit catch-up is nearing completion. The Mayor cited material cost savings from ending legacy contracts (e.g., prior operations and accounting arrangements).

Board Discussion

- Members commended the progress and focused questions on staffing (in-house vs. contract), compliance status, and timeline for the feasibility study.
- Engineer Oakley reiterated the loss-reduction trend, the meter findings, and the August 13 bid date; staff (Fontenot) confirmed the AWA submission (June 27) and that the feasibility study remains the primary timed deliverable.



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Board Action

No action taken. Appearance satisfied the subpoena; the Board thanked the Town and left prior orders (including the feasibility study) in place.

City of Watertown

Watertown appeared under a two-part subpoena related to water-loss oversight. Staff noted the AWWA 6.0 water-loss audit was submitted by the May 15 deadline, but not by Rye Engineering as the prior board order required, placing the city out of compliance on that point. Rye confirmed they are ready to complete and resubmit as directed.

Financial status update:

Mayor Mike Jennings (in his 43rd year) reported the city implemented an 82.5% water-rate increase (now in its second billing cycle) following a five-year financial review. The utility budget increased from roughly \$660,000 to just over \$1.3 million, and the city projects operating in the black this year and going forward. He cited a state-mandated \$5.4 million sewer project and an \$899,000 water grant (25% local match). Public feedback to the rate action has been manageable.

Water loss & operations:

Contracted certified operator J.C. York explained the AWWA audit was compiled jointly (operations + recorder/auditors) but acknowledged the order specified Rye as the submitter. Current non-revenue water is in the high-40% range; corrective work (zone metering and replacing a faulty check valve that may account for ~10–12% of apparent loss) is expected to reduce it. Staffing is a hybrid model: contracted licensed operators plus a licensed sewer operator and four city utility laborers. The Mayor acknowledged past communication gaps and committed to clearer updates.

Board action:

On staff recommendation, the Board ordered:

1. AWWA 6.0 to be completed and resubmitted by Rye Engineering by August 31; and
2. a Water-Loss Plan by October 31.

Standard up-to-six-month extensions at staff discretion may be granted for demonstrated progress. No additional subpoenas were included. Motion by Mr. Pelham, second by Mr. Giles, carried with no further discussion.



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Training Reporting

Board staff reported a system flaw in the comptroller's free online training platform after new videos were (unknowingly) hosted on YouTube, allowing viewers to skip ahead and still receive completion certificates. Staff audit logs showed some users completing a ~50-minute module in seconds. Staff set a reasonable threshold: completions under 20 minutes for a 50-minute video were flagged. In total, 92 individuals across 62 utilities were identified. The technical issue has been corrected: videos now play only at 1× speed, segmented into ~15-minute blocks that require clicking "Next"; fast-forwarding/2× play is disabled.

Board Discussion

Spring Hill's Assistant City Administrator/Water GM, Dan Allen, apologized and said flagged members will re-watch the modules properly. Members emphasized that taking compensation without valid training is unacceptable. Staff confirmed all flagged individuals have been notified to cure their training.

Board Action

- Deadline to cure: All flagged board members must complete training properly by October 31 using the corrected platform.
- Restitution review: After Oct. 31, staff will return with a Board-wide report (not limited to today's list) identifying any still-noncompliance individuals and the compensation/per-diem they received while out of compliance, along with recommendations for Board-ordered repayment.
- Scope clarified: Applies Board-wide to any utility where improper completions occurred, whether or not a prior "training case" existed.

Motion/Second/Vote:

- Mr. Pelham moved to adopt staff's recommendation; Mr. Carter seconded.
- Following discussion, Mr. Pelham amended his motion to include the Board-wide restitution review and post-deadline report; Mr. Carter seconded the amendment.
- The amended motion carried unanimously.



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Cumberland Utility District

Cumberland Utility District has had an open administrative review for an extended period. While some alleged improprieties could not be confirmed, Board staff—coordinating with TDEC—identified operational concerns, including a recent TDEC Director’s Order and significant July water outages.

Staff Summary & Recommendation

- Board staff conducted multiple on-site interviews with employees and commissioners.
- TDEC has active oversight via a Director’s Order.
- Recent service interruptions stemmed from multiple main breaks.
- Recommendation: Require a qualified expert to perform a feasibility study on a potential merger with a surrounding utility.
 1. Identify/engage the expert and notify Board staff by September 19.
 2. Submit the written feasibility report by December 31.
 3. Allow up to two extensions upon a showing of good cause.

Board Discussion

General Manager Dax Mitchell (appointed in April) asked for time to demonstrate progress and stated a merger study was not his preference. He reported non-revenue water previously near ~60%, trending to ~42% after renewed accounting, leak work, and process fixes, and noted no new quality violations this year while coordinating closely with TDEC. He attributed July outages to three consecutive main failures and outlined corrective steps, including improved customer notifications (new Facebook page), a new answering service, and operational cleanups. Board members acknowledged his efforts but emphasized their responsibility to evaluate long-term customer protection; they characterized the feasibility study as due diligence—not a merger mandate.

Recusal

Ms. Vannasdale recused herself due to her utility’s proximity to Cumberland Utility District.

Board Action

Motion: Mr. Pelham moved to accept staff’s recommendations as presented (feasibility study with the September 19 and December 31 milestones and up to two extensions for good cause). Mr. Chairman seconded and the motion was carried with no further discussion.



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City of Friendship

The mayor and governing body were ordered to appear under subpoena; none appeared, and no notice of non-attendance was received, though service was confirmed. Board staff noted longstanding non-compliance, including two delinquent audits and other previously ordered items (e.g., rate study; prior directives tied to financial distress and capital/borrowing notifications). Earlier orders were consolidated in 2023, but compliance issues persist.

Board Discussion

- Counsel, Seth May, explained the subpoena language contemplates referral to the Tennessee Attorney General (AG) for enforcement in Davidson County Chancery Court, where failure to obey a court order can be punished as contempt.
- The Board asked staff to specify exactly what it wants from Friendship so the AG can enforce concrete steps.

Board Action

- Motion was made by Mr. Giles, seconded and carried unanimously. Refer the matter to the Attorney General for enforcement consistent with the subpoena language and direct board staff to:
 1. Deliver a written, itemized list of all outstanding compliance requirements to Friendship (including, at minimum, bringing audits current, completing any ordered rate study, addressing any open water-loss items, and complying with borrowing/grant notification requirements).
 2. Set reasonable deadlines for each item (targeted before the next board meeting or, if necessary, the December meeting).
 3. Coordinate with the AG to compel Friendship's appearance at the next TBOUR meeting, regardless of interim progress, to explain non-compliance and status.

Town of Surgoinsville

Surgoinsville's audit applies the modified approach to depreciation, which requires documented condition assessments at set intervals and sufficient annual repair & maintenance (R&M) spending in lieu of recording depreciation. The audit indicates the utility should spend about \$40,000 per year on maintenance; only ~\$2,000 was reported last year—well below the level expected to sustain assets. Staff recommended placing the utility under Administrative Review



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and coordinating with the Division of Local Government Audit (LGA) and the utility's auditor to verify eligibility for the modified approach, confirm inspection/condition standards, and ensure R&M spending and reporting align with requirements. Staff also noted the city recorder and an alderman proactively contacted East Tennessee board staff, acknowledged the issue (attributed to prior setup), and indicated willingness to comply, making this largely a formality.

Board Discussion

Mr. Hampton asked whether prior-year financials would need to be redone to reflect depreciation. Staff explained that under the modified approach, depreciation may be omitted only if the utility meets the prescribed inspection and R&M standards; whether any restatement is required will be evaluated during Administrative Review in consultation with LGA.

Board Action

Mr. Giles moved to accept staff's recommendation to place Surgoinsville under Administrative Review and direct staff to coordinate with LGA and the auditor on compliance with the modified approach; the Chair seconded. After brief discussion limited to the modified-approach requirements and potential restatement considerations, the motion carried unanimously.

EAST TENNESSEE

Mount Carmel

Board staff presented Mount Carmel as a decrease-in-net-position case, noting three consecutive fiscal years with a statutory decline. Staff explained that a current, professional rate analysis is needed to evaluate revenue sufficiency and set a corrective path.

Staff Recommendation

1. By August 31: Execute a contract with a qualified rate consultant and submit the executed contract to Board staff for approval.
2. By February 15: Submit the completed comprehensive rate study and a proposed implementation plan.
3. Extensions: Board staff may grant up to two extensions upon a showing of good cause.
4. Enforcement: Non-compliance with any milestone authorizes staff to issue a subpoena for appearance before the Board.



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Board Action

On motion of Mr. Stone, seconded by Mr. Hampton, the Board adopted staff's recommendation as presented—ordering the rate study on the stated timeline, permitting extensions for good cause, and directing that non-compliance will result in a subpoena. The motion carried unanimously without further discussion.

City of Niota

The City of Niota is experiencing a statutory decrease in net position. Primary drivers identified by staff are: (1) significant infrastructure replacement costs and (2) failure to adjust retail rates to reflect wholesale increases from its supplier, the Athens Utilities Board. Although the city recently adopted an annual 75% rate increase, staff believes this action alone is insufficient. Niota's last comprehensive rate study was conducted five years ago. (Packet p. 399)

Staff Recommendation

- Engage a qualified expert to conduct a full water/sewer rate study.
- By August 31: execute the rate-study contract and submit it to board staff for approval.
- By February 15: submit the completed rate study and a proposed plan of implementation (including timelines and any needed governing-body actions).
- Allow up to two extensions upon a showing of good cause.
- If Niota fails to comply, issue a subpoena to appear before the Board.

Board Action

The Board adopted staff's recommendation as presented. Mr. Giles moved approval; Ms. Vannasdale seconded. The motion carried unanimously with no further discussion.

Siam Utility District

Siam Utility District remains under administrative review due to prior issues with bill payment and failure to meet TDEC requirements. A May 2025 site visit confirmed significant staffing and governance challenges at this small system. To address financial sustainability and governance capacity, staff recommended a combined rate study and feasibility study, including analysis of a potential merger with the Watauga River Regional Authority (feasibility findings to guide any next steps).



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Staff Recommendation

- By August 31: Submit to board staff the executed contract with a qualified expert to perform (1) a rate study and (2) a merger feasibility study (including, at minimum, analysis of Watauga River Regional Authority).
- By February 28: Deliver the completed rate study and feasibility study to board staff for review.
- Extensions: Up to two extensions may be granted upon a showing of good cause.
- Non-compliance: If deadlines are missed, the utility will be subpoenaed to appear at the next TBOUR meeting.

Board Action

The Chair moved to approve staff's recommendation (with the date clarified on the record from "February 31" to February 28), and Mr. Carter seconded. The motion carried unanimously with no further discussion.

MIDDLE TENNESSEE CASES

City of Mount Pleasant

Mrs. Meghan Denson (board staff) presented the City of Mount Pleasant for financial distress (negative net position) in the gas system. On its Financial Distress Questionnaire, the city reported no gas rate increase in five years. The utility is already engaged with a third-party for rate analysis; this order is intended to formalize due diligence and ensure completion.

Staff Recommendation

- By August 31: Submit a copy of the signed contract with the third-party conducting the gas rate study.
- By February 15: Submit the completed gas rate study and documentation showing implementation of any adopted rate adjustments.
- Other: Allow up to two extensions for good cause; if the city fails to comply, issue a subpoena for appearance at the next TBOUR meeting.

Board Action

Mr. Pelham moved to adopt staff's recommendation, and Mr. Hampton seconded. The motion carried unanimously with no further discussion.



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O'Connor Utility District

Board staff presented O'Connor Utility District (water system) for a continued decrease in net position. The district was referred in 2024 and has not had an independent, third-party rate study in over five years. While the district has implemented internal rate adjustments to address financial distress, those changes were not supported by an external study. Staff also noted the FY2024 audit is late, with the district attributing the delay to pending TCRS information (staff indicated this can be verified).

Staff Recommendation

- By August 31: Provide an executed contract with an independent, qualified firm to perform a comprehensive rate study for the water system.
- By February 15: Submit the completed rate study and proof of implementation of any adopted rate adjustments resulting from the study.
- Board staff may grant up to two extensions upon a showing of good cause; subpoena authority reserved if the district fails to comply.

Board Action

Mr. Carter moved to accept the staff recommendation; Mr. Giles seconded. The motion carried. Mr. Pelham recused himself from the vote due to a close personal relationship with a neighboring manager (no financial interest).

Fall Creek Falls Utility District

Mrs. Denson, board staff, referred Fall Creek Falls Utility District (FCFUD) for administrative review of its water system following a large July 4 outage and an influx of customer complaints. Staff also flagged governance concerns noted in the FY23 audit. During discussion, members raised operational quality concerns about how service was restored (flushing, disinfection, and reporting practices). The board asked that TDEC perform a quality check/site visit; staff agreed to send a formal request to TDEC on behalf of TBOUR and coordinate as needed.

Staff Recommendation

- Place FCFUD's water system into Administrative Review.



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- Board staff will transmit a formal written request to TDEC (on behalf of TBOUR) for a site visit/operational quality review related to the outage response and restoration (including flushing, disinfection, and reporting), and coordinate logistics with the appropriate TDEC field office(s).

Board Action

Mr. Giles moved to approve staff's recommendation with the added direction for staff to send a formal TDEC request; Ms. Mitchell seconded. Mr. Pelham recused himself (neighboring utility involvement, prior engineering work, and mutual-aid assistance during the outage). The motion carried without further discussion.

WEST TENNESSEE CASES

Town of Hornsby

Mr. Fontenot, board staff, reported back on an existing administrative review opened after a member request and a site visit that found issues tied to mismanagement by the prior administration. Since then, a new administration and new board members have addressed the identified issues, and conditions have materially improved. A board-ordered feasibility study was completed and evaluated the potential for merger with a nearby system (Selmer). While the study remains usable for any future consideration, staff noted that Hornsby still has a separate decrease in net position case pending.

Staff Recommendation

- Release Hornsby from the Administrative Review order (based on corrective actions taken and current direction under the new administration).
- Do not proceed with a merger at this time; retain the completed feasibility study for possible future use.

Board Action

Mr. Pelham moved to accept staff's recommendation to release Hornsby from administrative review and not pursue a merger at this time, while leaving the separate decrease-in-net-position case in place; Mr. Smith seconded. The motion carried unanimously with no further discussion.



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City of Loretto

Board staff presented the Division of Investigations report regarding incidents involving City Administrator Jesse Turner. Investigators found that city personnel (1) pumped Mr. Turner's private septic tank and disposed of wastewater on private property outside city limits; (2) did so without a TDEC septic pumper permit (state regulations require an active permit for septic pumping and disposal); and (3) provided a personal benefit to Mr. Turner by performing work on his private property during city hours using municipal resources. The report also cited the City of Loretto Municipal Code prohibiting use of municipal time, facilities, equipment, or supplies for private gain. Board staff noted Mr. Turner was indicted on one count of official misconduct; no monetary charges were included in the indictment.

Staff Recommendation

- Open an administrative review.
- Require the utility to contract with a qualified third-party expert to create new—or review and strengthen existing—managerial and personnel policies to prevent similar incidents, including clear prohibitions on personal use of city resources and procedures to ensure compliance with TDEC requirements.

Board Action

The Chair moved to approve staff's recommendation, Mr. Stone seconded, and the motion carried unanimously with no further discussion.

Town of Mason

The Town of Mason was placed under board review in 2024 due to a customer complaint. Board staff reported the matter has been fully remedied, with written confirmations from both parties received on March 12, 2024 (the day before the March TBOUR meeting). This item returns to the Board solely to close out the complaint oversight.

Staff Recommendation

- Close the customer complaint oversight and release the Town of Mason from further board monitoring related to this complaint, effective immediately.
- No additional actions or deadlines required.



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Board Action

Mr. Pelham moved to accept staff's recommendation to close the customer complaint for the Town of Mason, and Mr. Smith seconded. The motion carried unanimously without further discussion.

Dyersburg Consolidated Utility District

The District was referred for two consecutive years of decrease in net position. It returned its Financial Distress Questionnaire and is already under contract with a board-approved third party to perform a rate study. This order formalizes delivery of that study to board staff.

Staff Recommendation

- By October 31: Submit the completed third-party rate study to board staff.
- Extensions: Up to two extensions may be granted upon a showing of good cause.

Board Action

Mr. Giles moved to accept the staff recommendation, and Ms. Mitchell seconded. The motion carried unanimously with no further discussion.

Town of Halls

The Town received a new decrease-in-net-position referral based on its FY2023 and FY2024 audits. It recently completed a rate study with Communities Unlimited (an organization that has performed work for this Board previously), and rates have been adopted following that study.

Staff Recommendation

Move the Town of Halls directly into the update cycle (no additional orders at this time).

Board Action

Ms. Vannasdale moved to accept staff's recommendation to place the Town of Halls into the update cycle; Mr. Carter seconded. The motion carried unanimously with no further discussion.



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Town of Hornbeak

The Town of Hornbeak previously appeared before the former Water & Wastewater Financing Board (2018) for financial distress. A third-party rate study was completed in 2018/2019, and rates were increased in 2020; no subsequent rate increases or independent studies have been undertaken, and the system has fallen back into financial distress. Board staff also noted the Town's sewer system operates in close proximity to (and reportedly shares office space/personnel with) the Hornbeak Utility District (water), which may warrant evaluating a potential consolidation/merger.

Staff Recommendation

- Provide an executed contract with a qualified, independent third party to complete a rate study of the Town's sewer system.
- Submit the completed rate study and a proposed plan of implementation (or proof of implementation if already adopted).
- Extensions: Up to two extensions may be granted upon a showing of good cause.
- Non-compliance: Failure to meet deadlines may result in a subpoena to appear before the Board.

Board Action

Mr. Giles moved to adopt staff's recommendation with the added direction that Board staff evaluate whether a consolidation/merger between the Town of Hornbeak's sewer system and the Hornbeak Utility District's water system should be considered, and report back at the next Board meeting with a recommendation (including whether to order a formal feasibility study). The motion was seconded by the Chair and carried unanimously.

Iron City Utility District

Iron City Utility District has longstanding board oversight, previously under the UMRB and now under TBOUR. It faces persistent financial distress, with a continuous negative net position each year since 2018. Audits are delinquent: FY2023 and FY2024 have not yet been filed (FY2024 was due June 30; FYE is December 31). The system is located in southern Lawrence County and purchases 100% of its water from the Town of St. Joseph; staff indicated Iron City may be amenable to consolidation with St. Joseph.



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Staff Recommendation

- Initiate a feasibility study led by a qualified, independent expert to evaluate consolidation/merger options—specifically including the Town of St. Joseph.
- Provide board staff a copy of the executed contract with the selected expert by a deadline set by staff consistent with standard board practice.
- Submit the completed feasibility study report to board staff by a deadline set by staff, with up to two staff-approved extensions for good cause.
- Include subpoena language so that failure to comply may result in a compelled appearance before the Board.

Board Action

Mr. Giles moved to accept staff's recommendation; Ms. Mitchell seconded. During discussion, Mr. Pelham requested adding subpoena language to the order; staff agreed and the language was included. The motion carried unanimously with no further discussion.

City of Middleton

Middleton was referred for financial distress due to consecutive decreases in net position (FY23 and FY24). The city is ahead of schedule: it completed a third-party rate study in May 2024 with Hussey Gay Bell, a firm previously accepted by the Board for rate studies. Given this proactive step, staff indicated no additional corrective order is needed.

Staff Recommendation

- Expedite Middleton into the standard update cycle for financial-distress monitoring, relying on the completed May 2024 Hussey Gay Bell rate study and ongoing reporting, with no further action required at this time.

Board Action

Ms. Mitchell moved to accept staff's recommendation to place Middleton into the update cycle; Mr. Giles seconded. The motion carried unanimously with no further discussion.

City of Newbern

Newbern was previously released from board oversight in 2023; however, the FY2023 and FY2024 audits again show statutory decreases in net position for both the Water & Sewer Fund



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and the Rural Water Fund. Audit notes include a failure to close accounting records within two months of fiscal year-end as required by T.C.A., indicating weaknesses in financial processes. A rate-structure flag remains: a 5,000-gallon outside-city bill is 175% of the inside-city rate; staff will require a written justification for the inside/outside differential and any recommended adjustments as part of the study. The board received Newbern's questionnaire, and staff observed responses suggesting a misunderstanding of accrual accounting (e.g., how grant reimbursements and capital spending affect statutory change in net position).

Staff Recommendation

- Engage a qualified third-party expert (approved by Board staff) to perform a comprehensive rate study.
- By August 31, 2025: Send Board staff the executed contract between the Utility and the approved expert.
- By February 15, 2026: Provide Board staff the completed rate study and either (a) proof of implementation of the resulting recommendations, or (b) a proposed implementation plan with timeline.
- Extensions: Board staff may grant up to two extensions, each up to six months, upon a showing of good cause by the Utility.
- Enforcement: If the Utility fails to comply with any directive in this order, Board staff may issue subpoenas compelling members of the Utility's governing body and the Manager to appear in person before the Board at its next meeting following non-compliance.

Board Action

Mr. Pelham moved to accept the staff recommendation; Ms. Vannasdale seconded. The motion carried unanimously with no further discussion.

Town of Linden

Linden has been under board review for water loss since 2023. Board staff noted there may have been miscommunication from the state's side at some point in 2023; however, since then staff made multiple requests for the AWWA water loss audit worksheet and did not receive a response. Linden provided an engagement letter with Rye Engineering, but despite that engagement, the completed AWWA audit form was not submitted.



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Staff Recommendation

- Issue a board order directing Linden to submit its completed AWWA water loss audit worksheet to board staff.

Board Action

The Chair moved to accept staff's recommendations, and Mr. Giles seconded. The motion was carried unanimously without further discussion.

Discussion on Subpoena Policy

Board staff proposed a Subpoena Policy to formalize how staff may use and manage subpoenas to achieve specific compliance goals (e.g., securing late AIRs/audits). Staff emphasized subpoenas are a tool to accomplish discrete tasks—not a punishment—and asked for limited flexibility to rescind or forgo subpoenas when an entity substantially complies. The policy would be posted publicly (and could later be placed into rule) and may be withdrawn by the Board at any time. In discussion, a clarifying question confirmed the policy would allow staff to withdraw a subpoena if the underlying requirement is met shortly after issuance (e.g., a brief, non-willful delay).

Staff Recommendation

Adopt a Subpoena Policy that:

- Authorizes board staff to issue subpoenas to accomplish specific compliance objectives and, where appropriate, to rescind subpoenas when the objective has been satisfied.
- Retains the Board's inherent authority to direct that a subpoena be issued or not rescinded in any particular case.
- Is published on the Board's website (with potential later codification by rule) and is revocable by the Board at any time.
-

Board Action

The Board adopted the policy with an added safeguard per Mr. Purkey: before staff rescinds a subpoena, staff must notify the Chair and Vice Chair, either of whom may direct staff to proceed with issuance or prohibit rescission. Motion to approve (with this revision) by Mr. Stone; seconded by Mr. Hampton. Motion passed unanimously.



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Annual Information Report Update – Training

Board staff (Ross Colona and Nate Fontenot) presented targeted updates to the AIR. Several fields will be removed because the same information is now captured through Local Government Finance processes. New fields will be added to improve training oversight and communication, including per-member training details and utility attorney contact information. During discussion, the Board requested clarifying language on the rate-study question.

Staff Recommendation (as amended)

- Remove AIR fields that duplicate data already collected by Local Government Finance.
- Add a training section listing each governing-body member, the hours completed for the reporting period, and a yes/no compliance indicator.
- Add the utility's attorney name and contact information.
- Clarify AIR to ask: "How many years since the last third-party rate study?"

Board Action

Mr. Giles moved to approve of the AIR changes; Mr. Pelham seconded. Motion passed unanimously.

Board Discussion

Mr. Colona asked the Board to consider starting future TBOUR meetings at 9:00 a.m. Central (instead of 10:00 a.m.) to help shorten the day and accommodate members who drive in the morning of the meeting. Board members discussed ways to streamline agendas. Mr. Purkey noted the long return drive after meetings and encouraged trimming time spent on routine or largely consensual items. The Board discussed piloting a consent calendar for straightforward matters (with any member able to pull an item for discussion), and Mr. Colona agreed staff would try this approach at the next meeting. There was also interest in exploring time-saving approaches for standard financial-distress rate-study items while preserving opportunities for discussion when rate impacts warrant. Counsel recommended a formal vote on the start-time change.



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Staff Recommendation

Board staff recommended moving the regular meeting start time to 9:00 a.m. Central and, operationally, piloting a consent calendar and other efficiency measures at the next meeting (with any item able to be removed for discussion upon request).

Board Action

Mr. Giles moved to set the next (and future, unless otherwise noticed) TBOUR meeting start time at 9:00 a.m. Central; Mr. Pelham seconded. The motion carried unanimously. Staff will pilot a consent calendar and consider additional agenda-management steps for routine items at the next meeting.

Board Adjournment

Mr. Giles motions for the meeting to be adjourned at 4:45 p.m. Mr. Hampton seconded, and the motion was carried unanimously.

