



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Agenda
Water and Wastewater Financing Board
August 27, 2020
10:00 AM

- I. Call to Order
- II. Approval of Minutes Pg. 3
- III. Financial Distress Cases
 - a. Town of Alexandria Pg. 11
 - b. City of Bethel Springs Pg. 33
 - c. City of Blaine Pg. 39
 - d. City of Clarksburg Pg. 43
 - e. City of Clifton Pg. 66
 - f. City of Clinton Pg. 69
 - g. City of Cowan Pg. 107
 - h. Town of Friendship Pg. 123
 - i. Town of Gates Pg. 156
 - j. City of Graysville Pg. 162
 - k. Grundy County Pg. 181
 - l. City of Harriman Pg. 182
 - m. Town of Hornbeak Pg. 192
 - n. Town of Huntland Pg. 215
 - o. City of Kingston Pg. 252
 - p. Lauderdale County Pg. 307
 - q. Town of Linden Pg. 326
 - r. City of Mount Juliet Pg. 329
 - s. Town of Newbern Pg. 339
 - t. Town of Parrottsville Pg. 353
 - u. Town of Petersburg Pg. 361
 - v. City of Puryear Pg. 385
 - w. Town of Rogersville Pg. 397
 - x. Town of Sharon Pg. 475
 - y. City of Smithville Pg. 498
 - z. City of South Fulton Pg. 501
 - aa. Town of Tellico Plains Pg. 522
 - bb. Town of Tracy City Pg. 530
 - cc. Town of Trimble Pg. 541
 - dd. Town of Troy Pg. 580
 - ee. Town of Vanleer Pg. 590

- ff. Watauga River Regional Water Authority Pg. 598
- gg. City of Watertown Pg. 600
- IV. System Creation
 - a. Friendsville
- V. Miscellaneous
 - a. Ann V. Butterworth Resolution Pg. 620
 - b. Discussion

MINUTES
WATER and WASTEWATER FINANCING BOARD MEETING
November 11, 2019
10:00 am

Chair Ann Butterworth detected a quorum and called to order the meeting of the Water and Wastewater Financing Board (“the Board”) in the Volunteer Conference Center in the Cordell Hull Building in Nashville, TN at 10:04 am.

Board Members Present

Ann Butterworth, Chair, Comptroller Designee
Rick Graham, representing municipalities
Mike Goodman, representing manufacturing interests
Eugene Hampton, representing government finance
Drexel Heidel, active employee of a water utility district
Jim Redwine, representing environmental interests
Nick Newman, active employee of municipal water system
Mike Adams, representing utility districts

Members Absent

Tom Moss, Department of Environment and Conservation (“TDEC”), Commissioner Designee

Staff Present

John Greer, Comptroller’s Office
Ross Colona, Comptroller’s Office

Counsel Present

Rachel Buckley, Comptroller’s Office

Others Present & Addressing the Board

Thomas Austin, counsel temporarily representing the City of Dunlap
David Bolling, Kingston City Recorder
Scott Potter, Director of Metro Nashville Water
Amanda Deaton- Moyer, Finance Director of Metro Nashville Water
Stephanie Motes, Spring City Manager

New Member Introduction

Mr. Greer introduced Mr. Mike Adams as the newly-appointed Board member. Mr. Adams’ term ends on June 30, 2022.

Approval of Minutes

Ms. Butterworth presented the September 19, 2019 minutes for approval. Mr. Graham moved to approve the minutes. Mr. Heidel seconded, and the motion passed unanimously.

Financial Distress

City of Dunlap

Mr. Greer explained the staff recommendations. Staff recommended the Board order the following:

1. The City shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - a. a review of the capitalization policy, including any recommended modifications;
 - b. creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and
 - c. a review of the leak adjustment policy, including any recommended modifications.
2. By December 31, 2019, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.
3. By December 31, 2019, the City shall send Board staff proof that all members of the utility system's governing body have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).
4. By May 1, 2020, the City shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
5. If the City fails to comply with any directive of this order, Board staff shall refer this matter to the Attorney General's office for enforcement action through chancery court.

Board staff noted that the City had not complied with the Board's September 30, 2019 order, and that Mayor Dwain Land had indicated via telephone that the City will not comply with the order because the City will be "in the black" for fiscal year 2019. Attorney Thomas Austin addressed the Board on behalf of the City stating the mayor and city recorder wanted to attend the meeting, but were unavailable due to pre-existing appointments. He stated that the City had raised its rates in November 2017. Mr. Austin asked that the Board allow the City until after the 2019 audit is completed to prove that the City's previous issues have been cured and that the City is no longer financially distressed. He argued that the City should not have to pay for a rate study because the City will be "in the positive" this year. Board staff stated that even if the City's 2019 audit shows that the City is "in the black," Staff's recommendations, including a rate study, would remain unchanged. Because one year of financial gain is not sufficient proof that the City's rates are set appropriately to ensure long-term financial stability, a rate study is necessary.

Mr. Redwine asked what it would cost Dunlap to perform the staff recommendations. Mr. Greer answered that it would be somewhere between \$1,000 to \$3,000 if they chose to work with TAUD.

Mr. Redwine asked what the rates were increased from and to. Mr. Austin responded that the rates went from 1.27 to 2.27. Being unsure of what those numbers meant, the Board asked for an explanation, but Mr. Austin was unable to elaborate.

Mr. Redwine explained that because of the miniscule cost of the rate study that he plans to vote in favor of implementing the Staff recommendations.

Mr. Newman moved to adopt Staff's recommendations. Mr. Adams seconded. The motion passed unanimously.

City of Jellico

Mr. Greer explained the staff recommendations that the Board order the following:

1. By March 1, 2020, the City shall provide Board staff with the completed rate study, joint cost study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
2. The City shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2020, until the Board releases the City from its oversight.
3. Board staff is given the authority to grant one extension of up to six months of the March 1, 2020, deadlines upon a showing of good cause by the City.

The City had indicated that they are currently trying to create an energy authority to serve their customers. After the creation of the energy authority, the water and wastewater system would be moved to be the authority. Mr. Hampton asked if after the authority creation will the City still be under the Board. Mr. Greer answered in the affirmative- the utility will still be under the Board's jurisdiction whether it is an authority or a city utility.

Mr. Heidel asked if the City has a capitalization policy. Mr. Greer answered affirmatively, and that Brown, Jake, and McDaniel, PC is currently reviewing said policy.

Mr. Goodman moved to adopt Staff's recommendations. Mr. Redwine seconded. The motion passed unanimously.

City of Kingston

Mr. Greer explained the staff recommendations that the Board order the following:

1. The City shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - a. a review of the current capitalization policy;
 - b. a justification of personnel costs related to financial administration of the water and sewer fund, or if no justification is possible, a recommendation for reducing costs;
 - c. recommendations for updates to the policies and procedures manual;

- d. a justification for the payment in lieu of taxes (PILOT) payment made annually to the general fund, or if no justification is possible, a recommendation to reduce or eliminate the PILOT;
 - e. a justification of the discrepancy between rates for customers inside the City as opposed to outside the City, or if no justification is possible, a recommendation involving the consolidation of rate classes; and
 - f. a justification of the discrepancy between fees for customers inside the City as opposed to outside the City, or if no justification is possible, a recommendation involving a uniform fee.
2. By December 31, 2019, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.
 3. By January 31, 2020, the City shall send Board staff proof that all its board members have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).
 4. By May 1, 2020, the City shall provide Board staff with the completed rate study and all resulting recommendations. After notification of Staff's approval of the resulting recommendations, the City shall implement them within 60 days.
 5. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the City.

Mr. David Bolling, the City Recorder for Kingston, explained to the Board that the City is happy to comply with the Board's directives as they try to operate a more successful utility.

Mr. Hampton inquired about the PILOT payments the utility fund has been paying to the City. Mr. Bolling responded that has been practiced since before he started several years ago. Mr. Hampton asked if this was allowable. Mr. Greer explained that such a practice is permissible.

Mr. Heidel moved to adopt Staff's recommendations. Mr. Adams seconded. The motion passed unanimously.

Mr. Redwine asked if Metro Nashville could be moved to the end of the agenda. Ms. Butterworth maintained the course of the agenda.

Metropolitan Government of Nashville and Davidson County

Mr. Greer explained the staff recommendations that the Board order the following:

1. Metro Nashville shall enact Ordinance BL-19-45, as amended, to go into effect no later than January 1, 2020.
2. Metro Nashville shall not adopt rates or fees lower than those listed in the amendment to Ordinance BL-19-45 as of second reading.
3. Metro Nashville shall ensure that all funds, restricted and unrestricted, held or maintained for use in connection with the water and sewerage systems, are available for their intended and required purposes at all times.
4. Metro Nashville shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2020, until the Board releases Metro Nashville from its oversight.

Mr. Scott Potter, Director of Metro Water Services, and Ms. Amanda Deaton-Moyer, Finance Director of Metro Water Services, addressed the Board. Mr. Potter thanked the Board and Board staff for the help and direction provided regarding the future of the utility.

Mr. Redwine inquired about how Paragraph 3 of Staff recommendations will be accomplished. Mr. Greer answered that the Comptroller's office will receive notifications to ensure that this requirement is met. Ms. Deaton-Moyer answered that this information also will be provided in the biannual updates .

Mr. Redwine inquired about how Metro Nashville will satisfy the environmental requirements from TDEC. Mr. Potter answered that Metro Nashville is following the corrective engineering plan that TDEC approved and is available for review online. Mr. Potter explained that this plan satisfies all EPA requirements moving forward.

Mr. Hampton inquired if the rate study process will continue moving forward. Ms. Deaton-Moyer explained the lengthy process for the rate study and answered that in the future, Raftelis, Inc. will complete rate studies in regular intervals to ensure rates stay current.

Mr. Heidel referenced the \$1.5 billion estimate to fix the problems in Metro Nashville's utility infrastructure and asked how Metro Nashville will prevent the figure from snowballing. Mr. Potter answered that proper planning and funding is the only solution; in the past, funding and planning did not allow for adequate operation of the utility.

Mr. Hampton asked why the water and sewer infrastructure replacement fee rolled into the minimum bill. Mr. Potter explained that it ensures transparency about allocation of customer dollars.

Mr. Redwine inquired about the issues of affordability with the new water rates. Mr. Potter answered that the cheapest water being sold is 0-2 CCF which is the amount of water deemed necessary to live; thus, the cheapest water per unit is the amount needed to sustain life.

Ms. Butterworth moved to adopt Staff's recommendations. Mr. Graham seconded. The motion passed unanimously.

City of Millersville

Mr. Greer explained the staff recommendations that the Board order the following:

1. The City shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - a. the creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and
 - b. a review of the City's leak adjustment policy, including any recommended modifications.
2. By January 10, 2020, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.

3. By January 31, 2020, the City shall send Board staff proof that all its board members have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).
4. By May 1, 2020, the City shall provide Board staff with the following:
 - a. the completed rate study and all resulting recommendations; and
 - b. an update regarding the City's printing vendor's ability to print the City's customer rates on each customer bill.
5. After notification of Staff's approval of the rate study's resulting recommendations, the City shall implement them within 60 days.
6. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the City.

Mr. Graham moved to adopt Staff's recommendations. Mr. Redwine seconded. The motion passed unanimously.

Town of Oakdale

Mr. Greer explained the staff recommendations that the Board order the following:

1. Paragraph 2 of the Board's November 28, 2018, order is hereby revoked. The Town shall not increase rates by an additional 25%, effective January 1, 2020. All other directives of the Board's November 28, 2018, order shall remain effective.
2. Staff shall facilitate and participate in negotiations for the consolidation of the Town with Harriman, including obtaining the assistance of a mediator if necessary.

Mr. Hampton asked if this merger would hurt Harriman. Mr. Greer explained that Oakdale's system not a large enough of system for that to be the case.

Mr. Goodman moved to adopt Staff's recommendations as amended. Mr. Heidel seconded. The motion passed unanimously.

City of Rocky Top

Mr. Greer explained the staff recommendations that the Board order the following:

1. The City shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2020, until the Board releases the City from its oversight.

Mr. Newman moved to adopt Staff's recommendations. Mr. Hampton seconded. The motion passed unanimously.

Town of Troy

Mr. Greer explained the staff recommendations that the Board order the following:

1. The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, assist in the following:
 - a. the creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs;
 - b. the creation of a capitalization policy; and
 - c. the creation of a leak adjustment policy.
2. By January 10, 2020, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.
3. By December 31, 2019, the Town shall send Board staff proof that all its board members have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).
4. By January 31, 2020, the Town shall provide Board staff with the updated Municipal Technical Advisory Service rate study and all resulting recommendations. After notification of Staff's approval of the resulting recommendations, the Town shall implement them within 60 days.
5. By May 1, 2020, the Town shall provide Board staff with the completed items from paragraph 1 of this order, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
6. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town.

Mr. Heidel moved to adopt Staff's recommendations. Mr. Hampton seconded. The motion passed unanimously.

Training Referrals

City of Harriman

Mr. Greer explained that a member of the board for Harriman was delinquent on his training. However, on the day of the meeting this individual was completing his required training. The Board did not take any action because the individual was finishing his training.

Meeting Resolution

Board staff recommended the following dates for the 2020 meetings:

April 23
August 27
November 19

Chair Butterworth moved to accept staff recommendations. Mr. Redwine seconded. The motion passed unanimously.

Adjournment

Chair Butterworth adjourned the meeting at 12:00 after seeing no more discussion.

Respectfully submitted,
Ann Butterworth
Chair

Alexandria

	Water and Sewer	County: DeKalb		
	2016	2017	2018	2019
Unrestricted Net Position	\$371,552.00	\$404,573.00	\$236,957.00	\$294,760.00
Operating Revenues	\$640,817.00	\$680,293.00	\$702,683.00	\$765,137.00
Net Sales	\$640,817.00	\$662,621.00	\$678,683.00	\$689,020.00
Operating Expenses	\$655,610.00	\$713,706.00	\$804,844.00	\$900,022.00
Operating Income	(\$14,793.00)	(\$33,413.00)	(\$102,161.00)	(\$134,885.00)
Depreciation Expense	\$149,735.00	\$151,089.00	\$153,044.00	\$154,889.00
Non-Operating Rev. (Exp.)	(\$29,964.00)	(\$30,131.00)	(\$29,122.00)	\$(27,604.00)
Operating Profit	(\$44,757.00)	(\$63,544.00)	(\$131,283.00)	(\$162,489.00)
Grants and Capital Contribution	\$0.00	\$0.00	\$0.00	\$-00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	(\$44,757.00)	(\$63,544.00)	(\$131,283.00)	(\$162,489.00)
Statutory Change in NP (2017)	(\$44,757.00)	(\$63,544.00)	(\$131,283.00)	(\$162,489.00)
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		(\$63,544.00)	(\$131,283.00)	(\$162,489.00)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Town of Alexandria**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

On September 30, 2019, the Board issued the attached order regarding the Town’s financial distress.

Alexandria engaged TAUD to assist in completing all directives of the Board order. The response from the Town and the TAUD report can be found on the following page.

Alexandria has completed all the directives of the Board order and implemented all recommendations of TAUD.

Staff Recommendation:

Order the Town to comply with the following:

1. The Town shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2021, until the Board releases the Town from its oversight.

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:

TOWN OF ALEXANDRIA

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**TENN. CODE ANN. § 68-221-1010
-FINANCIAL DISTRESS**


ORDER

On September 19, 2019, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the Town of Alexandria (“the Town”) pursuant to Tenn. Code Ann. § 68-221-1010. Board staff informed the Board that while the Municipal Technical Advisory Service (“MTAS”) had performed a rate study for the Town, MTAS did not use the most current numbers, nor did it justify the disparities in rate classes. Therefore, based on Staff’s statements and recommendations, the Board hereby orders the following:

1. The Town shall have the Tennessee Association of Utility Districts (“TAUD”), or another qualified expert as approved by Board staff, perform a cost of service study that includes the following:
 - a. a justification of the varying rate classes if possible; and
 - b. recommendations for a reasonable and justifiable rate structure.
2. By October 31, 2019, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.

3. By February 28, 2020, the Town shall provide Board staff with the completed cost of service study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town.

ENTERED this 30th day of September, 2019.





ANN V. BUTTERWORTH, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 30th day of September, 2018:

Mayor Bennett Armstrong
Ms. Liz Tetlow, City Recorder
Town of Alexandria
102 High St.
P.O. Box 277
Alexandria, TN 37012

Rachel E. Buckley
Counsel to the Board



Tennessee Utility Assistance, LLC
840 Commercial Court
Murfreesboro, TN 37129
Voice (615) 896-9022
Fax (615) 898-8283

REPORT FOR TOWN OF ALEXANDRIA, TENNESSEE

WATER AND WASTEWATER FINANCING BOARD ORDER DATED SEPTEMBER 30, 2019

**August 6, 2020
Submitted by John Hall**

INTRODUCTION

Description of the Town's Water and Sewer System and Current Rates

As of June 30, 2020, the Town of Alexandria, Tennessee ("the Town") provided water service to 971 customers and sewer service to approximately 417 customers. The Town has three rate classes for water service: Inside Town Limits; Outside Town Limits and Outside Town Limits – West Main Extension. All of the Town's sewer customers are located within the Town's limits.

The Outside Town Limits – West Main Extension rate was a special rate the Town adopted for 15 customers located outside the Town's limits who requested water service. The water line extension to serve these customers was not financially feasible at the Town's Outside Town Limits water rate. The Town arrived at this special rate by increasing the Outside Town Limits rate to cover the annual depreciation expense and interest expense related to the water line extension project to serve these customers. The Town has now six additional customers served by this line extension.

On July 1, 2019, the Town's water and sewer rates were as follows:

Water-Inside Town Limits (Code 1)

Minimum Bill (includes 2,000 gallons)	\$26.00
Over 2,000 gallons	\$10.40 per 1,000 gallons

Water-Outside Town Limits (Code 2)

Minimum Bill (includes 2,000 gallons)	\$34.52
Over 2,000 gallons	\$12.48 per 1,000 gallons

Water-Outside Town Limits - West Main Extension (Code 3)

Minimum Bill (includes 2,000 gallons)	\$53.75
Over 2,000 gallons	\$12.48 per 1,000 gallons

Sewer Rates

Minimum Bill (includes 2,000 gallons)	\$20.00
Over 2,000 gallons	\$10.40 per 1,000 gallons

The Town's purchases all of its water from Smith Utility District (the District). The current rate the Town pays for water is \$3.15 per 1,000 gallons. The water purchase contract between the Town and the District allows the City to increase rates by 2% annually. The Town operates a wastewater treatment plant with a capacity to treat 850,000 gallons per day. The Town discharges its treated wastewater into Hickam Creek.

The Town's Utility Fund (water and sewer) has had a negative change in net position, without regard to any grants or capital contributions, for its fiscal years ending June 30 of 2016, 2017, 2018 and 2019.

For its fiscal year ending June 30, 2020, the TUA projects the Town's Water and Sewer Fund will have a positive change in net position for \$28,674, excluding grants and capital contributions.

WWFB Order

The WWFB issued an Order dated September 30, 2019, directing the Town to do the following:

- 1) The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by the Board staff, perform a cost of service study that includes the following:
 - a) A justification of the varying rate classes if possible; and
 - b) Recommendations for a reasonable and justifiable rate structure.
- 2) By October 31, 2019, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.
- 3) By February 28, 2020, the Town shall provide Board staff with the completed cost of service study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
- 4) Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town.

RECOMMENDATIONS

Recommendation #1

The Town needs to adopt the Five-Year Capital Asset Plan attached as **Exhibit 1**.

Recommendation #2

TUA recommended that the Town adopt the following rates to become effective July 1, 2020:

Water-Inside Town Limits (Code 1)

Minimum Bill (includes 2,000 gallons)	\$27.82
Over 2,000 gallons	\$11.13 per 1,000 gallons

Water-Outside Town Limits (Code 2)

Minimum Bill (includes 2,000 gallons)	\$36.25
Over 2,000 gallons	\$13.10 per 1,000 gallons

Water-Outside Town Limits - West Main Extension (Code 3)

Minimum Bill (includes 2,000 gallons)	\$53.75
Over 2,000 gallons	\$13.10 per 1,000 gallons

Sewer Rates

Minimum Bill (includes 2,000 gallons)	\$23.60
Over 2,000 gallons	\$10.72 per 1,000 gallons

Attached to this Report as **Exhibit 2** is the ordinance passed by the Town approving these rates became effective on July 1, 2020.

WATER LOSS

Water loss is a major issue for the Town and has contributed substantially to the financially distressed position of its Water and Sewer Fund. Based upon the AWWA Water Audits in its last three audits and the projected water loss for the fiscal year ending June 30, 2020, the Town has experienced an average water loss of 48%. See **Exhibit 3** to this Report.

The Town has addressed and plans to continue to address its water loss as follows:

- The Town has changed its contract operator in the last year that is aggressively pursuing a leak location and repair program.
- Because most of the Town's water meters are well over 20 years of age, the contract operator has recommended that the Town replace all of its meters with radio read meters. TUA agrees with this recommendation. The Town is planning to seek funding from Rural Development (RD) for its meter replacement program which is currently scheduled for installation during its fiscal year beginning July 1, 2023.
- Upon the completion of the meter replacement program in the first half of 2024, the Town should see a 10% increase in water and sewer revenues of approximately \$77,000 annually. TUA projects that the RD loan for the project will be for 15 years with a 3% interest rate. After deducting the annual debt payments of approximately \$28,000, the meter replacement program should net the Town approximately \$49,000 per year in additional net income.
- To further address its current level of water loss, the Town hired Rye Engineering, Inc. to perform a leak survey of the entire system to identify the location of leaks and to assist the Town in fixing any leaks found. By the end of July, Rye Engineering had completed the leak survey, and the Town had repaired substantially all the leaks found. The Town has had one billing since the leak repairs were completed which showed a material drop in its purchased water cost. As a result of the leak repairs, the Town should reduce its purchased water cost by approximately \$100,000 per year.
- TUA anticipates that the repair of leaks found by the leak survey and the future meter replacement program could easily lower the Town's water loss to the 25%-30% range which should stabilize rates for the future.

FIVE YEAR CAPITAL ASSET PLAN

TUA discussed potential capital improvements and the purchase of other capital assets the Town wanted to make to its water and sewer system over the next five years and the options for funding these capital expenditures.

The Town needs to approve the Five-Year Capital Asset Plan attached to this Report as **Exhibit 1**. The funding source for the capital improvements are set forth in the Plan.

JUSTIFICATION OF RATE CLASSES

The Town was not able to locate any records as to how the Town's existing rate classes were established, other than the Outside Town Limits – West Main Extension rate class.

The Town provided TUA with an allocation of its water revenues and expenses broken down between inside-town and outside-town customers. See **Exhibit 4** attached to this Report.

The profit margin estimated for the inside-town operations (billed water only) for the fiscal year ending June 30, 2020 is:

Income	\$223,396
Expenses	\$213,699
Margin	\$9,676 – 4.34%

The profit margin estimated for the outside-town operations (billed water only) for the fiscal year ending June 30, 2020 is:

Income	\$365,201
Expenses	\$341,766
Margin	\$23,435- 6.42%

Current outside-town operations are producing a higher percentage of revenues over expenses than the Town's than inside-town operations. Therefore, the rate differential between inside-town rates and outside-town rates should be reduced slightly. TUA recommended that the Town increase the inside-town water rate by 7% and the outside-town water rates by 5% so that inside-town and outside-town customers will have approximately the same operating margin of 10%.

RATE STUDY AND PROPOSED PLAN OF ACTION

To determine whether existing rates will produce sufficient revenues to make the Town's water and sewer system self-supporting, TUA first projected a Statement of Revenues and Expenses and Changes in Net Position for the Town's Water and Sewer Fund for its fiscal year ending June 30, 2020. TUA projected the revenues for the system using existing rates. TUA projected operation and maintenance expenses by reviewing historical information from the previous five fiscal years, reviewing the Town's budget for the water and sewer fund for the current fiscal year, and actual operations to date in this fiscal year.

Then, TUA projected Statements of Revenues and Expenses and Changes in Net Position for the Town's water and sewer fund for its fiscal years ending June 30 of 2021, 2022, 2023, 2024, and 2025. See **Exhibit 5** attached to this Report.

Revenue Projections:

- User charges (monthly water and sewer revenues) for the fiscal year ending June 30, 2020, were projected based upon ten months of actual water and sewer sales plus an estimate of the sales for the remaining two months of the fiscal year based upon the previous ten months.
- Other fees for the fiscal year ending June 30, 2020, were projected based upon the historical average of other fees over the previous five fiscal years.
- Since 2015 the Town has experienced minimal annual customer growth and does not plan to expand its existing water or sewer system to add customers in the near future. Therefore, TUA does not project on annual revenue increases based upon customer growth.
- User charges for the fiscal year ending June 30, 2021, and beyond were increased to reflect the rate increases which became effective on July 1, 2020.
- In the fiscal years ending June 30, 2024 and June 30, 2025, user charges were increased by \$77,000 to reflect the projected increase in user charges from the meter replacement program.

Expense Projections:

- All operating expenses for fiscal year ending June 30, 2020, were projected based upon ten months of the actual expense for this fiscal year plus an estimate of the expense for the remaining two months of the fiscal year based upon the previous ten months, except for the following expenses: salaries and payroll taxes; repair and maintenance/supplies; and depreciation.

- Salaries and payroll taxes expense for fiscal year ending June 30, 2020 was projected using the average of this expense over the previous two fiscal years.
- Repair and maintenance/supplies expense for the fiscal year ending June 30, 2020, was projected based upon ten months of the actual expense for this fiscal year plus an estimate of the expense for the remaining two months of the fiscal year based upon the previous ten months. TUA added an additional \$15,000 to this amount for one-half the cost of the Rye Engineering leak survey.
- For the remaining fiscal years in the five-year projection, all operating expenses, except purchased water expense, repair and maintenance/supplies and depreciation are increased by 2% annually over the projected amount for the current fiscal year.
- For the remaining fiscal years in the five-year projection, purchased water expense was increased by 2% each year to reflect the annual wholesale water rate increases from Smith Utility District. Purchased water expense was decreased by \$100,000 for the fiscal year ending June 30, 2021 and subsequent years due to the repair of leaks found in the leak survey performed by Rye Engineering.
- For the remaining fiscal years in the five-year projection, repair and maintenance/supplies expense was increased by 2% annually over the projected amount for the fiscal year ending June 30, 2020, less the \$15,000 included for one-half of the leak survey expense. In addition, TUA added an additional \$5,000 annually to this expense beginning July 1, 2020.
- Annual depreciation expenses were projected based upon the Town's existing fixed asset schedule and the service lives used on this schedule for depreciation. Depreciation on new capital assets included in the capital asset plan during the five-year projection period are based upon the Town's current capitalization policy.
- Interest expense was based on current debt amortization schedules and the amortization schedules for new debt to be issued during the five-year projection period.

Revenue Sufficiency and Rate Modifications Required

Based upon the projected Statements, the Town's water and sewer fund will have a \$28,674 positive change in net position at current rates for the fiscal year ending June 30, 2020.

Rate Changes Effective July 1, 2020

TUA recommended the following changes to the Town's current rate structure for both water and sewer service to become effective July 1, 2020.

Water-Inside Town Limits (Code 1)

Minimum Bill (includes 2,000 gallons)	\$27.82
Over 2,000 gallons	\$11.13 per 1,000 gallons

Water-Outside Town Limits (Code 2)

Minimum Bill (includes 2,000 gallons)	\$36.25
Over 2,000 gallons	\$13.10 per 1,000 gallons

Water-Outside Town Limits - West Main Extension (Code 3)

Minimum Bill (includes 2,000 gallons)	\$53.75
Over 2,000 gallons	\$13.10 per 1,000 gallons

Sewer Rates

Minimum Bill (includes 2,000 gallons)	\$23.60
Over 2,000 gallons	\$10.72 per 1,000 gallons

The above rate changes became effective on July 1, 2020, which should result in the Water and Sewer Fund having a positive change in net position of \$13,637 for its fiscal year ending June 30, 2021.

Sewer Rate Changes Effective July 1, 2022

To meet its revenue requirements over the next five fiscal years, TUA recommends the Town adopt one more rate change effective July 1, 2022 to its sewer rate schedule as follows:

Sewer Rates

Minimum Bill (includes 2,000 gallons)	\$24.50
Over 2,000 gallons	\$11.50 per 1,000 gallons

The sewer rate increase will not only increase revenues for the Water and Sewer Fund but will also assist the Town in having sewer revenues more closely cover sewer operating costs.

Projected Cash and Investments Schedule

If the Town adopts the rate increases recommended by TUA, the Water and Sewer Fund should have a cash and investments balance of \$894,118 as of June 30, 2025. The Water and Sewer Fund - Projected Cash and Investments Balance Schedule is attached as **Exhibit 6**.

Alexandria, Tennessee - Water & Sewer Fund
Five Year Capital Asset Plan

	<u>Estimated Cost</u>					
	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2025</u>
WATER Pump	-	-	30,000	-	-	-
WATER Radio Read Meters & Software	-	-	-	-	475,000	-
SEWER Tving - Rehab - ongoing project	25,000	600,000	-	300,000	-	-
SEWER Plant Updates - ongoing project	25,000	200,000	250,000	-	-	-
Total	50,000	800,000	280,000	300,000	475,000	-
Cumulative Depreciation	1,250	21,250	29,000	36,500	84,000	84,000
Total Capital Outlay & Depreciation	51,250	821,250	309,000	336,500	559,000	84,000
Source of Funds						
Loans	-	800,000	250,000	300,000	332,500	-
Grants	-	-	-	-	142,500	-
Cash	50,000	-	30,000	-	-	-
Total Funding Sources	50,000	800,000	280,000	300,000	475,000	-

ORDINANCE NO. 2019-6

AN ORDINANCE OF THE TOWN OF ALEXANDRIA, TENNESSEE
TO UPDATE WATER AND SEWER FEES

WHEREAS, Title 7 of the Tennessee Code empowers the Town of Alexandria to own and operate a municipal water and sewer system; and

WHEREAS, §7-34-115 of the Revenue Bond Law states, User charges, rates, fees shall reflect the actual cost of providing the services rendered; and

WHEREAS, the Town has determined that existing fees associated with water and sewer service need to be updated so that they do reflect the actual cost of providing the service.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF ALDERMEN OF THE TOWN OF ALEXANDRIA, TENNESSEE, THAT:

Section 1: All previously adopted or utilized water and sewer rates and fees are hereby repealed in their entirety and replaced with new Water and Sewer Rates, Other Water Charges and Tapping Fee.

Section 2: Water and Sewer Rates

Minimum Bill Rates (before sales tax)

<u>Inside City Limits with Sewer</u>	<u>Outside City (no sewer)</u>	<u>Outside City 2" (new waterline ext)</u>
\$27.82 (1 st 2000 gallons water)	\$36.25 (1 st 2000 gallons)	\$53.75 (1 st 2000 gallons)
<u>\$23.60 (1st 2000 gallons sewer)</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
\$51.42	\$36.25	\$53.75

Water Usage Rates Over 2000 Gallons

<u>Inside City Limits with Sewer</u>	<u>Outside City (no sewer)</u>	<u>Outside City 2" (new waterline ext)</u>
\$11.13 / 1000 gallons	\$13.10 / 1000 gallons	\$13.10 / 1000 gallons
\$1.113 / 100 gallons	\$1.310 / 100 gallons	\$1.310 / 100 gallons

Sewer Usage Rates Over 2000 Gallons

<u>Inside City Limits with Sewer</u>	<u>Outside City (no sewer)</u>	<u>Outside City 2" (new waterline ext)</u>
\$10.72 / 1000 gallons	Not Applicable	Not Applicable
\$1.072 / 100 gallons		

Section 3: Other Water Charges

Late Penalty: 9.1% (added to accounts that are NOT paid before 12:01am on 11th)

Non Payment Fee: \$50.00 (added to accounts that are NOT paid before 12:01am of the 20th)

New Customer Connection Fee: \$75.00

(Connection fee and tap fee shall be paid before they can be provided)

Section 4: Water and Sewer Tapping Fees

The following fees are based upon water or sewer mains which abut the property. Where mains do not abut the property, individually determined fees based on the cost of installation shall apply. Water and Sewer Taps are only installed by the Town's approved contractor.

Water Tap Fee (3/4" meter)	\$2500.00
Larger water meter size:	Cost of the installation determined by location details.
Sewer Tap Fee (3/4" water meter)	\$3000.00

The home/landowner/developer/contractor shall be responsible for the replacement of any damage to any roadway, paved or not, sidewalk, curbs, gutters, or driveways that may be

damaged during the installation of a water or sewer line to their property. These repairs must be done without needless delay. These repairs shall be with equal quality materials and workmanship as the original undamaged surface.

The Town's representative or Engineer shall make the final decision on these repairs. Until all repairs are in conformity with the Town's representative or Engineer, no service will be delivered to home/landowner/developer/contractor.

All boring, repairs, excavation, and restoration, including paving or concrete replacement as required, shall be at the sole expense of the home/landowner/developer/contractor.

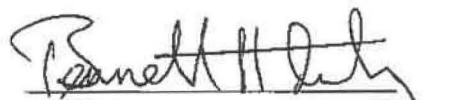
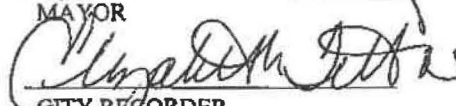
Section 5: Date of Effect. This ordinance shall take effect on July 1, 2020, the public welfare requiring it.

Passed First Reading

May 26, 2020

Passed Second Reading

June 23, 2020


MAYOR

CITY RECORDER

Alexandria Tennessee - Water Loss History

	<u>Water Purchased- Gallons</u>	<u>Water Billed Gallons</u>	<u>Water Loss in Gallons</u>	<u>Water Loss %</u>	<u>Annual Cost of Real Loss</u>
2017	77.1 million	38,2 million	36.6 million	50.30%	\$97,373
2018	97.6 million	56.1 million	40.5 million	42.40%	\$126,004
2019	86.5 million	40.3 million	43.3 million	53.70%	\$146,086
2020*	83.0 million	39.0 million	44.0 million	47.00%	\$138,600

* Estimated

Alexandria - Water Inside / Outside Allocations

	Direct - Estimated for 12 months		
	Inside City	Outside City	Outside City 2
Ordinary Income/Expense			
Income			
Income			
Bad Debt Payments		102.00	
Water Income			
Connection Fee/Service Charge	3,787.50	2,419.50	
Non-Payment Fee	11,100.00	9,375.00	525.00
Water Penalty	4,397.96	7,426.73	688.64
Water Surcharge		1,126.80	
Water Tap Income		240.00	
Water Temporary Turn-on	307.50	172.50	
Water Income - Other	223,396.20	345,799.26	19,402.31
Total Water Income	242,989.16	366,559.79	20,615.94
Total Income	242,989.16	366,661.79	20,615.94
Tap Fees			
Water	15,000.00	7,500.00	0.00
Total Tap Fees	15,000.00	7,500.00	0.00
Total Income	257,989.16	374,161.79	20,615.94
Gross Profit	257,989.16	374,161.79	20,615.94
Expense			
Bad Debts	3,821.78	4,309.67	0.00
Tap Install Fees			
Equipment Rental			
Water Tap	12,000.00	6,000.00	0.00
Total Tap Install Fees	12,000.00	6,000.00	0.00
Water Department			
Audit	1,126.77	1,273.74	48.99
Contracted Services	27,600.00	31,200.00	1,200.00
Depreciation	22,541.43	39,015.60	18,653.34
Dues	996.71	1,126.71	43.34
Insurance	4,289.04	4,848.48	186.48
Office Expense	1,109.46	1,254.17	48.24
Postage	1,695.59	1,916.76	73.73
Professional Fees	330.74	373.88	14.39
Purchased Water	99,551.36	151,946.82	10,479.09
Rent		163.49	
Repair and Maintenance			
Parts	5,914.04	6,685.44	257.13
Services	9,520.17	16,203.51	90.27

Total Repair and Maintenance	15,434.21	22,888.95	347.40
Telephone - Telemetry	298.41	337.34	12.98
Testing	1,141.95	1,290.90	49.65
Utilities	11,032.50	14,072.09	2,018.42
Water Salaries	6,110.25	6,907.25	265.67
Total Water Department	193,258.40	278,616.15	33,441.69
Water Meters	4,065.48	4,595.76	176.76
Total Expense	213,145.66	293,521.58	33,618.45
Net Ordinary Income	44,843.50	80,640.21	-13,002.51
Other Income/Expense			
Other Income			
Interest Income	131.60	148.76	5.72
Other Income	897.36	0.00	
Total Other Income	1,028.96	148.76	5.72
Other Expense			
Interest Expense	554.25	3,413.28	11,213.63
Total Other Expense	554.25	3,413.28	11,213.63
Net Other Income	474.71	-3,264.53	-11,207.91
Net Income	45,318.21	77,375.69	-24210.42

<u>AS SHOWN ABOVE</u>	<u>INSIDE</u>	<u>OUTSIDE</u>
REVENUE \$	223,396	\$ 365,202
EXPENSES \$	(213,700)	\$ (341,767)
\$	9,696	\$ 23,435
OPERATING MARGIN	4.34%	6.42%

<u>WITH NEW RATES EFFECTIVE 7/1/20</u>	<u>INSIDE</u>	<u>OUTSIDE</u>
REVENUE \$	238,285	\$ 381,676
EXPENSES \$	(213,700)	\$ (341,767)
\$	24,585	\$ 39,909
OPERATING MARGIN	10.32%	10.46%

Alexandria, Tennessee - Projected Statements of Revenues and Expenses and Changes in Net Position

Water & Sewer Fund

	Projected 6/30/2020	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023	Projected 6/20/2024	Projected 6/20/2025
Operating Revenues:						
User Charges	762,659	770,371	770,371	770,371	847,371	847,371
Other Fees	81,566	29,183	29,183	29,183	29,183	29,183
Total Operating Revenues	844,225	799,554	799,554	799,554	876,554	876,554
Operating Expenses:						
Salaries & Payroll Taxes	32,075	32,717	33,371	34,038	34,719	35,413
Dues	1,712	1,746	1,781	1,817	1,853	1,890
Water Purchased	265,376	168,683	172,057	175,498	179,008	182,588
Contract Services	108,487	110,657	112,870	115,127	117,430	119,778
Repair & Maintenance / Supplies	125,095	132,297	119,542	121,933	124,371	126,859
Utilities	56,454	57,583	58,735	59,909	61,108	62,330
Office Expenses	6,417	6,545	6,676	6,810	6,946	7,085
Insurance	16,268	16,593	16,925	17,264	17,609	17,961
Rent	118	120	123	125	128	130
Depreciation	155,929	176,139	183,889	191,389	238,889	238,889
Miscellaneous	8,704	8,878	9,056	9,237	9,421	9,610
ECD Planning	12,000	12,240	12,485	12,734	12,989	13,249
Total Operating Expenses	788,635	724,199	727,509	745,881	804,471	815,783
Operating Income (Loss)	55,590	75,355	72,045	53,673	72,083	60,771
Nonoperating Revenues (Expenses)						
Interest Expense	(27,168)	(61,971)	(59,337)	(56,907)	(54,309)	(51,633)
Interest Income	252	253	253	253	253	253
Total Nonoperating Revenues (Expenses)	(26,916)	(61,718)	(59,084)	(56,654)	(54,056)	(51,380)
Change in Net Position before Contributed Capital	28,674	13,637	12,961	(2,981)	18,027	9,391

Capital Contributions & Grants	-	-	-	-	142,500	-
Change in Net Position	28,674	13,637	12,961	(2,981)	160,527	9,391
Revenue Generated from Suggested Rate Increase	N/A	N/A	N/A	9,228	9,228	9,228
Change in Net Position after Suggested Rate Increase	28,674	13,637	12,961	6,247	169,755	18,619

NOTES:

FY 19-20 and FY 20-21 - we included \$15,000 in repairs and maintenance for leak survey work.

FY 20-21 and FY 21-22 and FY 22-23 - we used calculated revenue based on new rates effective 7/1/20 for projected revenue.

FY 23-24 and FY 24-25 - we increased revenue by 10% (\$77,000 annually) as predicted from new meters that will be put into place.

Repairs & Maintenance Exp (increased 2%)	110,095	112,297	114,543	116,834	119,170	121,554
Leak Survey Exp	15,000	15,000	-	-	-	-
Additional repairs estimated for maint		5,000	5,000	5,000	5,000	5,000
	125,095	132,297	119,543	121,834	124,170	126,554

Alexandria, Tennessee - Projected Cash and Investments Schedule
Water & Sewer Fund

	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023	Projected 6/30/2024	Projected 6/30/2025
Beginning Balance	309,141	405,470	476,238	575,362	740,396
Sources of Funds					
User Charges **	770,371	770,371	779,599	856,599	856,599
Other Fees	29,183	29,183	29,183	29,183	29,183
Interest Revenue	253	253	253	253	253
Loans	800,000	250,000	300,000	332,500	-
Grants	-	-	-	142,500	-
Total Sources of Funds	1,599,807	1,049,807	1,109,035	1,361,035	886,035
Uses of Funds					
Operating Expenses	724,199	727,509	745,881	804,471	815,783
Depreciation	(176,139)	(183,889)	(191,389)	(238,889)	(238,889)
Capital Outlay	800,000	280,000	300,000	475,000	-
Interest Expense	61,971	59,337	56,907	54,309	51,633
Principal Payments	93,447	96,082	98,512	101,110	103,786
Total Uses of Funds	1,503,478	979,039	1,009,911	1,196,001	732,313
Ending Balance	405,470	476,238	575,362	740,396	894,118

** Includes projected revenue based on recommendations for rate increases.

NOTE: This synopsis from beginning funds to ending funds does not include accounts receivable, accounts payable, fixed asset or any other adjustments made to the balance sheet. This is a "cash basis" summary.

Bethel Springs

	Water and Sewer	County: McNairy		
	2016	2017	2018	2019
Unrestricted Net Position	\$29,733.00	\$54,263.00	\$93,388.00	
Operating Revenues	\$354,045.00	\$402,597.00	\$353,807.00	
Net Sales	\$354,045.00	\$402,597.00	\$353,807.00	
Operating Expenses	\$351,456.00	\$348,053.00	\$322,381.00	
Operating Income	\$2,589.00	\$54,544.00	\$31,426.00	
Depreciation Expense	\$123,426.00	\$123,426.00	\$123,426.00	
Non-Operating Rev. (Exp.)	(\$81,572.00)	(\$91,400.00)	(\$77,223.00)	
Operating Profit	(\$78,983.00)	(\$36,856.00)	(\$45,797.00)	
Grants and Capital Contribution	\$0.00	\$0.00	\$489,587.00	
Transfers In	\$0.00	\$0.00	\$0.00	
Transfers Out	\$0.00	\$0.00	\$0.00	
GAAP Change in Net Position	(\$78,983.00)	(\$36,856.00)	\$443,790.00	
Statutory Change in NP (2017)	(\$78,983.00)	(\$36,856.00)	(\$45,797.00)	
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	
Statutory Change in NP (2018)		(\$36,856.00)	(\$45,797.00)	





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **City of Bethel Springs**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

On September 30, 2019, the Board issued the attached order.

The City requested and received an extension of all the order's mandates until August 28, 2020. The City has engaged TAUD to perform a rate study and Cook Coggin Engineering to perform a capital asset evaluation, which is being funded through a Tennessee Economic and Community Development infrastructure planning grant.

Cook Coggin Engineering has finished the sewer asset evaluation and is in the process of completing the water asset evaluation. When the evaluation is finished, TAUD will be able to complete the rate study and include capital asset costs.

Staff Recommendation:

Amend paragraph 3 of the September 30, 2019, order to state the following:

1. By November 30, 2020, the City shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation
2. All other directives of the September 30, 2019 order shall remain in effect.

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:

CITY OF BETHEL SPRINGS

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**TENN. CODE ANN. § 68-221-1010
-FINANCIAL DISTRESS**

ORDER

On September 19, 2019, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the City of Bethel Springs (“the City”) pursuant to Tenn. Code Ann. § 68-221-1010. Board staff stated that although the Board had previously ordered the City to engage an expert for assistance in completing its financial questionnaire, the City did not comply. Board staff discovered that the City’s rates have not been adjusted in five years. Based on Staff’s statements and recommendations, the Board hereby orders the following:

1. The City shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - a. an evaluation of the cost of tapping into the water and sewer system;
 - b. a review of the capitalization policy, including any recommended modifications;
 - c. the creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs; and
 - d. a review of the leak adjustment policy, including any recommended modifications.

2. By October 31, 2019, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.
3. By February 28, 2020, the City shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the City.

ENTERED this 30th day of September, 2019.




ANN V. BUTTERWORTH, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 30th day of September, 2019:

Mayor Gary Bizzell, Jr.
Ms. Deborah Sullivan, City Recorder
City of Bethel Springs
2066 Main St.
P.O. Box 214
Bethel Springs, TN 38315



Rachel E. Buckley
Counsel to the Board

From: [John Greer](#)
To: ["Bethel Springs Recorder Deborah Sullivan"](#)
Cc: [Ross Colona](#); ["markbutler@taud.org"](mailto:markbutler@taud.org); ["Matthew Estes"](#)
Subject: RE: Extension
Date: Wednesday, March 4, 2020 10:22:00 AM

Good morning,

The Town of Bethel Springs is granted an extension to August 28, 2020 to comply with the WWFB order.

Please let us know if you have any questions.

John Greer
Tennessee Comptroller of the Treasury
Division of Administration
Fourth Floor Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243-3400
Phone: (615) 747-5260

From: Bethel Springs Recorder Deborah Sullivan <bethelsprings4u@hotmail.com>
Sent: Monday, March 2, 2020 5:39 PM
To: John Greer <John.Greer@cot.tn.gov>
Subject: Re: Extension

Mr. Greer,

I've attached a letter requesting an extension until August 28, 2020. The letter explains the need for this lengthy date. Please call me with any question, 731-934-7266.

Deborah Sullivan

From: Bethel Springs Recorder Deborah Sullivan <bethelsprings4u@hotmail.com>
Sent: Friday, February 28, 2020 6:11 PM
To: John Greer <John.Greer@cot.tn.gov>
Subject: Re: Extension

Mr. Greer,

I will get with the Mayor and give you an answer on Monday Morning.

Deborah Sullivan
731-934-7266

From: John Greer <John.Greer@cot.tn.gov>

Sent: Friday, February 28, 2020 3:22 PM

To: bethelsprings4u@hotmail.com <bethelsprings4u@hotmail.com>

Cc: garybizzelljr@gmail.com <garybizzelljr@gmail.com>; 'marklbutler@taud.org' <marklbutler@taud.org>

Subject: Extension

I received the attached extension request. There is no date certain for an extension deadline.

Can you please clarify how long of an extension you are seeking?

John Greer
Tennessee Comptroller of the Treasury
Division of Administration
Fourth Floor Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243-3400
Phone: (615) 747-5260

Blaine

	Sewer	County: Grainger		
	2016	2017	2018	2019
Unrestricted Net Position	\$44,827.00	\$80,510.00	\$115,188.00	\$120,956.00
Operating Revenues	\$188,067.00	\$191,920.00	\$188,443.00	\$192,797.00
Net Sales	\$176,167.00	\$175,520.00	\$183,293.00	\$173,997.00
Operating Expenses	\$162,710.00	\$158,521.00	\$128,971.00	\$144,736.00
Operating Income	\$25,357.00	\$33,399.00	\$59,472.00	\$48,061.00
Depreciation Expense	\$79,162.00	\$79,162.00	\$79,162.00	\$80,678.00
Non-Operating Rev. (Exp.)	(\$49,176.00)	(\$48,301.00)	(\$47,228.00)	\$(46,418.00)
Operating Profit	(\$23,819.00)	(\$14,902.00)	\$12,244.00	\$1,643.00
Grants and Capital Contribution	\$0.00	\$0.00	\$0.00	\$-00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	(\$23,819.00)	(\$14,902.00)	\$12,244.00	\$1,643.00
Statutory Change in NP (2017)	(\$23,819.00)	(\$14,902.00)	\$12,244.00	\$1,643.00
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		(\$14,902.00)	\$12,244.00	\$1,643.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **City of Blaine**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Sewer**

Staff Summary:

On September 30, 2019, the Board ordered the City to comply with the directives of the attached order.

The City has explored merger possibilities but has not found a willing partner at this point. Staff will continue to talk with the City of Luttrell and the Knoxville Utilities Board to see if a merger is possible in the future.

Staff Recommendation:

Order the City to comply with the following:

1. The City shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2021, until the Board releases the City from its oversight.

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:

CITY OF BLAINE

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**TENN. CODE ANN. § 68-221-1010
-FINANCIAL DISTRESS**

ORDER

On September 19, 2019, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the City of Blaine (“the City”) pursuant to Tenn. Code Ann. § 68-221-1010. Board staff informed the Board that the City has raised rates for every customer class and will raise rates by 3% annually for the next five years. Staff is comfortable with the City’s rate increase. The City’s mayor also expressed to Staff an interest in merging the City’s sewer system with another entity. Based on Staff’s statements and recommendations, the Board hereby orders the following:

1. The City shall explore merger possibilities with surrounding utilities.
2. The City shall send Board staff an update on merger possibilities by December 31, 2019.

ENTERED this 30th day of September, 2019.

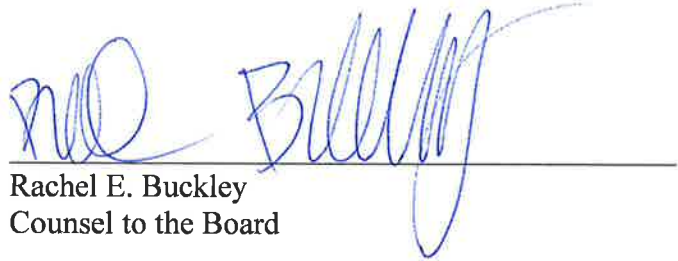


ANN V. BUTTERWORTH, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 30th day of September, 2019:

Mayor Marvin Braden
Ms. Elizabeth White, City Recorder
City of Blaine
220 Indian Ridge Rd.
P.O. Box 85
Blaine, TN 37709-0085



Rachel E. Buckley
Counsel to the Board

Clarksburg

	Sewer	County: Carroll		
	2016	2017	2018	2019
Unrestricted Net Position	\$18,178.00	\$35,764.00	\$17,987.00	\$19,944.00
Operating Revenues	\$66,835.00	\$69,635.00	\$69,705.00	\$80,751.00
Net Sales	\$66,835.00	\$64,096.00	\$93,876.00	\$80,571.00
Operating Expenses	\$81,361.00	\$86,848.00	\$93,876.00	\$106,617.00
Operating Income	(\$14,526.00)	(\$17,213.00)	(\$24,171.00)	(\$25,866.00)
Depreciation Expense	\$44,431.00	\$44,431.00	\$50,235.00	\$55,147.00
Non-Operating Rev. (Exp.)	(\$5,580.00)	(\$5,124.00)	(\$7,360.00)	\$(6,831.00)
Operating Profit	(\$20,106.00)	(\$22,337.00)	(\$31,531.00)	(\$32,697.00)
Grants and Capital Contribution	\$44,542.00	\$279,380.00	\$167,409.00	\$-00
Transfers In	\$0.00	\$6,000.00	\$0.00	\$15,000.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	\$24,436.00	\$263,043.00	\$135,878.00	(\$17,697.00)
Statutory Change in NP (2017)	(\$20,106.00)	(\$22,337.00)	(\$31,531.00)	(\$32,697.00)
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		(\$22,337.00)	(\$31,531.00)	(\$32,697.00)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: City of Clarksburg

Staff Summary:

On September 30, 2019, the Board issued the attached order regarding Clarksburg.

Clarksburg engaged TAUD to assist in completing all directives of the Board order. The response from the City and the TAUD report can be found on the following page.

Clarksburg has completed all the directives of the Board and implemented all recommendations of TAUD.

Staff Recommendation:

Order the City to comply with the following:

1. The City shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2021, until the Board releases the City from its oversight.

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:

CITY OF CLARKSBURG

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**TENN. CODE ANN. § 68-221-1010
-FINANCIAL DISTRESS**

ORDER

On September 19, 2019, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the City of Clarksville (“the City”) pursuant to Tenn. Code Ann. § 68-221-1010. Board staff informed the Board that the City raised rates significantly in February 2019, but Staff cannot determine whether those increases are reasonable and justifiable. The City has also failed to confirm to Board staff that its board members have complied with their training requirements. Based on Staff’s statements and recommendations, the Board hereby orders the following:

1. The City shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs.
2. By October 31, 2019, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.
3. By December 31, 2019, the City shall ensure that the members of the wastewater system’s governing body have met all training requirements pursuant to Tenn. Code Ann. § 7-34-115(j).

4. By February 28, 2020, the City shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
5. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the City.

ENTERED this 30th day of September, 2019.



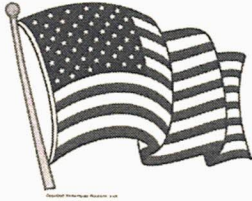
ANN V. BUTTERWORTH, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this _____ day of September, 2019:

Mayor Howell Wayne Todd
Ms. Leigh Grice, City Recorder
City of Clarksburg
P.O. Box 117
Clarksburg, TN 38324-0117

Rachel E. Buckley
Counsel to the Board



CITY OF CLARKSBURG

P. O. BOX 117
CLARKSBURG, TN 38324

HOWELL WAYNE TODD, MAYOR
BARBARA MCCLURE, ALDERMAN
JUDY GRANT SMITH, ALDERMAN
LEIGH GRICE, CITY RECORDER

16 March 2020

Water and Wastewater Financing Board
Cordell Hull Building
425 Fifth Avenue North
Nashville, Tennessee 37243

Consider this document a response to your Order of September 30, 2019 to the City of Clarksburg citing financial deficiencies in our Wastewater Account with a due date of February 28, 2020, for us to reply. It is my understanding that Mark Butler, who conducted our rate study, contacted your staff requesting an extension of the reporting deadline by a couple of weeks.

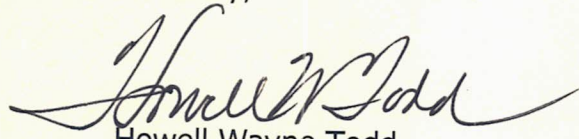
1. The requisite rate study is shown as Attachment I. We engaged the services of Tennessee Utility Associates (TUA) and specifically Mr. Mark Butler to conduct the rate study. You will note in the remainder of this letter that the Mayor and Aldermen adopted the recommendations of Mr. Butler.
2. Attachment II is a copy of the City Ordinance requiring city sewer customers who chose not to connect when the sewer was installed to pay the flow through rate just like regular sewer customers effective April 1, 2020. Heretofore, they only paid the \$15/month minimum bill.
3. Attachment III is a copy of the City Resolution waiving the \$700 connection fee for those customers in #2 who wish to connect to the sewer. That waiver expires June 30, 2020.
4. Attachment IV is a copy of the City Resolution which raises the usage rate by \$4.00 per thousand gallons. Coupled with the 53% increase we passed in February 2019, our rate will become \$15.00 minimum bill plus \$15.00 per thousand gallons effective April 1, 2020. The detail on the 53% increase has been provided to you in an earlier communication.

You will note in Attachment IV that the Resolution also adopts a policy of annual increases in both the minimum rate and the per gallon usage by the previous year's Consumer Price Index as established by the U.S. Bureau of Labor Statistics.

16 March 2020

We believe these responses complete the reporting requirements of the Order. It is our hope that you will view these actions as a very strong good faith effort to remedy a historic problem in our City. While recognizing that the correction cannot be made in a matter of months, be assured that I, as Mayor, as well as the two Aldermen are unified in our commitment to make this a priority during our time in office.

Sincerely,

A handwritten signature in black ink, appearing to read "Howell Wayne Todd". The signature is fluid and cursive, with a large initial 'H'.

Howell Wayne Todd
Mayor

C: Alderman Barbara McClure
Alderman Judy Grant Smith
City Attorney Michael U. King
Mr. Mark Butler, TUA



Tennessee Utility Assistance, LLC
840 Commercial Court
Murfreesboro, TN 37129
Voice (615) 896-9022
Fax (615) 898-8283

REPORT FOR CITY OF CLARKSBURG, TENNESSEE

WATER AND WASTEWATER FINANCING BOARD ORDER DATED SEPTEMBER 30, 2019

March 13, 2020
Submitted by Mark Butler

Introduction

The City of Clarksburg, Tennessee (City or Clarksburg) provides sewer service to approximately 80 customers in Clarksburg. Water service to the City's sewer customers is provided by Clarksburg Utility District (the District). Pursuant to a written agreement between the City and the District, the District bills the City's sewer service charges on the District's water bill, and the District will discontinue water service to its customers for nonpayment of the City's sewer service charges.

The City was referred to the Water and Wastewater Financing Board (WWFB) upon the submission of its audit for its fiscal year ending June 30, 2019, because it met the statutory definition for a financially distressed City sewer system. The system had a negative change in net position for two consecutive years without regard to any grants or capital contributions for its fiscal years ending June 30, 2018 and June 30, 2019.

On September 30, 2019, the WWFB entered an order directing the City to do the following:

- 1) The City shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff to perform a rate study that includes the creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs.
- 2) By October 31, 2019, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.
- 3) By December 31, 2019, the City shall ensure that the members of the wastewater system's governing body have met all training requirements pursuant to Tenn. Code Ann. 7-34-115(j).
- 4) By February 28, 2020, the City shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
- 5) Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the City.

Recommendations

Recommendation #1

To meet its annual revenue requirements, TUA recommends that the City increase the residential and commercial usage rate by \$4.00 per 1,000 to become effective for bills rendered after April 1, 2020. The Mayor and Board of Aldermen approved this rate recommendation at its meeting on February 6, 2020.

Recommendation # 2

TUA recommends the City annually increase the residential and commercial minimum bill and usage rate by the Consumer Price Index effective April 1st of each year beginning in 2021 and continuing through 2025. The Mayor and Board of Aldermen approved this rate recommendation at its meeting on February 6, 2020.

Recommendation #3

During the City's fiscal year ending June 30, 2019, the City transferred \$15,000 into the wastewater fund from other City funds to meet its principal and interest payments on debt related to the wastewater fund. The City should contact the Comptroller's Office to determine whether this transfer violated T.C.A. § 7-34-115(a) and should seek to obtain approval to repay this \$15,000 from the wastewater fund back to the City over a five year period should the Comptroller agree that a violation has occurred.

Relevant History of the City's Sewer System Related to Rates

Rates in Effect on July 1, 2018

On July 1, 2018, the District's rates for sewer service were as follows:

Residential and Commercial:

Minimum bill (includes no usage)	\$14.00
Usage rate	\$4.95 per 1,000 gallons

Institutional Rate (Clarksburg School):

Minimum bill (includes no usage)	\$14.00
Usage rate	\$22.00 per 1,000 gallons

These rates had been in effect for several years.

Rate Increases from July 1, 2018 through September 30, 2019

The City has implemented two rates increases since July 1, 2018. The City increased its residential and commercial rates effective September 1, 2018 as follows:

Residential and Commercial:

Minimum bill (includes no usage)	\$15.00
Usage rate	\$6.95 per 1,000 gallons

The City increased both its residential and commercial rates and its institutional rates effective February 1, 2019 as follows:

Residential and Commercial:

Minimum bill (includes no usage)	\$15.00
Usage rate	\$11.00 per 1,000 gallons

Institutional Rate (Clarksburg School):

Minimum bill (includes no usage)	\$15.00
Usage rate	\$22.00 per 1,000 gallons

Before these two rate increases were implemented, the monthly sewer bill for a residential customer using 4,000 gallons of water was \$33.80. After these two rate increases, the monthly sewer bill for a residential customer using 4,000 gallons of water was \$59.00. This represents a 42.7% increase.

Annual Debt Payment by Clarksburg School

In addition to paying a monthly sewer bill, the Clarksburg School (the School) makes an annual payment to the City in the amount of \$24,084 to cover the City's annual debt payment on its State Revolving Loan 04-176 which financed the initial installation of the City's sewer system. The School will continue to make this annual payment until the SRF Loan 04-176 is paid off in 2026.

Historically, this annual debt payment has been included as sewer service fee revenue in City's wastewater fund financial statements. When the SRF Loan 04-176 is paid off in 2026, the City's annual sewer revenues will decrease by \$24,084 with no material corresponding decrease in interest expense from the previous year. Therefore, rates for its fiscal year beginning July 1, 2026 (or sooner) must take this significant sewer revenue decrease into account.

Transfer of Funds into Wastewater Fund

During the City's fiscal year ending June 30, 2019, the City transferred \$15,000 into the wastewater fund from other City funds to meet its principal and interest payments on debt related to the wastewater fund. This transfer may violate T.C.A. § 7-34-115(a) which was amended in 2014 to delete language which allows a municipality to subsidize its water and sewer system with tax revenues. The City should contact the Comptroller's Office to determine whether this transfer violated T.C.A. § 7-34-115(a) and to obtain approval to repay this \$15,000 from the wastewater fund back to the City over a five year period.

Five Year Capital Asset Plan

Mark Butler met with the Mayor, Board of Alderman and the City Recorder to discuss potential capital improvements and the purchase of other capital assets the City may need to make to its sewer system in the next five years. Installation of grinder pumps located in the City's five lift stations and at 30 houses began in 2005. These assets will generally last about 20 years with proper maintenance, but some are beginning to show signs of failure.

Upon the conclusion of these discussions, the City approved a five-year capital asset plan which includes the replacement of a new grinder pump in its sewer lift station near the connection to Huntingdon. This installation is planned for 2021. The City intends to purchase and install this grinder pump with existing cash reserves. The City voted on February 6, 2020 to adopt the Five-Year Capital Asset Plan attached to this Report as **Exhibit 1**.

Rate Study and Proposed Plan of Action

To determine whether existing rates will produce sufficient revenues to make the Town's sewer system self-supporting, TUA first projected a Statement of Revenues and Expenses and Changes in Net Position for the City's wastewater fund for its current fiscal year ending June 30, 2020. TUA projected the revenues for the system using existing rates. TUA projected operation and maintenance expenses, debt service payments and reserve requirements for the system by reviewing historical information from the five previous years, reviewing the Town's budget for the wastewater fund for the current fiscal year, and taking into account any known and anticipated changes for this fiscal year.

Then, TUA projected Statements of Revenues and Expenses and Changes in Net Position for the City's wastewater fund for its fiscal years ending June 30, 2021, 2022, 2023, 2024, and 2025. TUA projected the revenues for the system using existing rates and projected operation and maintenance expenses, debt service payments and reserve requirements for the system. See **Exhibit 2** attached to this Report.

Revenue Projections:

- Sewer service fees for the fiscal year ending June 30, 2020, were based upon the usage used for sewer billings for the City's fiscal year ending June 30, 2019, and reflect the rate increases which went into effect on February 1, 2019.
- Since 2015 the City has experienced minimal annual customer growth and does not plan to expand its existing sewer service area in the near future. Therefore, the sewer service fee projections for the fiscal years ending June 30th of 2021, 2022, 2023, 2024, and 2025 do not include any revenue increases based annual customer growth.
- In 2009, the City adopted Ordinance No. 09-19-07 to mandate that buildings located on properties which abut a City sewer main must either to connect to the City's sewer main or to pay a monthly minimum bill for sewer availability. Historically, the City has not enforced this mandate. The City adopted Ordinance No. 2020-02-17 to begin enforcing the requirement that property owners either connect to the sewer main or begin paying a monthly minimum bill. This mandate will add revenue from 12 sewer customers to the City's sewer system. The City's estimates it will received \$7,560 in additional annual revenue from these customers.

Expense Projections:

- Utilities expense for the fiscal year ending June 30, 2020 (the current fiscal year) was based upon the average of the last two fiscal years less an annual savings of \$2,000 the City obtained in re-negotiating its plan for telephone services. For the remaining fiscal years in the five year projection, utilities expense was increased by 2% annually over the amount projected for the current fiscal year.

- Administration expense for the fiscal year ending June 30, 2020 was based upon a five year average less \$1,800 which reflects an annual reduction the City is receiving in the fees charged by Clarksburg Utility District to provide billing services for the City. For the remaining fiscal years in the five year projection, administration expense was increased by 3% annually.
- Annual depreciation expenses were projected based upon the City's existing fixed asset schedule and the useful service lives used on this schedule for depreciation. TUA confirmed with the City that all sewer system assets in the on the City's fixed asset list were still in service.
- Interest expenses were projected based upon the City's current debt amortization schedules.

Revenue Sufficiency and Rate Modifications Required

Based upon the projected Statements, the City's wastewater fund will continue to have a negative change in net position each year at current rates for the next five fiscal years. To meet its revenue requirement, TUA recommends that the City increase the residential and commercial usage rate by \$4.00 per 1,000 gallons. The City has already approved this rate increase to become effective for bills rendered after April 1, 2020. TUA further recommends the City annually increase the residential and commercial minimum bill and usage rate by the Consumer Price Index. The City has already approved this annual rate adjustment to become effective for bills rendered after April 1st from 2021 through 2025. With these rate increases, the City should have a positive change in net position (excluding grants, capital contributions) for its fiscal years ending June 30, 2021 and continuing through June 30, 2025. See Exhibit 2 attached to this Report.

These rate changes will produce sufficient revenues for the City to make its principal payments on the debt of the sewer system and to repay the City \$3,000 annually for the transfer to the wastewater fund in 2019 should that be required by the Comptroller.

The City's new rate schedule effective April 1, 2020 will be as follows:

Residential and Commercial:

Minimum bill (includes no usage)	\$15.00
Usage rate	\$15.00 per 1,000 gallons

Institutional Rate (Clarksburg School):

Minimum bill (includes no usage)	\$15.00
Usage rate	\$22.00 per 1,000 gallons

With the recommended rate increase of \$4.00 per 1,000 gallons to the residential and commercial usage rate, the monthly sewer bill for a residential customer using 4,000 gallons of water will be \$75.00. This represents a 21.3% increase of the monthly sewer bill over current rates.

TUA recommends that the City review its rates annually as a part of the budgetary process beginning in the Spring of 2021 to ensure that the current rates and annual CPI rate adjustments will continue to produce sufficient revenues to give it a positive change in net position for future fiscal years.

**Clarksburg, Tennessee - Wastewater Fund
Five Year Capital Asset Plan**

	<u>Estimated Cost</u>					
	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2025</u>
Pump Station #1	-	10,000	-	-	-	-
Total	-	10,000	-	-	-	-
Cumulative Depreciation	-	667	667	667	667	667
Total Capital Outlay & Depreciation	-	10,667	667	667	667	667
<u>Source of Funds</u>						
Loans	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Cash	-	10,000	-	-	-	-
Total Funding Sources	-	10,000	-	-	-	-

Depreciation Expense - 6/30/21				
Pump Station	\$ 10,000	15 years	\$	666.67
			\$	666.67

**Clarksburg, Tennessee - Projected Statements of Revenues and Expenses and Changes in Net Position
Wastewater Fund**

	Projected 6/30/2020	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023	Projected 6/30/2024	Projected 6/30/2025
Operating Revenues:						
Sewer Service Fees	65,473	65,473	65,473	65,473	65,473	65,473
Other Revenue	-	-	-	-	-	-
Revenue from School	24,084	24,084	24,084	24,084	24,084	24,084
Total Operating Revenues	89,557	89,557	89,557	89,557	89,557	89,557
Operating Expenses:						
Utilities	35,608	36,320	37,047	37,787	38,543	39,314
Administration	5,871	5,988	6,108	6,230	6,355	6,482
Depreciation	55,147	55,814	55,814	55,814	55,814	55,814
Miscellaneous	56	58	59	60	61	62
Total Operating Expenses	96,682	98,180	99,027	99,892	100,773	101,672
Operating Income (Loss)	(7,125)	(8,623)	(9,470)	(10,335)	(11,216)	(12,115)
Nonoperating Revenues (Expenses)						
Interest Expense	(6,104)	(5,414)	(4,718)	(4,008)	(3,276)	(2,524)
Total Nonoperating Revenues (Expenses)	(6,104)	(5,414)	(4,718)	(4,008)	(3,276)	(2,524)
Change in Net Position before Contributed Capital	(13,229)	(14,037)	(14,188)	(14,343)	(14,492)	(14,639)
Capital Contributions & Transfers	-	-	-	-	-	-
Change in Net Position	(13,229)	(14,037)	(14,188)	(14,343)	(14,492)	(14,639)
Revenue Generated from Suggested Rate Increase	-	12,149	12,149	12,149	12,149	12,149
Other Revenue from 12 additional customers	-	7,560	7,560	7,560	7,560	7,560
Revenue Generated from CPI	-	1,704	1,704	1,704	1,704	1,704
Change in Net Position after Suggested Rate Increase	(13,229)	7,376	7,224	7,070	6,920	6,773

ORDINANCE NO. 2020-02-17
CITY OF CLARKSBURG, TENNESSEE

**ORDINANCE REQUIRING SEWER CONNECTION AND
ESTABLISHING METHODS OF COLLECTION**

WHEREAS, the City of Clarksburg has previously passed Ordinance No. 09-19-07 requiring that each residence, business or industry that has public sanitary sewer connect to the sanitary sewer system or pay a minimum bill; and

WHEREAS, the City of Clarksburg's sewer construction was funded through the State of Tennessee Department of Economic and Community Development Community Development Block Grant and State Revolving Fund; and

WHEREAS, the City of Clarksburg wishes to protect the public health of persons residing within its city limits and assure the payment of the indebtedness owing for the construction of the city's sanitary sewer; and

WHEREAS, the City of Clarksburg is without sufficient customers and funds to pay the indebtedness owing for the sewer construction; and

WHEREAS, the City of Clarksburg continues to have individuals who have not connected to the sewer system that are illegally dumping waste and causing unsanitary conditions within the City; and therefore:

BE IT ORDAINED BY THE MAYOR AND BOARD OF ALDERMEN OF THE CITY OF CLARKSBURG as follows:

Section 1. The owner, tenant or occupant of each lot or parcel of land that abuts upon a street or other public way containing a sanitary sewer and upon which lot or parcel a building exists for residential, commercial or industrial use, shall connect the building to the City of Clarksburg sanitary sewer and cease to use any other means for the disposal of sewage, sewage waste or other polluting matter. Each residence, business or industry refusing to comply may have their water service terminated within thirty (30) days after notice is provided to comply with this ordinance. Failure to connect to the sanitary sewer system will result in the owner, tenant or occupant being charged the flow through rate for his/her/its sewer usage. In the event a flow through rate cannot be determined, the customer may be charged the average customer usage for the previous year.

Section 2. Any owner, tenant or occupant of a lot or parcel of land who is responsible for any connection to the sanitary sewer required under this section shall properly maintain that portion of the connection that is located on the property of the owner, tenant or occupant; and in addition to any other method of enforcing such

requirement, the city may discontinue water service to an owner, tenant or occupant failing to comply within thirty (30) days after notice to comply;

Section 3. Any delinquent charges for the sanitary sewer system shall be a lien upon the property for which sewer is charged. The City may proceed to recover the amount of any delinquent charges owed by any such owner, tenant or occupant, with interest on the delinquent charges at the maximum legal rate, in an action in contract.

Section 4. The City may enter into contracts for the collection of such sewer charges with any public or private corporation, utilities board or commission operating a water system. The City may contract with any other city, town or utility district:

(i) To meter, bill and collect sewer service charges as an added designated item on its water service bills, or otherwise;

(ii) To discontinue water service to sewer users who fail or refuse to pay sewer service charges;

Section 5. The charges for sewer services shall be set by resolution of the board of Mayor and Aldermen of the City of Clarksburg. All owners, tenants or occupants required to connect to the City's sewer system shall do so within 90 days from the final passage of this Ordinance.

Section 6. A customer requesting public sanitary sewer shall not be charged a sewer connection fee, if a sewer tap was installed at the time of initial construction of the sanitary sewer system. After the initial construction of the sewer system is complete, any customer requesting a new sewer tap shall pay a connection fee. The sewer connection fee charged by the City of Clarksburg shall be set by resolution of the Mayor and Board of Alderman.

Section 7. In addition to the connection fee, sewer customers shall pay all cost associated with his/her connection to the municipal sanitary sewer system, including any cost associated with making an existing sewer tap functional or otherwise suitable for connection.

Section 8. No connection to the public sanitary sewer system shall be granted unless the applicant first pays a sewer connection fee and any associated cost of connection, except as set out in Section 6 above.


Section 9. All prior ordinances and resolutions inconsistent herewith shall be void to the extent of any such inconsistency.

ORDAINED, FURTHER, that this Ordinance shall take effect on April 1, 2020, the public welfare requiring it.


DATED this 17 day of February 2020.

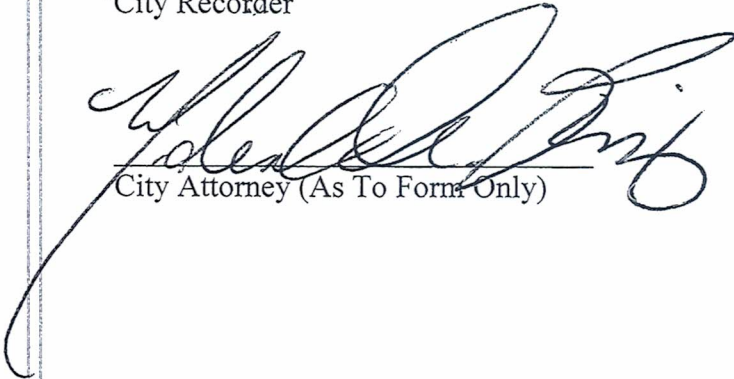
PASSED on First Reading 02/17/2020

PASSED on Second Reading 02/24/2020


Mayor

ATTEST:


City Recorder


City Attorney (As To Form Only)

RESOLUTION NO. 2020-02-17B
CITY OF CLARKSBURG

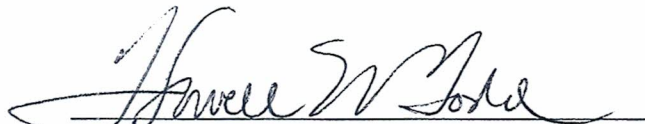
RESOLUTION TEMPORARILY WAIVING OR ROLLING BACK
SEWER CONNECTION FEE

WHEREAS, the Mayor and Board of Aldermen of the City of Clarksburg desire to provide for the efficient administration of the City's sewer system and to ease the impact of requiring that all citizens connect to the sanitary sewer system; and


WHEREAS, the Mayor and Board of Aldermen of the City of Clarksburg wish to waive the requirement of a sewer connection fee during this transition period.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Board of Aldermen of the City of Clarksburg that the sewer connection fee for the City's sanitary sewer shall be waived for anyone connecting between the date of this resolution and July 1, 2020.

Dated, this the 17 day of February, 2020.


Mayor

ATTEST:


City Recorder

AS TO FORM:


City Attorney

CITY OF CLARKSBURG, TENNESSEE
RESOLUTION NO. 2020-02-17 C

RESOLUTION TO ADJUST SEWER RATES

WHEREAS, the City of Clarksburg, Tennessee understands the need for development and maintenance of its wastewater collection system in the interest of public health and community growth; and

WHEREAS, the City of Clarksburg, Tennessee desires to set sewer rates at a sufficient amount to pay the cost of maintenance, repairs, depreciation and City's debt associated with the wastewater system; and

WHEREAS, the City of Clarksburg has determined that a rate increase is necessary to continue the operation of its wastewater collection system; and

WHEREAS, the City of Clarksburg has been declared a distressed utility by the Tennessee Comptroller and mandated to adjust rates.

NOW THEREFORE, BE IT RESOLVED, by the Mayor and Board of Aldermen of the City of Clarksburg that the wastewater rates shall be adjusted as follows:

I. Effective April 1, 2020

<u>Residential Rate:</u>	<u>Per Month</u>
Minimum Bill (includes 0 gal.)	\$15.00
Cost/1,000 gal: (all over 0 gal)	\$15.00
<u>Commercial Rate:</u>	
Minimum Bill (includes 0 gal.)	\$15.00
Cost/1,000 gal: (all over 0 gal)	\$15.00

Institutional Rate:

(Clarksburg School) Minimum Bill (includes 0 gal.)	\$15.00
Cost/1,000 gal: (all over 0 gal)	\$22.00

Plus a payment of \$2,007.00 per month towards the outstanding indebtedness associated with the sewer installation for the school.

II. Beginning July 1, 2021 and each year thereafter on July 1, the minimum bill and rate per 1,000 gallons for all sewer customers shall automatically increase by the Consumer Price Index for All Items for All Urban Consumers (CPI-U) published by the U.S. Bureau of Labor Statistics.

III. The provisions hereof shall take effect on April 1, 2020, the public welfare requiring it.

BE IT RESOLVED the 17th day of February, 2020.

CITY OF CLARKSBURG, TENNESSEE

Howell Todd

Mayor

ATTEST:

Leigh Grice

City Recorder

APPROVED AS TO FORM AND LEGALITY

City Attorney

Clifton

	Water and Sewer	County: Wayne		
	2016	2017	2018	2019
Unrestricted Net Position	\$1,131,110.00	\$1,376,886.00	\$891,767.00	\$894,866.00
Operating Revenues	\$1,208,822.00	\$1,268,874.00	\$1,130,994.00	\$1,131,714.00
Net Sales	\$1,190,782.00	\$1,249,563.00	\$1,113,680.00	\$1,122,120.00
Operating Expenses	\$1,028,826.00	\$1,124,397.00	\$1,094,657.00	\$1,106,916.00
Operating Income	\$179,996.00	\$144,477.00	\$36,337.00	\$24,798.00
Depreciation Expense	\$276,969.00	\$288,379.00	\$292,433.00	\$302,935.00
Non-Operating Rev. (Exp.)	(\$798.00)	(\$26,380.00)	(\$3,445.00)	\$3,021.00
Operating Profit	\$179,198.00	\$118,097.00	\$32,892.00	\$27,819.00
Grants and Capital Contribution	\$0.00	\$0.00	\$0.00	\$-00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	(\$18,000.00)	(\$18,877.00)	(\$28,332.00)	(\$27,445.00)
GAAP Change in Net Position	\$161,198.00	\$99,220.00	\$4,560.00	\$374.00
Statutory Change in NP (2017)	\$161,198.00	\$99,220.00	\$4,560.00	\$374.00
Pension and OPEB Asset	\$105,282.00	\$110,770.00	\$133,361.00	\$207,396.00
Pension and OPEB Liability	\$0.00	\$0.00	\$7,832.00	\$12,884.00
Statutory Change in NP (2018)		\$93,732.00	(\$10,199.00)	(\$68,609.00)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **City of Clifton**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

Board staff sent a financial distress questionnaire to the City on February 10, 2020 and asked that it be returned by April 10, 2020. The City has not returned the questionnaire.

Staff Recommendation:

Order the City to comply with the following:

1. The City shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, assist in completing the financial questionnaire previously sent by Board staff.
2. By October 31, 2020, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.
3. The City shall send the completed financial questionnaire and all supporting documentation to Board staff by December 31, 2020.
4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the City.



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

MEMORANDUM

TO: Water and Wastewater Financing Board
FROM: Division of Local Government Audit - Municipalities and Utility Districts
SUBJECT: Division of Local Government Audit Referral Pursuant to TCA 68-221-1010(a)

In accordance with the requirements of Tennessee Code Annotated, we are hereby filing the following vendor with the board(s) noted above.

Record Number: 1634
Vendor Name: Clifton

Report Year: 6/30/2019
Utility Type: Water and Sewer
Date Received: 1/14/2020
Date Referred: 1/24/2020
Reviewer: SAP

FINANCIAL DISTRESS

A Has deficit net position for the fiscal year ended. []

B Statutory Decrease in net position for two consecutive years.

Fiscal Year End	Statutory Decrease in NP
6/30/2019	(\$66,609.00)
6/30/2018	(\$12,199.00)

C Is in default on certain outstanding debt.

Holder of the Bonds, etc.	Principal	Interest
[]	[]	[]
[]	[]	[]
[]	[]	[]

WATER LOSS

D Water Loss Referral

AWWA water audit info

Water Loss Schedule - Status

[]

Validity score below the amount established by the board

Validity Score: 86

Excessive non-revenue water % as established by the board
(Non-Revenue Water as Percent by Cost of Operating System)

Non-Rev Water %: 4.7

Comments:

[]

Clinton

	Water and Sewer	County: Anderson		
	2016	2017	2018	2019
Unrestricted Net Position	\$2,106,484.00	\$2,616,713.00	\$2,729,071.00	\$2,668,509.00
Operating Revenues	\$4,772,147.00	\$4,979,201.00	\$4,983,462.00	\$5,052,219.00
Net Sales	\$4,670,458.00	\$4,877,842.00	\$4,881,206.00	\$4,952,236.00
Operating Expenses	\$4,549,841.00	\$4,963,323.00	\$5,135,510.00	\$5,446,072.00
Operating Income	\$222,306.00	\$15,878.00	(\$152,048.00)	(\$393,853.00)
Depreciation Expense	\$1,096,150.00	\$1,130,798.00	\$1,077,441.00	\$1,072,527.00
Non-Operating Rev. (Exp.)	\$12,585.00	\$12,681.00	\$23,403.00	\$60,062.00
Operating Profit	\$234,891.00	\$28,559.00	(\$128,645.00)	(\$333,791.00)
Grants and Capital Contribution	\$132,563.00	\$42,171.00	\$283,750.00	\$409,394.00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	\$367,454.00	\$70,730.00	\$155,105.00	\$75,603.00
Statutory Change in NP (2017)	\$234,891.00	\$28,559.00	(\$128,645.00)	(\$333,791.00)
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$1,191,230.00	\$1,256,852.00	\$1,100,268.00	\$922,062.00
Statutory Change in NP (2018)		\$94,181.00	(\$285,229.00)	(\$511,997.00)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **City of Clinton**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

Clinton was referred for financial distress on December 19, 2019. The City has raised rates and tap fees, which are reflected in the attached questionnaire. These increases were based on a comprehensive analysis by the accounting and engineering experts on Clinton’s staff.

The City is showing a positive change in net position for FY 2020.

Staff believes the changes have remedied the City’s financial distress.

Staff Recommendation

Order the City to comply with the following:

1. The City shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2021, until the Board releases the City from its oversight.



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

MEMORANDUM

TO: Water and Wastewater Financing Board
FROM: Division of Local Government Audit - Municipalities and Utility Districts
SUBJECT: Division of Local Government Audit Referral Pursuant to TCA 68-221-1010(a)

In accordance with the requirements of Tennessee Code Annotated, we are hereby filing the following vendor with the board(s) noted above.

Record Number: 1635
Vendor Name: Clinton

Report Year: 6/30/2019
Utility Type: Water and Sewer
Date Received: 12/19/2019
Date Referred: 12/19/2019
Reviewer: MTP

FINANCIAL DISTRESS

A Has deficit net position for the fiscal year ended. []

B Statutory Decrease in net position for two consecutive years.

Fiscal Year End	Statutory Decrease in NP
12/31/2019	(\$511,997.00)
12/31/2018	(\$280,997.00)

C Is in default on certain outstanding debt.

Holder of the Bonds, etc.	Principal	Interest
[]	[]	[]
[]	[]	[]
[]	[]	[]

WATER LOSS

D Water Loss Referral

AWWA water audit info

Water Loss Schedule - Status

[]

Validity score below the amount established by the board

Validity Score: 82

Excessive non-revenue water % as established by the board
(Non-Revenue Water as Percent by Cost of Operating System)

Non-Rev Water %: 4.9

Comments:

[]



CLINTON UTILITIES BOARD

1001 Charles G. Seivers Blvd., Post Office Box 296, Clinton, Tennessee 37717
Phone: (865) 457-9232 Fax: (865) 457-0234 www.clintonub.com

March 26, 2020

Tennessee Comptroller of the Treasury
Attention: John Greer/Ross Colona
Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243

Dear John and Ross:

I hope that you are all surviving this COVID-19 pandemic. It has put a challenge on our entire planet and I am guessing that the stresses on your office are much like ours and a somewhat overwhelming.

I am enclosing the questionnaire and supporting documentation that I have confidence will remove all concerns about Clinton Utilities Board (CUB) being in "financial distress."

CUB increased water and wastewater rates July 1, 2019 to eliminate the negative change in net assets before capital contributions moving forward. Currently, change in net assets before capital contributions is \$331,741 through January 2020 (seven months). We have remained debt free since April 2011 and have \$3M in the bank (255 days of cash). In my opinion, CUB is nowhere near actual financial distress.

For quick reference, below are our numbers for fiscal years 2017, 2018, 2019 and through 1/31/2020:

	FYE 6/30/17	FYE 6/30/18	FYE 6/30/19	YTD 1/2020
Change in Net Assets before Capital Contr.	\$28,559	\$(124,414)	\$(333,791)	\$331,741
Capital Contributions	42,171	283,750	409,394	30,917
Change in Net Assets	\$70,730	\$159,336	\$75,603	\$362,658
Cash & Cash Equivalents	\$3,203,046	\$3,393,169	\$2,998,177	\$3,000,336
Days of Operating Cash	286	284	232	255
Total Debt	\$0	\$0	\$0	\$0

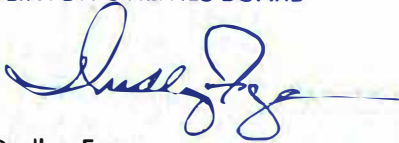
As I'm sure you are aware, this unprecedented COVID-19 pandemic is going to substantially impact every utility nationwide. I envision large reductions in industrial and commercial sales, increases in uncollectible accounts, GASB 67-68 entries for pension plans (market impact) will be hit hard and probably a multitude of other items. It's obviously not my decision, but I believe the Water & Wastewater Financing Board

should give special consideration to all utilities that don't meet the positive change in net assets requirement during these extraordinary times. Depreciation is such a material (non-cash) number for water and wastewater utilities and even under normal economic conditions makes it difficult to keep bottom lines positive. While I appreciate the theory that plant items must eventually be replaced, depreciation might be an area that could be temporarily considered in the requirement. It will be political suicide for any board to increase rates through this COVID-19 pandemic and requiring them to do so seems a bit unfair to me..... just my two cents.

As always, I truly do appreciate the help and guidance you give me. Most importantly, please stay healthy.

Sincerely,

CLINTON UTILITIES BOARD



Dudley Fagan
Director – Accounting & Finance

Enclosures



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Monday, February 10, 2020

Mayor Scott Burton
100 Bowling Street
Clinton, TN 37716

Dear Mayor Burton,

The Tennessee Comptroller of the Treasury has referred the City of Clinton to the Water & Wastewater Financing Board (hereinafter "Board") for financial distress pursuant to Tennessee Code Annotated § 68-221-1010(a).

Please fill out the enclosed questionnaire and return it and all supporting documentation to our office no later than April 10, 2020. Please submit this to either utilities@cot.tn.gov and/or the following mailing address:

TN Comptroller of the Treasury
Attention: John Greer/Ross Colona
Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243

If you wish to submit this information via mail, **do not send stapled documents.**

While we recognize that this questionnaire may be difficult to fill out, it is necessary to determine how we can help you achieve long-term financial success. If you are having trouble filling this out, please contact our office for additional assistance. After we receive your information, we will decide whether it is necessary for the City to meet with our staff or go directly before the Board.

If you need further assistance or have any questions, please feel free to contact us at (615) 747-5260 or utilities@cot.tn.gov.

Sincerely,

Handwritten signature of John Greer in cursive.

John Greer
Technical Secretary

Handwritten signature of Ross Colona in cursive.

Ross Colona
Utilities Specialist

WWFB Financial Questionnaire

The following questionnaire is composed of three sections- a contact information section, a water utility information section, and a wastewater utility information section. If you do not have a water utility, then the corresponding section does not need to be filled out. If you do not have a wastewater utility, then the corresponding section does not need to be filled out.

If you are a utility that has both a water system and a wastewater system, then you may find that some of these questions are redundant in both sections. If this is the case, you do not need to provide duplicate information. It is okay to indicate that the answer is the same in both sections.

The questions will be answered as follows:

- a. Yes or No (circle your answer),
- b. Short answer; or
- c. Provide a response as an attachment to this questionnaire.

You will find a list at the end of Section B and Section C that will detail the manner in which attachments should be sent in.

Section A: Contact Information

Please provide contact information for the utility by responding to the fields below.

Utility Address Information	
Utility Contact Address Line 1:	P.O. Box 296
Utility Contact Address Line 2:	1001 N. Charles G. Sevier Blvd.
Utility Contact Address City:	Clinton
Utility Contact Address State:	TN
Utility Contact Address Zip Code:	37716 (street) 37717 (P.O. Box)
Contact Person 1 Information	
Contact Person 1 Title:	Director - Accounting & Finance
Contact Person 1 Name:	Dudley Fagan
Contact Person 1 Email Address:	dfagan@clintonvb.com
Contact Person 1 Phone Number:	865-220-6203
Contact Person 2 Information	
Contact Person 2 Title:	Director - Water & Sewer
Contact Person 2 Name:	Greg Jones
Contact Person 2 Email Address:	gjones@clintonvb.com
Contact Person 2 Phone Number:	865-220-6240

Section B: Water Utility Information

1. Does your utility offer water? *Yes*
 - a. If yes, please complete the following section. If no, please proceed to Section C: Wastewater Utility Information.
2. Have you had any rate changes in the previous five years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your current rate ordinance/structure and the justification for why the rates are set this way- including any recent rate studies performed for the utility.
 - b. Please provide a copy of previous rate ordinances/structures from the previous five years if you answered yes to Question #2.
 - c. If you have differing rate classes (inside/outside city limits, residential/commercial/industrial, new developments, etc.), please provide justification as to why these rates are set the way they are.
3. Do you have any current plans for a rate change?
Yes or No (Circle your answer)
 - a. If yes, please provide a written answer to the following questions:
 - i. Are you planning for a rate increase or decrease?
 - ii. Are you planning this change across all customer classes or only on a certain customer class?
 - iii. Has your Board voted on this rate change yet?
 - iv. If your Board has discussed a rate change at recent meetings, please attach a copy of the relevant minutes at which this meeting took place.
4. Have you had any utility fee changes in the previous five years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your current utility fee schedule.
 - b. Please provide a copy of previous utility fee schedules if you answered yes to Question #3.
 - c. Please provide a written rationale for the charges for tap fees, reconnect fees, etc.
5. Has your debt management policy been reviewed in the last 5 years?
Yes or No (Circle your answer) *N/A Debt-free since April 2011*
 - a. Please provide a copy of your debt management policy. If you do not have a debt management policy, please provide a written rationale for why a debt management policy has not been adopted.
6. Has your capitalization policy been reviewed in the last 5 years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your capitalization policy. If you do not have a capitalization policy, please provide a written rationale for why a capitalization policy has not been adopted.

7. Please provide the most recent 3 months of balance sheets and income statements for your water fund.
- ✓ a. If you are a water and wastewater utility and are having difficulty breaking out the accounts, please use percentages or estimate for accounts for the most accurate depiction of the financial status of the utility.

8. Do you have a plan to remedy your financially distressed position for your water fund?

Yes or No (Circle your answer) Rate Adjst 7/1/2019

- a. If yes, please provide a detailed copy.
b. If no, please provide a justification for why not.

9. Who has the authority to set rates and fees?

Answer: CUB Board of Directors

- a. Is this a board or committee separate from your local legislative body? (City Council, Board of Mayor and Alderman, etc.)

Yes or No (Circle your answer)

- b. Please provide a list containing the following information for the aforementioned individuals:

- i. Name
- ii. Title
- iii. Mailing Address
- iv. Phone Number
- v. Date of Initial Election or Appointment
- vi. Have they fulfilled their initial 12 hour training requirement within the first year of service, if applicable? Yes or No
- vii. If so, please provide proof that the training requirement has been satisfied.

10. How many total customers do you currently have?

Answer: 6546

- a. Please provide a numerical break-down of the totals for each type of customer:

- i. Billed 6546
- ii. Unbilled - 0 -
- iii. Metered 6546
- iv. Unmetered - 0 -
- v. Breakdown by Rate Class (inside, outside, inside residential, inside commercial, outside residential, outside commercial, etc.)

11. What percentage of your sales do your largest 10 customers account for annually?

(Largest 10 Customer Sales Total / Total Annual Water Sales)

Answer: 31.71%

12. What percentage of your volume do your largest 10 customers account for annually?

(Gallons of Water sold to Largest 10 Customers / Total Gallons of Water Sold)

Answer: 18.51%

13. Do you have a leak adjustment policy?

Yes or No (Circle your answer)

- a. If yes, how many leak adjustments were performed based on your leak adjustment policy in the last 12 months? What is the cost associated with these leaks?

Answer:

- b. If yes, please attach a copy of your leak adjustment policy. ✓
c. If no, please move on to the next question.

14. Have you incurred any new debt during the current fiscal year for your water utility, or do you plan on incurring any debt during the current fiscal year for your water utility?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding the debt.
b. If no, please move on to the next question.

15. Have you received any grants or capital contributions during the current fiscal year for your water utility, or do you plan on receiving any grants or capital contributions during the current fiscal year for your water utility?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding these grants or capital contributions.
b. If no, please move on to the following question.

16. Have you applied for any grants that will be received over the next two years?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding these potential grants.
b. If no, please move on to the following question.

17. Are your customers made aware of the rates and fees you have in place annually?

Yes or No (Circle your answer)

- a. If yes, how is this accomplished? *Rates available online www.clintonwb.com*
b. If no, please provide a written justification as to why not.

18. Do you review your capital asset list?

Yes or No (Circle your answer)

- a. If yes, how often is this list reviewed and by whom? *Annually*
b. If no, please provide a written justification as to why not.
c. Please provide a copy of your capital asset plan, or a justification as to why you do not have one.

19. Do you keep a copy of your capital asset list on file?

Yes or No (Circle your answer)

20. Do you produce your own water supply?

Yes or No (Circle your answer)

- a. If yes, what is the cost per thousand gallons to produce? *But Purchase Approx 119M gallons/yr. from ACU
\$.9036/1000 gal.*

Answer:

- b. If no, please move on to the next question.

21. Do you purchase your water supply?

- a. If yes, please provide the following:
 - i. List of entities water is purchased from *ACWA*
 - ii. Rates at which water is purchased at *\$1.50 / 1000 gal.*
 - iii. Water purchase contract with these entities, if no contract exists please give an explanation as to why there is no contract.
- b. If no, please move on to the following question.

22. Do you have any wholesale customers?

Yes or No (Circle your answer)

- a. If yes, please provide the contract(s) with these customer(s) or a detailed explanation as to why a contract does not exist and the rate at which water is sold to this customer.
 - b. If no, please move on to the following question.
23. Do you have a plan to improve your non-revenue water percentage?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation as to how this will be improved along with your current non-revenue water percentages by cost and by volume.
 - b. If no, please provide a detailed justification as to why the current non-revenue water percentage does not need to be improved along with your current non-revenue water percentages by cost and by volume.
24. Are there any environmental concerns currently or forthcoming that will put a financial burden on the system?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation as to what the concern or issue is and the extent of the financial burden that will be incurred.
 - b. If no, please move on to the next question.
25. In regard to your governing body, how frequently do you meet and what is your practice of providing notice of your meetings?

Answer: *Board meets monthly on second Thursday of month at CVB office at 5:30 pm.*

This is advertised annually in local paper. Agenda is posted on website www.clintonvb.com on Tuesday before each Board meeting. Notice of meetings is also on www.clintonvb.com.

Water Attachment List

The previous questions asked for several written explanations and attachments. Below you will find a list of the necessary attachments for questions depending on the answers provided. Please attach the following documents in the order listed with the Water Attachment Number at the top of the corresponding document. You may find that due to some of your answers you may not need to provide an attachment as listed; that is acceptable. **Please do not send in any stapled documents.**

Water Attachment Number, Question Number Asking for Document	Requested Document
Attachment Number: 1 Question Number: Section B, Question #2	Current Rate Ordinance/Structure and Justification ✓
Attachment Number: 2 Question Number: Section B, Question #2	Previous Rate Structure/Ordinance ✓
Attachment Number: 3 Question Number: Section B, Question #3	Rate Change Information N/A
Attachment Number: 4 Question Number: Section B, Question #4	Current Utility Fee Schedule ✓
Attachment Number: 5 Question Number: Section B, Question #4	Previous Utility Fee Schedules ✓
Attachment Number: 6 Question Number: Section B, Question #4	Written Rationale for Utility Fee Justification ✓
Attachment Number: 7 Question Number: Section B, Question #5	Debt Management Policy; or Justification for lack thereof N/A
Attachment Number: 8 Question Number: Section B, Question #6	Capitalization Policy; or Justification for lack thereof ✓
Attachment Number: 9 Question Number: Section B, Question #7	Financial Statements ✓
Attachment Number: 10 Question Number: Section B, Question #8	Financial Distress Remedy Plan; or Justification for lack thereof ✓
Attachment Number: 11 Question Number: Section B, Question #9	Board Training Information ✓
Attachment Number: 12 Question Number: Section B, Question #10	Customer Count Breakdown ✓

Attachment Number: 13 Question Number: Section B, Question #13	Leak Adjustment Policy ✓
Attachment Number: 14 Question Number: Section B, Question #14	Debt Response N/A
Attachment Number: 15 Question Number: Section B, Question #15	Grants/Contributions Response WW
Attachment Number: 16 Question Number: Section B, Question #16	Future Grants Response N/A
Attachment Number: 17 Question Number: Section B, Question #17	Customer Rate Awareness Response ✓
Attachment Number: 18 Question Number: Section B, Question #19	Capital Asset List Review Response
Attachment Number: 19 Question Number: Section B, Question #21	Water Purchase Information ✓
Attachment Number: 20 Question Number: Section B, Question #22	Wholesale Customer Information ✓
Attachment Number: 22 Question Number: Section B, Question #23	Non-Revenue Water Response ✓
Attachment Number: 23 Question Number: Section B, Question #24	Environmental Concerns Response ✓

Section B: Wastewater Utility Information

1. Does your utility offer wastewater?
 - a. If yes, please complete the following section.
2. Have you had any rate changes in the previous five years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your current rate ordinance/structure and the justification for why the rates are set this way- including any recent rate studies performed for the utility.
 - b. Please provide a copy of previous rate ordinances/structures from the previous five years if you answered yes to Question #2.
 - c. If you have differing rate classes (inside/outside city limits, residential/commercial/industrial, new developments, etc.), please provide justification as to why these rates are set the way they are.
3. Do you have any current plans for a rate change?
Yes or No (Circle your answer)
 - a. If yes, please provide a written answer to the following questions:
 - i. Are you planning for a rate increase or decrease?
 - ii. Are you planning this change across all customer classes or only on a certain customer class?
 - iii. Has your Board voted on this rate change yet?
 - iv. If your Board has discussed a rate change at recent meetings, please attach a copy of the relevant minutes at which this meeting took place.
4. Have you had any utility fee changes in the previous five years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your current utility fee schedule.
 - b. Please provide a copy of previous utility fee schedules if you answered yes to Question #3.
 - c. Please provide a written rationale for the charges for tap fees, reconnect fees, etc.
5. Has your debt management policy been reviewed in the last 5 years?
Yes or No (Circle your answer) N/A Debt-free since April 2011
 - a. Please provide a copy of your debt management policy. If you do not have a debt management policy, please provide a written rationale for why a debt management policy has not been adopted.
6. Has your capitalization policy been reviewed in the last 5 years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your capitalization policy. If you do not have a capitalization policy, please provide a written rationale for why a capitalization policy has not been adopted.

7. Please provide the most recent 3 months of balance sheets and income statements for your utility.
- ✓ a. If you are a water and wastewater utility and are having difficulty breaking out the accounts, please use percentages or estimate for accounts for the most accurate depiction of the financial status of the utility.

8. Do you have a plan to remedy your financially distressed position for your wastewater fund?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed copy.
 b. If no, please provide a justification for why not.

9. Who has the authority to set rates and fees?

Answer: CVB Board of Directors

- a. Is this a board or committee separate from your local legislative body? (City Council, Board of Mayor and Alderman, etc.)

Yes or No (Circle your answer)

- b. Please provide a list containing the following information for the aforementioned individuals:

- i. Name
- ii. Title
- iii. Mailing Address
- iv. Phone Number
- v. Date of Initial Election or Appointment
- vi. Have they fulfilled their initial 12 hour training requirement within the first year of service, if applicable? Yes or No
- vii. If so, please provide proof that the training requirement has been satisfied.

10. How many total customers do you currently have?

Answer: 4,775

- a. Please provide a numerical break-down of the totals for each type of customer:

- i. Billed 4,775
- ii. Unbilled - 0 -
- iii. Metered 4,774
- iv. Unmetered 1 Flat Rate Residential (Well Water)
- v. Breakdown by Rate Class (inside, outside, inside residential, inside commercial, outside residential, outside commercial, etc.)

11. What percentage of your sales do your largest 10 customers account for annually?
 (Largest 10 Customer Revenues Total / Total Annual Wastewater Revenue)

Answer: 32.07%

12. What percentage of your volume do your largest 10 customers account for annually?
 (Wastewater Revenue for Largest 10 Customers / Total Wastewater Revenue)

Answer: 27.42%

13. Do you adjust wastewater bills for customers with water leaks?

Yes or No (Circle your answer)

- a. If yes, how many leak adjustments were performed based on your leak adjustment policy in the last 12 months? What is the cost associated with these leaks?

Answer:

- a. If yes, please attach a copy of your adjustment policy.
b. If no, please move on to the next question.

14. Have you incurred any new debt during the current fiscal year for your wastewater utility, or do you plan on incurring any debt during the current fiscal year for your water utility?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding the debt.
b. If no, please move on to the next question.

15. Have you received any grants or capital contributions during the current fiscal year for your wastewater utility, or do you plan on receiving any grants or capital contributions during the current fiscal year for your water utility?

Yes or No (Circle your answer) *However, all was booked as receivable at 6/30/19*

- a. If yes, please provide a detailed explanation regarding these grants or capital contributions.
b. If no, please move on to the following question.

16. Have you applied for any grants that will be received over the next two years?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding these potential grants.
b. If no, please move on to the following question.

17. Are your customers made aware of the rates and fees you have in place annually?

Yes or No (Circle your answer) *Rates Available online www.clintonub.com*

- a. If yes, how is this accomplished?
b. If no, please provide a written justification as to why not.

18. Do you review your capital asset list?

Yes or No (Circle your answer)

- a. If yes, how often is this list reviewed and by whom? *Annually*
b. If no, please provide a written justification as to why not.

19. Do you keep a copy of your capital asset list on file?

Yes or No (Circle your answer)

20. Excluding any customers on wells, are **all** of your customers billed based on water usage?

Yes or No (Circle your answer)

- a. If yes, who supplies the usage data, and are there multiple water suppliers for your customers?

Answer: *CVB in-house data from water usage 4407 customers
Anderson County Water Authority for 367 customers*

- b. If no, but **some** of your customers are billed based on water usage, then answer the above question regarding usage data, but also provide a written explanation on how these customers are billed that are not billed based on water usage.
- c. If no, and **none** of your customers are based on water usage, then provide a written explanation on how these customers are billed.

21. Do you have any customers on wells?

Yes or No (Circle your answer) *One (1) customer*

a. If yes, how are these customers billed?

Answer: *Based on average residential customer usage 4,300 gal. ^{Currently} \$27.69/*

b. If no, please move on to the following question.

22. Do you have any wastewater customers you classify as wholesale?

Yes or No (Circle your answer)

a. If yes, please provide the contract(s) with these customer(s) or a detailed explanation as to why a contract does not exist and the rate at which wastewater is treated for this customer?

b. If no, please move on to the following question.

23. Do you treat your own wastewater?

Yes or No (Circle your answer)

a. If yes, please provide the following:

- i. Cost to treat per thousand gallons.
- ii. The design capacity of your treatment facility and the percentage of the design capacity currently being used.
- iii. The average operating capacity of your treatment facility.

b. If no, please provide the following:

- i. List of entities wastewater is treated by
- ii. Rates at which wastewater is treated by entity
- iii. Wastewater treatment contract with these entities, if no contract exists please give an explanation as to why there is no contract.

24. Do you have a plan to improve your infiltration and inflow (I&I)?

Yes or No (Circle your answer)

a. If yes, please provide a detailed explanation as to how this will be improved along with your current I&I data.

b. If no, please provide a detailed justification as to why the current I&I does not need to be improved along with your current I&I data.

25. Are there any environmental concerns currently or forthcoming that will put a financial burden on the system?

Yes or No (Circle your answer)

a. If yes, please provide a detailed explanation as to what the concern or issue is and the extent of the financial burden that will be incurred.

b. If no, please move on to the next question.

26. In regard to your governing body, how frequently do you meet and what is your practice of providing notice of your meetings?

Answer: Board meets monthly on Second Thursday of month at CVB office at 5:30 pm. This is advertised / printed in local paper annually. Agenda posted on website on Tuesday before each Board meeting. Notice of meetings is also on www.clintonvb.com

27. Do you have a sewer use ordinance?

Yes or No (Circle your answer)

- a. If yes, please provide a copy and description of how this is enforced.
- b. If no, please provide a justification for the lack thereof.

Wastewater Attachment List

The previous questions asked for several written explanations and attachments. Below you will find a list of the necessary attachments for questions depending on the answers provided. Please attach the following documents in the order listed with the Wastewater Attachment Number at the top of the corresponding document. You may find that due to some of your answers you may not need to provide an attachment as listed; that is acceptable. If the document is already included with your answers from the Water Section of this questionnaire, then it is not necessary to include the same document twice. **Please do not send in any stapled documents.**

Wastewater Attachment Number, Question Number Asking for Document	Requested Document
Attachment Number: 1 Question Number: Section C, Question #2	Current Rate Ordinance/Structure and Justification ✓
Attachment Number: 2 Question Number: Section C, Question #2	Previous Rate Structure/Ordinance ✓
Attachment Number: 3 Question Number: Section C, Question #3	Rate Change Information from Section C, Question #3 ✓
Attachment Number: 4 Question Number: Section C, Question #4	Current Utility Fee Schedule ✓
Attachment Number: 5 Question Number: Section C, Question #4	Previous Utility Fee Schedules ✓
Attachment Number: 6 Question Number: Section C, Question #4	Written Rationale for Utility Fee Justification ✓
Attachment Number: 7 Question Number: Section C, Question #5	Debt Management Policy; or Justification for lack thereof N/A
Attachment Number: 8 Question Number: Section C, Question #6	Capitalization Policy; or Justification for lack thereof ✓
Attachment Number: 9 Question Number: Section C, Question #7	Financial Statements ✓
Attachment Number: 10 Question Number: Section C, Question #8	Financial Distress Remedy Plan; or Justification for lack thereof ✓
Attachment Number: 11 Question Number: Section C, Question #9	Board Training Information ✓
Attachment Number: 12 Question Number: Section C, Question #10	Customer Count Breakdown ✓

Attachment Number: 13 Question Number: Section C, Question #13	Adjustment Policy ✓
Attachment Number: 14 Question Number: Section C, Question #14	Debt Response N/A
Attachment Number: 15 Question Number: Section C, Question #15	Grants/Contributions Response ✓
Attachment Number: 16 Question Number: Section C, Question #16	Future Grants Response N/A
Attachment Number: 17 Question Number: Section C, Question #17	Customer Rate Awareness Response ✓
Attachment Number: 18 Question Number: Section C, Question #18	Capital Asset List Review Response
Attachment Number: 19 Question Number: Section C, Question #20	Wastewater Billing and Usage ✓
Attachment Number: 20 Question Number: Section C, Question #22	Wholesale Customer Information ✓
Attachment Number: 21 Question Number: Section C, Question #23	Wastewater Treatment Information ✓
Attachment Number: 22 Question Number: Section C, Question #24	Inflow and Infiltration Response ✓
Attachment Number: 23 Question Number: Section C, Question #25	Environmental Concerns Response ✓
Attachment Number: 24 Question Number: Section C, Question #27	Sewer Use Ordinance; or Justification for Lack thereof ✓



CLINTON UTILITIES BOARD
 Summary of Water & Sewer Rates
 Effective with meters read on or after July 1, 2019

WATER		SEWER	
<u>Inside City</u>		<u>Inside City</u>	
FIRST 1,000	\$ 9.75	FIRST 1,000	\$ 11.75
NEXT 9,000	3.20	NEXT 9,000	4.83
NEXT 90,000	3.50	OVER 10,000	5.50
OVER 100,000	3.10		
	Per 1,000 Gallons		Per 1,000 Gallons
<u>Outside City</u>		<u>Outside City</u>	
FIRST 1,000	\$ 14.63	FIRST 1,000	\$ 17.63
NEXT 9,000	4.80	NEXT 9,000	7.25
NEXT 90,000	5.25	OVER 10,000	8.25
OVER 100,000	4.65		
	Per 1,000 Gallons		Per 1,000 Gallons

Replaces November 1, 2015



CLINTON UTILITIES BOARD
Summary of Water & Sewer Rates

Effective with meters read on or after November 1, 2015

WATER		SEWER	
<u>Inside City</u>		<u>Inside City</u>	
FIRST 1,500	\$9.30	FIRST 1,500	\$11.28
NEXT 8,500	2.96	NEXT 8,500	4.83
NEXT 10,000	2.77	OVER 10,000	4.60
NEXT 20,000	2.57		
NEXT 60,000	2.45		
OVER 100,000	2.31		
<u>Outside City</u>		<u>Outside City</u>	
FIRST 1,500	\$13.96	FIRST 1,500	\$16.93
NEXT 8,500	4.45	NEXT 8,500	7.25
NEXT 10,000	4.16	OVER 10,000	6.89
NEXT 20,000	3.86		
NEXT 60,000	3.67		
OVER 100,000	3.47		

Replaces December 1, 2010



CLINTON UTILITIES BOARD

Summary of Water & Sewer Rates

Effective with meters read on or after December 1, 2010

WATER		SEWER	
<u>Inside City</u>		<u>Inside City</u>	
FIRST 2,000	\$9.30	FIRST 2,000	\$11.28
NEXT 8,000	2.96	NEXT 8,000	4.83
NEXT 10,000	2.77	OVER 10,000	4.60
NEXT 20,000	2.57		Per 1,000 Gallons
NEXT 60,000	2.45		
OVER 100,000	2.31		
<u>Outside City</u>		<u>Outside City</u>	
FIRST 2,000	\$13.96	FIRST 2,000	\$16.93
NEXT 8,000	4.45	NEXT 8,000	7.25
NEXT 10,000	4.16	OVER 10,000	6.89
NEXT 20,000	3.86		Per 1,000 Gallons
NEXT 60,000	3.67		
OVER 100,000	3.47		



March 2020

OUTSIDE THE CITY WATER RATES

In November 1983 the City of Clinton Annexed an area known as South Clinton on the opposite side of the Clinch River. The First Utility District (FUD) was serving this area as well as the Claxton community. In October 1986, the Town of Clinton / Clinton Utilities Board (CUB) acquired FUD including the outside the city customers. At that time, FUD had \$920k net plant with \$530k of debt. The FUD infrastructure was primarily composed of an aged leaking galvanized water system, cheap Blue Max rollup plastic pipe, run-down spring water wells & pumps, beyond its time concrete water storage tank, ancient mini-sewer treatment facility, etc. all in dire need of replacement and updates. The FUD rates at the time of acquisition were more than 1.5 times the CUB inside the city rates. CUB converted all those outside customers to the 1.5 times CUB rate thus giving every FUD customer a rate reduction. CUB has since and continues to replace, upgrade and improve the system for these customers (water tank facility, booster pumps, modern water and sewer mains and service lines, decommissioning of the archaic high maintenance sewer plant and water spring wells & pumps, etc). These projects are costly but necessary to provide quality services to these customers.

CUB outside water and sewer rates cover some or all of the cost of providing the utility service, which include operations, maintenance, overhead and capital improvements. The outside the city rate mostly serves a lower density population (fewer customers to absorb costs). This means maintenance and operational costs increase because there are more utility lines per customers, more water storage tank capacity per customers, more pumps and greater energy costs per customer, greater distance traveled between meters when reading, and more dead-end pipes; greater pipe-flushing cost. Also, the difference in the area elevations uses more energy to pump water to higher elevations, changes in topography and/or geology which create a more expense to excavate (rocky areas) for improvements. Outside customers proximity to the CUB water treatment plant and CUB sewer treatment plant is much further than inside the city customers as well.

All CUB customers, both inside and outside the city, continue to benefit from quality services at the lowest rates in the surrounding area.

Tap Fees:

In 2019, local developers and politicians asked CUB to change numerous policies (waive tap fees, provide leniency on easements, construction requirements, etc.) for developers to promote residential development and increase rooftops, which in turn would bring commercial development. They stated that CUB was too hard to work with as compared to surrounding utilities and developers were building elsewhere as a result.

CUB then did a comprehensive study addressing how to be builder/developer friendly while also being equitable to all CUB ratepayers, with the solution being cost recovery to the utility. CUB developed a **"Guide to Residential Construction"** that addressed the concerns. Previously, CUB fees did not cover the cost on most tap installations. CUB tap fees were updated to minimum amounts or cost recovery, whichever is higher, for everyone. *See last page of the guide for current fees.*

Builders/developers/individuals have the option to reduce the CUB cost recovery amount by doing any extent of the work themselves, per CUB specs, except the actual tapping of the line. By changing to a cost recovery model, current CUB ratepayers will not be subsidizing future development and growth. Wasn't quite what the developers were seeking but it is fair to all.

Appendix 7 – Schedule of Charges

<u>Description</u>	<u>Amount (Effective July 1, 2019)</u>
--------------------	--

Water Taps

¾" Water Tap	Cost Recovery
1" Water Tap	\$600 *
1 ½" Water Tap	\$1,000 *
2" Water Tap	\$1,750 *
3" Water Tap	\$3,500 *
4" Water Tap	\$5,000 *
6" Water Tap	\$7,250 *

*- or Cost Recovery whichever is higher

Sewer Taps – Based on Water Tap Size

¾" Water Tap	Cost Recovery
1" Water Tap	\$550 *
1 ½" Water Tap	\$700 *
2" Water Tap	\$800 *
3" Water Tap	\$800 *
4" Water Tap	\$800 *
6" Water Tap	\$1,000 *

*- or Cost Recovery whichever is higher

Cost Recovery:

CUB will hold the developer/owner responsible for costs incurred by CUB in support and construction of the residential project.

Capital Charge (Effective July 1, 2020):

Water and Sewer one-time capital charge of \$200 (per lot/per service), will be paid by the developer/owner at the time CUB approves the design plans for construction.



1001 Charles G. Seivers Blvd., P.O. Box 296, Clinton, TN 37717 Phone: (865) 457-9232 Fax: (865) 457-0234
 Office Hours: Monday – Friday 8:00 a.m. to 5:00 p.m.

Schedule of Rates and Charges

Other Charges & Fees (Effective July 1, 2019)

Description

Service Fees - (Electric, Water and/or Sewer)

8am to 5pm Monday - Friday	\$20
After 5pm M-F, Weekends & Holidays	\$100
Automatic turn-on (Landlords)	\$10

Reconnect Fees (Call/Request Received)

8am to 4pm Monday - Friday	\$25
4pm to 8pm Monday - Friday	\$50
Other, Weekends & Holidays	\$115

Trip Fees

\$20

Meter Test Fee

Electric	\$25
Water	\$35

Returned Check/Draft Fee

\$20

Tampering

Broken Seal Fee	\$100 Inspection
Theft of Service	\$100 + damages + usage

120/240 volt Temp. Service Charge (Overhead service drop)

\$75

120/240 volt Temp. Service Charge (Underground service pedestal)

\$45

Set & Remove Transformer (Temporary Services Only)

\$300

Charge for OL Pole

\$200 1-time + \$2.50/mo.

Transformer Charge for OL only

\$300

Customer Requested Assistance (No charge if CUB problem)

No charge 8 to 5 M-F
\$150 after 5 & weekends

Water/Sewer Inspection

Cost Recovery



CLINTON UTILITIES BOARD Water & Sewer Tap Fees

Effective July 1, 2001

<u>Description</u>	<u>Amount</u>
<u>Water Taps</u>	
3/4" Water Tap	\$450
1" Water Tap	\$600
1 1/2" Water Tap	\$1,000
2" Water Tap	\$1,750
3" Water Tap	\$3,500
4" Water Tap	\$5,000
6" Water Tap	\$7,250
 <u>Sewer Taps - Based on Water Tap Size</u>	
3/4" Water Tap	\$450
1" Water Tap	\$550
1 1/2" Water Tap	\$700
2" Water Tap	\$800
3" Water Tap	\$800
4" Water Tap	\$800
6" Water Tap	\$1,000



CLINTON UTILITIES BOARD

Schedule of Charges & Fees

Effective July 1, 2001

<u>Description</u>	<u>Amount</u>
Service Fees - El Wt Sw:	
8am to 5pm Monday - Friday: Electric:	\$20 El
Water and/or Sewer:	\$20 Wt and/or Sw
After 5pm M-F, Weekends & Holidays:	\$100
Automatic turn-on (Landlords)	\$10 El , \$10 Wt/Sw
Reconnect Fees (Call/Request Received):	
8am to 4pm Monday - Friday	\$25
4pm to 8pm Monday - Friday	\$50
Other, Weekends, & Holidays	\$115
Trip Fees	\$20
Meter Test Fee - Electric	\$25
- Water	\$35
Returned Check Fees	\$20
Tampering:	
Broken Seal Fee	\$100 Inspection
Theft of Service	\$100 + damages + usage
120/240 volt Temp. Service Charge [Overhead service drop]	\$75
120/240 volt Temp. Service Charge [Underground service pedestal]	\$45
Set & Remove Transformer [Temporary services only]	\$300
Charge for OL Pole	\$200 1-time + \$2.50/mo
Transformer Charge For OL only	\$300
Customer Requested Assistance	No charge 8 to 5 M-F \$150 after 5 & wknds. [no charge if CUB problem]



CAPITALIZATION POLICY

June 30, 2019

CUB capital assets, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by CUB as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

As CUB constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances.

Land and construction in progress are not depreciated. The other property, plant and equipment are depreciated using the straight-line method over the estimated useful lives.

CUB department director and staff reviews this policy annually with TVA and its independent auditors for FERC (electric) and GASB (water & sewer) compliance.



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the System had \$20,826,084 invested in a broad range of utility capital assets including a water treatment plant, water distribution system, sewer treatment plant, and sewer collection system. This amount is net of depreciation and slightly increased from last year by \$136,165 or 0.7%.

Table 3

Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>Increase (Decrease)</u>
Net utility plant			
Water	\$ 9,173,955	\$ 9,084,794	\$ (89,161)
Sewer	11,515,964	11,741,290	225,326
	<u>\$ 20,689,919</u>	<u>\$ 20,826,084</u>	<u>\$ 136,165</u>

FYE 6/30/2019 utility plant additions included:

Transmission and distribution	\$ 266,163
Transportation, tools and other equipment	294,367
Collection	107,691
Pumping	635,511
Water treatment	35,029
Sewer treatment and disposal	416,866
Total completed additions	<u>\$ 1,755,627</u>

The department's FY 2020 capital budget plans for investing another \$1,110,000 in capital projects, including the following:

Transmission and distribution	\$ 280,000
Transportation, tools and other equipment	125,000
Collection	180,000
Pumping	465,000
Sewer treatment and disposal	60,000
	<u>\$ 1,110,000</u>

While the department continually seeks grants and contributions for capital projects, the upcoming year will be funded using existing cash. This is assuming that no disasters or emergencies occur. The department, at this time, is not expecting to issue any revenue bonds in the next several years ahead.

Debt Administration

At June 30, 2019 the department remains debt free and has sustained zero debt since April 2011.

Rate Change Analysis

Proposed Rates July 1, 2019

Past 12 Mo Avg Gal	CURRENT RATES		PROPOSED RATES		DIFFERENCE	
	Avg WT Bill	Avg SW Bill	Avg WT Bill	Avg SW Bill	Avg WT Bill	Avg SW Bill
Monthly	\$ 192,848.14	\$ 230,174.72	\$ 228,861.95	\$ 263,561.87	\$ 36,004.06	\$ 33,375.40
Annual	\$ 2,314,177.68	\$ 2,762,096.64	\$ 2,746,343.40	\$ 3,162,742.44	\$ 432,048.72	\$ 400,504.80
FYE 2018	\$ 2,107,750.00	\$ 2,445,086.00				

Adj duplicate tennants 9.79% 12.97%

Less: duplicate tennants \$ (42,297.57) \$ (51,945.47)

Projected Annual Change \$ 389,751.15 \$ 348,559.33

\$ 738,310.48

Annual Change by Revenue Class:

			Total
Residential - Inside	105,585	110,063	215,648
Residential - Outside	91,106	20,021	111,127
Residential Totals	<u>196,691</u>	<u>130,084</u>	<u>326,775</u>
Commercial - Inside	55,571	58,792	114,363
Commercial - Outside	4,405	20,602	25,007
Commercial Totals	<u>59,976</u>	<u>79,394</u>	<u>139,370</u>
Industrial - Inside	133,078	139,087	272,165
	<u>389,745</u>	<u>348,565</u>	<u>738,310</u>

Attachment #10

CLINTON UTILITIES BOARD
Summary of Water & Sewer Rates

12.1% \$ 738,310

Proposed Rates

Water Rate				Sewer Rate					
		PROPOSED			PROPOSED				
Inside City:		ENTER BELOW			ENTER BELOW				
FIRST	1,000	\$9.75	9.75	9.75	FIRST	1,000	\$11.75	11.75	11.75
NEXT	9,000	3.20	28.80	38.55	NEXT	9,000	4.83	43.47	55.22
NEXT	10,000	3.50	35.00	73.55	OVER	10,000	5.50	55.00	110.22
NEXT	20,000	3.50	70.00	143.55	Per 1,000 Gallons				
NEXT	60,000	3.50	210.00	353.55					
OVER	100,000	3.10							
Outside City:					Outside City:				
FIRST	1,000	\$14.63	14.63	14.63	FIRST	1,000	\$17.63	17.63	17.63
NEXT	9,000	4.80	43.20	57.83	NEXT	9,000	7.25	65.25	82.88
NEXT	10,000	5.25	52.50	110.33	OVER	10,000	8.25	82.50	165.38
NEXT	20,000	5.25	105.00	215.33	Per 1,000 Gallons				
NEXT	60,000	5.25	315.00	530.33					
OVER	100,000	4.65							

Bill Calculation

Enter Gallons Here

	Water	Sewer			
Inside	\$ 22.55	\$ 31.07	\$ 53.62	5,000	5,000
Outside	\$ 33.83	\$ 46.63	\$ 80.45		

47.85 \$ 5.77 12.1%

**Clinton Utilities Board
Customer Class Breakdown
January 2020**

	<u>Water</u>	<u>Sewer</u>
Residential Inside	3,818	3,776
Residential Outside	2,079	445
Commercial Inside	520	503
Commercial Outside	74	17
Industrial Inside	53	31
Outside Wholesale	2	3
CUB Customer Total	6,546	4,775

WATER STATISTICAL SALES INFORMATION

Code	FYE 2019	
	Gallons (00)	Amount
Residential:		
Inside City	1,604,342	712,993.40
Outside City	993,105	629,066.36
Commercial:		
Inside City	809,054	292,094.20
Outside City	49,375	35,772.79
Industrial:		
Inside City	1,777,842	422,885.55
Special Rate for Utilities	31,272	3,127.20
Total	5,264,990	2,095,939.50
Top 10 Water	1,669,324	\$ 388,031.04
	31.71%	18.51%

SEWER STATISTICAL SALES INFORMATION

Code	FYE 2019	
	Gallons (00)	Amount
Residential:		
Inside City	1,447,987	909,529.64
Outside City	186,076	169,341.14
Commercial:		
Inside City	877,864	470,853.10
Outside City	196,567	140,622.58
Industrial:		
Inside City	1,727,818	797,444.34
Special Rate for Utilities	768,489	306,020.43
Total	5,204,801	2,793,811.23
Top 10 Water	1,669,273	\$ 766,196.94
	32.07%	27.42%

Cowan

	Water and Sewer	County: Franklin		
	2016	2017	2018	2019
Unrestricted Net Position	\$868,469.65	\$937,088.18	\$1,024,056.87	\$1,171,319.71
Operating Revenues	\$604,570.72	\$599,016.64	\$601,663.71	\$587,173.67
Net Sales	\$578,176.09	\$580,483.17	\$572,692.96	\$577,742.22
Operating Expenses	\$611,314.11	\$562,976.12	\$573,032.77	\$601,268.16
Operating Income	(\$6,743.39)	\$36,040.52	\$28,630.94	(\$14,094.49)
Depreciation Expense	\$158,106.18	\$162,720.92	\$163,819.81	\$168,791.22
Non-Operating Rev. (Exp.)	(\$6,981.36)	(\$2,526.10)	(\$475.70)	\$8,730.79
Operating Profit	(\$13,724.75)	\$33,514.42	\$28,155.24	(\$5,363.70)
Grants and Capital Contribution	\$185,916.60	\$40,209.10	\$315,100.49	\$-00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	\$172,191.85	\$73,723.52	\$343,255.73	(\$5,363.70)
Statutory Change in NP (2017)	(\$13,724.75)	\$33,514.42	\$28,155.24	(\$5,363.70)
Pension and OPEB Asset	\$142,813.44	\$116,877.09	\$166,845.03	\$163,052.01
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		\$59,450.77	(\$21,812.70)	(\$1,570.68)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **City of Cowan**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

On December 23, 2019, the City was referred for financial distress and has since submitted the attached financial questionnaire to Board staff. Without the assistance of a qualified expert, the City implemented a 3% rate increase of all rates each year for three consecutive years on July 1, 2020, July 1, 2021, and July 1, 2022. Board staff is unable to confidently determine whether this rate increase is reasonable and justifiable.

According to the City's financial questionnaire, treatment costs are \$12.95 to produce 1,000 gallons of water, and \$18.00 to treat 1,000 gallons of wastewater.

Staff Recommendation:

Order the City to comply with the following:

1. The City shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - i. creation of a capitalization policy;
 - ii. a review of the City's purchasing policy, including any recommended modifications;
 - iii. creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;
 - iv. a justification for the differing rate classes, or if no justification is possible, recommendations for an appropriate rate structure;
 - v. a review of connection fees, including any recommended modifications; and
 - vi. a justification for the differing tap fees, or if no justification is possible, recommendations for an appropriate fee structure.
2. By October 31, 2020, the City shall send Board Staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.

3. By February 28, 2021, the City shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the City.

**CITY OF COWAN CURRENT WATER AND SEWER RATES
2018**

GALLONS	WATER	SEWER	GARBAGE	TAX	TOTAL
2,000	15.99	19.10	12.00	1.48	48.57
3,000	20.23	24.77	12.00	1.87	58.87
4,000	24.47	30.44	12.00	2.26	69.17
5,000	28.71	36.11	12.00	2.66	79.48
6,000	32.95	41.78	12.00	3.05	89.78
7,000	37.19	47.45	12.00	3.44	100.08
8,000	41.43	53.12	12.00	3.83	110.38
9,000	45.67	58.79	12.00	4.22	120.68
10,000	49.91	64.46	12.00	4.62	130.99
11,000	54.15	70.13	12.00	5.01	141.29
12,000	58.39	75.80	12.00	5.40	151.59
13,000	62.63	81.47	12.00	5.79	161.89
14,000	66.87	87.14	12.00	6.19	172.20
15,000	71.11	92.81	12.00	6.58	182.50
16,000	75.35	98.48	12.00	6.97	192.80
17,000	79.59	104.15	12.00	7.36	203.10
18,000	83.83	109.82	12.00	7.75	213.40
19,000	88.07	115.49	12.00	8.15	223.71
20,000	92.31	121.16	12.00	8.54	234.01

Minimum bill is for 2,000 gallons.
Each additional 1,000 gallons is charged as follows:
4.24 for water and 5.67 for sewer.

Base charge for water outside city limits = \$22.22.
Charge for each additional 1000 gallons = \$5.10.

**CITY OF COWAN 2019 WATER AND SEWER RATES WITH 3%
INCREASE (EFFECTIVE 7/1/19)**

GALLONS	WATER	SEWER	GARBAGE	TAX	TOTAL
2,000	16.47	21.01	12.00	1.52	51.00
3,000	20.84	26.85	12.00	1.93	61.62
4,000	25.21	32.69	12.00	2.33	72.23
5,000	29.58	38.53	12.00	2.74	82.85
6,000	33.95	44.37	12.00	3.14	93.46
7,000	38.32	50.21	12.00	3.54	104.07
8,000	42.69	56.05	12.00	3.95	114.69
9,000	47.06	61.89	12.00	4.35	125.30
10,000	51.43	67.73	12.00	4.76	135.92
11,000	55.80	73.57	12.00	5.16	146.53
12,000	60.17	79.41	12.00	5.57	157.15
13,000	64.54	85.25	12.00	5.97	167.76
14,000	68.91	91.09	12.00	6.37	178.37
15,000	73.28	96.93	12.00	6.78	188.99
16,000	77.65	102.77	12.00	7.18	199.60
17,000	82.02	108.61	12.00	7.59	210.22
18,000	86.39	114.45	12.00	7.99	220.83
19,000	90.76	120.29	12.00	8.40	231.44
20,000	95.13	126.13	12.00	8.80	242.06

Minimum bill is for 2,000 gallons.
Each additional 1,000 gallons is charged as follows:
4.37 for water and 5.84 for sewer.

Base charge for water outside city limits = \$24.00
Charge for each additional 1000 gallons = \$5.51
*8% increase outside sewer service area.

**CITY OF COWAN WATER AND SEWER RATES WITH 3%
INCREASE (EFFECTIVE 7/1/20)**

GALLONS	WATER	SEWER	GARBAGE	TAX	TOTAL
2,000	16.96	21.64	12.00	1.57	52.17
3,000	21.46	27.66	12.00	1.99	63.11
4,000	25.96	33.68	12.00	2.40	74.05
5,000	30.46	39.70	12.00	2.82	84.98
6,000	34.96	45.72	12.00	3.23	95.92
7,000	39.46	51.74	12.00	3.65	106.85
8,000	43.96	57.76	12.00	4.07	117.79
9,000	48.46	63.78	12.00	4.48	128.73
10,000	52.96	69.80	12.00	4.90	139.66
11,000	57.46	75.82	12.00	5.32	150.60
12,000	61.96	81.84	12.00	5.73	161.54
13,000	66.46	87.86	12.00	6.15	172.47
14,000	70.96	93.88	12.00	6.56	183.41
15,000	75.46	99.90	12.00	6.98	194.34
16,000	79.96	105.92	12.00	7.40	205.28
17,000	84.46	111.94	12.00	7.81	216.22
18,000	88.96	117.96	12.00	8.23	227.15
19,000	93.46	123.98	12.00	8.65	238.09
20,000	97.96	130.00	12.00	9.06	249.03

Minimum bill is for 2,000 gallons.
Each additional 1,000 gallons is charged as follows:
4.50 for water and 6.02 for sewer.

Base charge for water outside city limits = \$24.72
Charge for each additional 1000 gallons = \$5.68
*3% increase outside sewer service area.

**CITY OF COWAN WATER AND SEWER RATES WITH 3%
INCREASE (EFFECTIVE 7/1/21)**

GALLONS	WATER	SEWER	GARBAGE	TAX	TOTAL
2,000	17.47	22.29	12.00	1.62	53.38
3,000	22.11	28.49	12.00	2.05	64.65
4,000	26.75	34.69	12.00	2.47	75.92
5,000	31.39	40.89	12.00	2.90	87.19
6,000	36.03	47.09	12.00	3.33	98.46
7,000	40.67	53.29	12.00	3.76	109.72
8,000	45.31	59.49	12.00	4.19	120.99
9,000	49.95	65.69	12.00	4.62	132.26
10,000	54.59	71.89	12.00	5.05	143.53
11,000	59.23	78.09	12.00	5.48	154.80
12,000	63.87	84.29	12.00	5.91	166.07
13,000	68.51	90.49	12.00	6.34	177.34
14,000	73.15	96.69	12.00	6.77	188.61
15,000	77.79	102.89	12.00	7.20	199.88
16,000	82.43	109.09	12.00	7.63	211.15
17,000	87.07	115.29	12.00	8.05	222.42
18,000	91.71	121.49	12.00	8.48	233.69
19,000	96.35	127.69	12.00	8.91	244.95
20,000	100.99	133.89	12.00	9.34	256.22

Minimum bill is for 2,000 gallons.
Each additional 1,000 gallons is charged as follows:
4.64 for water and 6.20 for sewer.

Base charge for water outside city limits = \$25.46
Charge for each additional 1000 gallons = \$5.86
3% increase outside sewer service area.

**CITY OF COWAN WATER AND SEWER RATES WITH 3%
INCREASE (EFFECTIVE 7/1/22)**

GALLONS	WATER	SEWER	GARBAGE	TAX	TOTAL
2,000	18.00	22.96	12.00	1.66	54.62
3,000	22.78	29.66	12.00	2.11	66.54
4,000	27.56	36.36	12.00	2.55	78.46
5,000	32.34	43.06	12.00	2.99	90.39
6,000	37.12	49.76	12.00	3.43	102.31
7,000	41.90	56.46	12.00	3.88	114.23
8,000	46.68	63.16	12.00	4.32	126.15
9,000	51.46	69.86	12.00	4.76	138.07
10,000	56.24	76.56	12.00	5.20	150.00
11,000	61.02	83.26	12.00	5.64	161.92
12,000	65.80	89.96	12.00	6.09	173.84
13,000	70.58	96.66	12.00	6.53	185.76
14,000	75.36	103.36	12.00	6.97	197.69
15,000	80.14	110.06	12.00	7.41	209.61
16,000	84.92	116.76	12.00	7.85	221.53
17,000	89.70	123.46	12.00	8.30	233.45
18,000	94.48	130.16	12.00	8.74	245.37
19,000	99.26	136.86	12.00	9.18	257.30
20,000	104.04	143.56	12.00	9.62	269.22

Minimum bill is for 2,000 gallons.
Each additional 1,000 gallons is charged as follows:
4.78 for water and 6.70 for sewer.

Base charge for water outside city limits = \$26.22
Charge for each additional 1000 gallons = \$6.04
3% increase outside sewer service area.

Section B: Water Utility Information

1. Does your utility offer water?
 - a. If yes, please complete the following section. If no, please proceed to Section C: Wastewater Utility Information.
2. Have you had any rate changes in the previous five years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your current rate ordinance/structure and the justification for why the rates are set this way- including any recent rate studies performed for the utility.
 - b. Please provide a copy of previous rate ordinances/structures from the previous five years if you answered yes to Question #2.
 - c. If you have differing rate classes (inside/outside city limits, residential/commercial/industrial, new developments, etc.), please provide justification as to why these rates are set the way they are.
3. Do you have any current plans for a rate change?
 Yes or No (Circle your answer)
 - a. If yes, please provide a written answer to the following questions:
 - i. Are you planning for a rate increase or decrease? Increase
 - ii. Are you planning this change across all customer classes or only on a certain customer class? All
 - iii. Has your Board voted on this rate change yet? Yes
 - iv. If your Board has discussed a rate change at recent meetings, please attach a copy of the relevant minutes at which this meeting took place.
4. Have you had any utility fee changes in the previous five years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your current utility fee schedule.
 - b. Please provide a copy of previous utility fee schedules if you answered yes to Question #3.
 - c. Please provide a written rationale for the charges for tap fees, reconnect fees, etc.
5. Has your debt management policy been reviewed in the last 5 years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your debt management policy. If you do not have a debt management policy, please provide a written rationale for why a debt management policy has not been adopted.
6. Has your capitalization policy been reviewed in the last 5 years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your capitalization policy. If you do not have a capitalization policy, please provide a written rationale for why a capitalization policy has not been adopted. We use our yearly audit instead of having a policy.

7. Please provide the most recent 3 months of balance sheets and income statements for your water fund.

- a. If you are a water and wastewater utility and are having difficulty breaking out the accounts, please use percentages or estimate for accounts for the most accurate depiction of the financial status of the utility.

8. Do you have a plan to remedy your financially distressed position for your water fund? *Our water & wastewater funds under the same fund.*

Yes or No (Circle your answer) *In 2020 applied for a CDBG Grant.*

- a. If yes, please provide a detailed copy.
b. If no, please provide a justification for why not.

9. Who has the authority to set rates and fees?

Answer: *City Council*

a. Is this a board or committee separate from your local legislative body? (City Council, Board of Mayor and Alderman, etc.)

Yes or No (Circle your answer)

b. Please provide a list containing the following information for the aforementioned individuals:

- i. Name
- ii. Title
- iii. Mailing Address
- iv. Phone Number
- v. Date of Initial Election or Appointment
- vi. Have they fulfilled their initial 12 hour training requirement within the first year of service, if applicable? Yes or No
- vii. If so, please provide proof that the training requirement has been satisfied.

10. How many total customers do you currently have?

Answer:

a. Please provide a numerical break-down of the totals for each type of customer:

- i. Billed
- ii. Unbilled
- iii. Metered
- iv. Unmetered
- v. Breakdown by Rate Class (inside, outside, inside residential, inside commercial, outside residential, outside commercial, etc.)

11. What percentage of your sales do your largest 10 customers account for annually?
(Largest 10 Customer Sales Total / Total Annual Water Sales)

Answer:

12. What percentage of your volume do your largest 10 customers account for annually?
(Gallons of Water sold to Largest 10 Customers / Total Gallons of Water Sold)

Answer:

13. Do you have a leak adjustment policy?

Yes or No (Circle your answer)

- a. If yes, how many leak adjustments were performed based on your leak adjustment policy in the last 12 months? What is the cost associated with these leaks?

Answer:

- b. If yes, please attach a copy of your leak adjustment policy.
c. If no, please move on to the next question. *We do not adjust water only sewer.*

14. Have you incurred any new debt during the current fiscal year for your water utility, or do you plan on incurring any debt during the current fiscal year for your water utility?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding the debt. *If we are awarded the CDBG grant our meter is 1290.*
b. If no, please move on to the next question.

15. Have you received any grants or capital contributions during the current fiscal year for your water utility, or do you plan on receiving any grants or capital contributions during the current fiscal year for your water utility?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding these grants or capital contributions.
b. If no, please move on to the following question.

16. Have you applied for any grants that will be received over the next two years?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding these potential grants. *CDBG Grant*
b. If no, please move on to the following question.

17. Are your customers made aware of the rates and fees you have in place annually?

Yes or No (Circle your answer)

- a. If yes, how is this accomplished? *They are made aware when they open an account & when a ordinance is passed with rate increases.*
b. If no, please provide a written justification as to why not.

18. Do you review your capital asset list?

Yes or No (Circle your answer)

- a. If yes, how often is this list reviewed and by whom? *Yearly @ budget & audit review.*
b. If no, please provide a written justification as to why not.
c. Please provide a copy of your capital asset plan, or a justification as to why you do not have one.

19. Do you keep a copy of your capital asset list on file?

Yes or No (Circle your answer)

20. Do you produce your own water supply?

Yes or No (Circle your answer)

- a. If yes, what is the cost per thousand gallons to produce? *\$ 12.95*

Answer:

- b. If no, please move on to the next question.

21. Do you purchase your water supply? *NO*

- a. If yes, please provide the following:
- i. List of entities water is purchased from
 - ii. Rates at which water is purchased at
 - iii. Water purchase contract with these entities, if no contract exists please give an explanation as to why there is no contract.

b. If no, please move on to the following question.

22. Do you have any wholesale customers?

Yes or No (Circle your answer)

- a. If yes, please provide the contract(s) with these customer(s) or a detailed explanation as to why a contract does not exist and the rate at which water is sold to this customer.
- b. If no, please move on to the following question.

23. Do you have a plan to improve your non-revenue water percentage?

Yes or No (Circle your answer) With the CDBG Grant water leaks will be cut back.

- a. If yes, please provide a detailed explanation as to how this will be improved along with your current non-revenue water percentages by cost and by volume.
- b. If no, please provide a detailed justification as to why the current non-revenue water percentage does not need to be improved along with your current non-revenue water percentages by cost and by volume.

24. Are there any environmental concerns currently or forthcoming that will put a financial burden on the system?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation as to what the concern or issue is and the extent of the financial burden that will be incurred.
- b. If no, please move on to the next question.

25. In regard to your governing body, how frequently do you meet and what is your practice of providing notice of your meetings?

Answer: 2nd Tuesday of every month.

Meeting schedule is printed in the local newspaper.

ORDINANCE NO. 19-03-03

AN ORDINANCE TO AMEND ORDINANCE NO. 13-03-01 AND EACH AND EVERY ORDINANCE WHICH ESTABLISHED RATES AND CHARGES FOR WATER AND SEWER SERVICE IN THE CITY OF COWAN, TENNESSEE.

WHEREAS, it appears it is in the best interest of the citizens of the City of Cowan, Tennessee, that the rates and charges for water and sewer service in the City of Cowan should be amended and modified.

NOW, THEREFORE BE IT ORDAINED, BY THE BOARD OF MAYOR AND COUNCILMEN OF THE CITY OF COWAN, TENNESSEE that the sections listed below are changed as follows:

SECTION 1. That the base charge for water inside Cowan sewer service area shall be set at \$16.47 effective July 1, 2019, and subsequently increasing at a rate of 3% for three consecutive years as follows:

- a. \$16.96 effective July 1, 2020.
- b. \$17.47 effective July 1, 2021.
- c. \$18.00 effective July 1, 2022.

SECTION 2. That the base charge for sewer service inside the Cowan sewer service area shall be set at \$21.01 effective July 1, 2019, and subsequently increasing at a rate of 3% for three consecutive years as follows:

- a. \$21.64 effective July 1, 2020.
- b. \$22.29 effective July 1, 2021.
- c. \$22.96 effective July 1, 2022.

SECTION 3. That the base charge for water provided outside the Cowan sewer service area shall be set at \$24.00 effective July 1, 2019, and subsequently increasing at a rate of 3% for three consecutive years as follows:

- a. \$24.72 effective July 1, 2020.
- b. \$25.46 effective July 1, 2021.
- c. \$26.22 effective July 1, 2022.

SECTION 4. That the base charges herein above outlined shall apply to the first 2,000 gallons of water or less.

SECTION 5. That each additional 1,000 gallons of water used by a customer inside the Cowan sewer service area shall be charged at a rate of \$4.37 (\$0.437 per 100 gallons)

effective July 1, 2019, and subsequently increasing at a rate of 3% for three consecutive years as follows:

- a. \$4.50 effective July 1, 2020.
- b. \$4.64 effective July 1, 2021.
- c. \$4.78 effective July 1, 2022.

SECTION 6. That each additional 1,000 gallons of water used by a customer outside the Cowan sewer service area shall be charged at a rate of \$5.51 (\$0.551 per 100 gallons) effective July 1, 2019, and subsequently increasing at a rate of 3% for three consecutive years as follows:

- a. \$5.68 effective July 1, 2020.
- b. \$5.86 effective July 1, 2021.
- c. \$6.04 effective July 1, 2022.

SECTION 7. That each additional 1,000 gallons used by a customer shall be charged at a rate of \$5.84 (\$0.584 per 100 gallons) for sewer service effective July 1, 2019, and subsequently increasing at a rate of 3% for three consecutive years as follows:


- a. \$6.02 effective July 1, 2020.
- b. \$6.20 effective July 1, 2021.
- c. \$6.70 effective July 1, 2022.

BE IT FURTHER ORDAINED THAT ALL ORDINANCES OR PARTS OF ORDINANCES IN CONFLICT HERewith BE, AND THE SAME ARE, HEREBY REPEALED.


NOW THEREFORE IT BE RESOLVED THAT THIS ORDINANCE SHALL TAKE EFFECT JULY 1, 2019 FOLLOWING PASSAGE OF THE SECOND READING OF THIS ORDINANCE, THE WELFARE OF THE CITY OF COWAN, TENNESSEE REQUIRING IT.

PASSED FIRST READING: April 9, 2019

PASSED SECOND READING: May 14, 2019



Joyce Brown, Mayor



Lori Ashley, City Recorder

Section B: Wastewater Utility Information

1. Does your utility offer wastewater?
 - a. If yes, please complete the following section.
2. Have you had any rate changes in the previous five years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your current rate ordinance/structure and the justification for why the rates are set this way- including any recent rate studies performed for the utility.
 - b. Please provide a copy of previous rate ordinances/structures from the previous five years if you answered yes to Question #2.
 - c. If you have differing rate classes (inside/outside city limits, residential/commercial/industrial, new developments, etc.), please provide justification as to why these rates are set the way they are.
3. Do you have any current plans for a rate change?
 Yes or No (Circle your answer)
 - a. If yes, please provide a written answer to the following questions:
 - i. Are you planning for a rate increase or decrease?
 - ii. Are you planning this change across all customer classes or only on a certain customer class?
 - iii. Has your Board voted on this rate change yet?
 - iv. If your Board has discussed a rate change at recent meetings, please attach a copy of the relevant minutes at which this meeting took place.
4. Have you had any utility fee changes in the previous five years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your current utility fee schedule.
 - b. Please provide a copy of previous utility fee schedules if you answered yes to Question #3.
 - c. Please provide a written rationale for the charges for tap fees, reconnect fees, etc.
5. Has your debt management policy been reviewed in the last 5 years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your debt management policy. If you do not have a debt management policy, please provide a written rationale for why a debt management policy has not been adopted.
6. Has your capitalization policy been reviewed in the last 5 years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your capitalization policy. If you do not have a capitalization policy, please provide a written rationale for why a capitalization policy has not been adopted.

7. Please provide the most recent 3 months of balance sheets and income statements for your utility. *Same balance sheet as water*
- a. If you are a water and wastewater utility and are having difficulty breaking out the accounts, please use percentages or estimate for accounts for the most accurate depiction of the financial status of the utility.
8. Do you have a plan to remedy your financially distressed position for your wastewater fund?

Yes or **No** (Circle your answer) *Not financially distressed.*

- a. If yes, please provide a detailed copy.
- b. If no, please provide a justification for why not.

9. Who has the authority to set rates and fees?

Answer: *The City Council*

- a. Is this a board or committee separate from your local legislative body? (City Council, Board of Mayor and Alderman, etc.)

Yes or No (Circle your answer)

- b. Please provide a list containing the following information for the aforementioned individuals: *Same info as water*

- i. Name
- ii. Title
- iii. Mailing Address
- iv. Phone Number
- v. Date of Initial Election or Appointment
- vi. Have they fulfilled their initial 12 hour training requirement within the first year of service, if applicable? Yes or No
- vii. If so, please provide proof that the training requirement has been satisfied.

10. How many total customers do you currently have?

Answer:

- a. Please provide a numerical break-down of the totals for each type of customer:

- | | | | | |
|--|------------|---------------------------------|------------------------------|-------------------------|
| i. Billed | <i>933</i> | <i>Inside city water: 757</i> | <i>Inside Commercial: 28</i> | <i>Inside other: 1</i> |
| ii. Unbilled | <i>0</i> | <i>Outside city water: 173</i> | <i>Outside Commercial: 2</i> | <i>Outside other: 1</i> |
| iii. Metered | <i>930</i> | <i>Inside city sewer: 744</i> | <i>Inside Industrial: 1</i> | |
| iv. Unmetered | <i>3</i> | <i>Outside city sewer: 1</i> | <i>Outside Industrial: 3</i> | |
| v. Breakdown by Rate Class (inside, outside, inside residential, inside commercial, outside residential, outside commercial, etc.) | | <i>Inside Residential: 645</i> | <i>Inside Govt: 65</i> | |
| | | <i>Outside Residential: 169</i> | <i>Outside Govt: 0</i> | |

11. What percentage of your sales do your largest 10 customers account for annually? *13.9%*
(Largest 10 Customer Revenues Total / Total Annual Wastewater Revenue)

Answer:

12. What percentage of your volume do your largest 10 customers account for annually? *15.8%*
(Wastewater Revenue for Largest 10 Customers / Total Wastewater Revenue)

Answer:

13. Do you adjust wastewater bills for customers with water leaks?

Yes or No (Circle your answer)

- a. If yes, how many leak adjustments were performed based on your leak adjustment policy in the last 12 months? What is the cost associated with these leaks?

Answer:

- a. If yes, please attach a copy of your adjustment policy.
b. If no, please move on to the next question.

14. Have you incurred any new debt during the current fiscal year for your wastewater utility, or do you plan on incurring any debt during the current fiscal year for your water utility?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding the debt.
b. If no, please move on to the next question.

15. Have you received any grants or capital contributions during the current fiscal year for your wastewater utility, or do you plan on receiving any grants or capital contributions during the current fiscal year for your water utility?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding these grants or capital contributions.
b. If no, please move on to the following question.

16. Have you applied for any grants that will be received over the next two years?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding these potential grants.
b. If no, please move on to the following question.

17. Are your customers made aware of the rates and fees you have in place annually?

Yes or No (Circle your answer)

- a. If yes, how is this accomplished?
b. If no, please provide a written justification as to why not.

18. Do you review your capital asset list?

Yes or No (Circle your answer)

- a. If yes, how often is this list reviewed and by whom?
b. If no, please provide a written justification as to why not.

19. Do you keep a copy of your capital asset list on file?

Yes or No (Circle your answer)

20. Excluding any customers on wells, are **all** of your customers billed based on water usage?

Yes or No (Circle your answer)

- a. If yes, who supplies the usage data, and are there multiple water suppliers for your customers?

Answer:

Yes.
ALL meters are read individually once a month.

- b. If no, but **some** of your customers are billed based on water usage, then answer the above question regarding usage data, but also provide a written explanation on how these customers are billed that are not billed based on water usage.
- c. If no, and **none** of your customers are based on water usage, then provide a written explanation on how these customers are billed.

21. Do you have any customers on wells?

Yes or No (Circle your answer)

- a. If yes, how are these customers billed? *Only billed for water.*

Answer:

- b. If no, please move on to the following question.

22. Do you have any wastewater customers you classify as wholesale?

Yes or No (Circle your answer)

- a. If yes, please provide the contract(s) with these customer(s) or a detailed explanation as to why a contract does not exist and the rate at which wastewater is treated for this customer?
- b. If no, please move on to the following question.

23. Do you treat your own wastewater?

Yes or No (Circle your answer)

- a. If yes, please provide the following:
 - i. Cost to treat per thousand gallons. *18.00*
 - ii. The design capacity of your treatment facility and the percentage of the design capacity currently being used. *1,000,000 / 3590 - 4190 capacity*
 - iii. The average operating capacity of your treatment facility.
- b. If no, please provide the following:
 - i. List of entities wastewater is treated by
 - ii. Rates at which wastewater is treated by entity
 - iii. Wastewater treatment contract with these entities, if no contract exists please give an explanation as to why there is no contract.

24. Do you have a plan to improve your infiltration and inflow (I&I)?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation as to how this will be improved along with your current I&I data. *We have been trying to get a grant.*
- b. If no, please provide a detailed justification as to why the current I&I does not need to be improved along with your current I&I data.

25. Are there any environmental concerns currently or forthcoming that will put a financial burden on the system?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation as to what the concern or issue is and the extent of the financial burden that will be incurred.
- b. If no, please move on to the next question.

26. In regard to your governing body, how frequently do you meet and what is your practice of providing notice of your meetings?

Answer: *Some 60-90 days*

27. Do you have a sewer use ordinance?

Yes or No (Circle your answer)

- a. If yes, please provide a copy and description of how this is enforced.
- b. If no, please provide a justification for the lack thereof.

Town of Cowan, Tennessee
Water and Wastewater capacities
Cowan Rail Site
February 21, 2019

Water Treatment Plant

1. Capacity of Cowan Water Treatment Plant = 500,000 gallons per day (gpd)
2. Capacity of raw water source = unknown, however, during the 2016 drought, water level in groundwater well fell, but held.
3. Average daily demand for water by existing customers = 207,000 gpd (2018)
4. Maximum monthly demand for water by customers = 247,000 gpd (2018)
5. Minimum monthly demand for water by customers = 178,000 gpd (2018)
6. Plant is operating between 35% to 49% of capacity
7. Plant is easily expandable if necessary

Water Distribution System

1. Water line size at Cowan Rail Site = eight (8) inches in diameter
2. Flow and residual pressure at existing fire hydrant at Henderson Lane and Cumberland Street = 919 gpm at residual 46 psi
3. Water line from the plant to the site can be easily upgraded

Wastewater Collection and Treatment System

1. Capacity of Cowan wastewater treatment plant = 400,000 gpd
2. Average daily average flow to plant = 161,000 gpd (2018)
3. Maximum monthly flow to plant = 389,000 gpd (2018)
4. Minimum monthly flow to plant = 84,000 gpd (2018)
5. Eight-inch gravity sewer line is located adjacent to property



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

MEMORANDUM

TO: Water and Wastewater Financing Board
FROM: Division of Local Government Audit - Municipalities and Utility Districts
SUBJECT: Division of Local Government Audit Referral Pursuant to TCA 68-221-1010(a) & (d)
In accordance with the requirements of Tennessee Code Annotated, we are hereby filing the following vendor with the board(s) noted above.

Record Number: 1646
Vendor Name: Cowan

Report Year: 6/30/2019
Utility Type: Water and Sewer
Date Received: 12/23/2019
Date Referred: 1/8/2020
Reviewer: MLB

FINANCIAL DISTRESS

- A Has deficit net position for the fiscal year ended.** []
- B Statutory Decrease in net position for two consecutive years.**

Fiscal Year End	Statutory Decrease in NP
6/30/2019	(\$1,570.68)
6/30/2018	(\$21,812.70)

C Is in default on certain outstanding debt.

Holders of the Bonds, etc.	Principal	Interest

WATER LOSS

- D Water Loss Referral**
 - AWWA water audit info**
 - Water Loss Schedule - Status []
 - Validity score below the amount established by the board** Validity Score: 78
 - Excessive non-revenue water % as established by the board** Non-Rev Water %: 26.0
(Non-Revenue Water as Percent by Cost of Operating System)

Comments:
[]

Friendship

	Water	County: Crockett		
	2016	2017	2018	2019
Unrestricted Net Position	(\$25,205.00)	(\$88,573.00)	(\$108,045.00)	(\$56,615.00)
Operating Revenues	\$166,411.00	\$162,274.00	\$157,683.00	\$161,361.00
Net Sales	\$161,122.00	\$160,306.00	\$156,428.00	\$155,226.00
Operating Expenses	\$166,234.00	\$246,338.00	\$174,544.00	\$251,892.00
Operating Income	\$177.00	(\$84,064.00)	(\$16,861.00)	(\$90,531.00)
Depreciation Expense	\$31,559.00	\$32,016.00	\$36,256.00	\$44,415.00
Non-Operating Rev. (Exp.)	\$52.00	\$148.00	\$70.00	\$(7,073.00)
Operating Profit	\$229.00	(\$83,916.00)	(\$16,791.00)	(\$97,604.00)
Grants and Capital Contribution	\$0.00	\$219,126.00	\$71,615.00	\$280,683.00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	\$27,505.00	\$135,210.00	\$54,824.00	\$183,079.00
Statutory Change in NP (2017)	\$27,505.00	(\$83,916.00)	(\$16,791.00)	(\$97,604.00)
Pension and OPEB Asset	\$0.00	\$0.00	\$15,133.00	\$17,625.00
Pension and OPEB Liability	\$11,776.00	\$12,457.00	\$0.00	\$0.00
Statutory Change in NP (2018)		(\$83,235.00)	(\$44,381.00)	(\$100,096.00)



Friendship

	Sewer	County: Crockett		
	2016	2017	2018	2019
Unrestricted Net Position	(\$314,966.00)	(\$193,824.00)	\$60,214.00	(\$293,065.00)
Operating Revenues	\$149,835.00	\$144,102.00	\$132,580.00	\$141,178.00
Net Sales	\$142,562.00	\$139,066.00	\$131,637.00	\$139,428.00
Operating Expenses	\$156,755.00	\$177,942.00	\$264,634.00	\$273,635.00
Operating Income	(\$6,920.00)	(\$33,840.00)	(\$132,054.00)	(\$132,457.00)
Depreciation Expense	\$54,645.00	\$62,254.00	\$125,424.00	\$125,424.00
Non-Operating Rev. (Exp.)	(\$7,123.00)	(\$531,149.00)	(\$9,372.00)	\$(8,244.00)
Operating Profit	(\$14,043.00)	(\$564,989.00)	(\$141,426.00)	(\$140,701.00)
Grants and Capital Contribution	\$43,476.00	\$1,046,803.00	\$0.00	\$-00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	\$52,571.00	\$481,814.00	(\$141,426.00)	(\$140,701.00)
Statutory Change in NP (2017)	\$9,095.00	(\$564,989.00)	(\$141,426.00)	(\$140,701.00)
Pension and OPEB Asset	\$0.00	\$0.00	\$13,033.00	\$17,083.00
Pension and OPEB Liability	\$8,712.00	\$9,195.00	\$0.00	\$0.00
Statutory Change in NP (2018)		(\$564,506.00)	(\$163,654.00)	(\$144,751.00)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Friendship**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

On March 14, 2019 and September 30, 2019, the Board issued the attached orders:

The City complied with the March 14, 2019 directives. The City agreed to be part of a comprehensive study by TAUD. The complete TAUD study and recommendations can be found on the accompanying pages.

“Option 4” and “Other Suggestions” are recommendations from TAUD and can be found on pages 18 and 19 of the attached report.

Staff Recommendations:

Order the City to comply with the following:

1. By December 31, 2020, the City shall implement water rate option 4 of the TAUD report and TAUD’s sewer rate recommendation.
2. By December 31, 2020, the City shall implement, or adopt a plan of implementation for, the recommendations listed under “other suggestions” on page 18 of the TAUD study.
3. By January 31, 2021, the City shall send Board staff proof of implementation of the directives in paragraph 1 of this order.
4. By January 31, 2021, the City shall send Board staff proof of implementation of, or a plan of implementation of the directives in paragraph 2 of this order.
5. If the City fails to comply with this order, Board staff shall refer this matter to the Attorney General’s Office for enforcement action through chancery court.

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:

CITY OF FRIENDSHIP

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**TENN. CODE ANN. § 68-221-1010
-FINANCIAL DISTRESS
& WATER LOSS**

ORDER

On March 14, 2019, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed and water loss status of the City of Friendship (“the City”) pursuant to Tenn. Code Ann. § 68-221-1010. The Board heard from Board staff, who indicated that the City had been referred for financial distress, for having excessive non-revenue water, and for having a low validity score. Board staff had previously requested the City fill out three questionnaires but had not received them as of the meeting date. Therefore, based on the City’s continued financial and water loss deficiencies and failure to respond to Board staff, the Board hereby orders the following:

1. The City shall have the Municipal Technical Advisory Service, the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff assist in completing the financial questionnaires previously sent by Board staff.
2. The City shall send the completed questionnaires and all supporting documentation to Board staff by May 31, 2019.
3. If the City fails to comply with this order, Board staff shall refer this matter to the Attorney General’s Office for enforcement action through chancery court.

ENTERED this 2nd day of April, 2019.

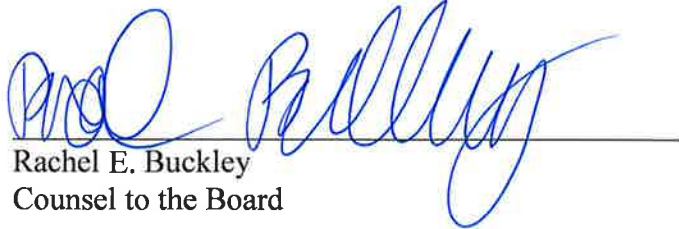


ANN V. BUTTERWORTH, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 3rd day of April, 2019:

Mayor Casey Burnett
Ms. Debra Butler, City Recorder
City of Friendship
631 Main St.
P.O. Box 265
Friendship, TN 38034



Rachel E. Buckley
Counsel to the Board

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:

CITY OF FRIENDSHIP

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**TENN. CODE ANN. § 68-221-1010
-FINANCIAL DISTRESS
& WATER LOSS**


ORDER

On September 19, 2019, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed and water loss status of the City of Friendship (“the City”) pursuant to Tenn. Code Ann. § 68-221-1010. Board staff reminded the Board that the City had been referred for financial distress, for having excessive non-revenue water, and for having a low validity score. Board staff informed the Board that the City is participating in a pilot project funded by the United States Department of Agriculture (“USDA”) in which the Tennessee Association of Utility Districts (“TAUD”) will perform a comprehensive study of the City’s water and wastewater systems. Terence McGhee, from USDA, informed the Board that although USDA, TAUD, and the City have not finalized the parameters of the study, it will take a wholistic approach to correcting concerns with the City. Staff expressed concern that the City would attempt to build a new water treatment plant and take on new debt prior to receiving the results of the comprehensive study. Therefore, based on Staff’s statements and recommendations, Mr. McGhee’s statements, and all supporting documentation, the Board hereby orders the following:

1. The City shall send a progress report of the TAUD study to Board staff no later than December 31, 2019.

2. The City shall not initiate any major capital projects, including a new treatment plant or any new water lines, without express consent of Board staff until the Board releases the City from its oversight.
3. The City shall not take on any new debt without express consent of Board staff until the Board releases the City from its oversight.
4. Board staff may grant the City an extension of up to six months to comply with the foregoing deadlines upon a showing of good cause by the City.

ENTERED this 30th day of September, 2019.

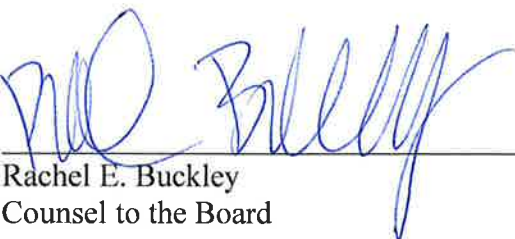


ANN V. BUTTERWORTH, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 30th day of September, 2019:

Mayor Casey Burnett
Ms. Debra Butler, City Recorder
City of Friendship
631 Main St.
P.O. Box 265
Friendship, TN 38034



Rachel E. Buckley
Counsel to the Board

Sustainability Pilot Assessment

Friendship Utility Department



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Introduction

The City of Friendship is located in Crockett County in West Tennessee, about 12 miles SE of Dyersburg. Friendship serves 373 water customers (316 residential and 57 commercial/industrial) and 368 sewer customers.

The water plant has extensive foundation issues and is in need of major repairs. See pictures below.





The tank at the water plant is also old and in need of repair as well. The most recent sanitary survey conducted by the Tennessee Department of Environment and Conservation (TDEC) has required the City to repair the tank or remove it. See pictures below:



On August 18, 2016 the City received a Notice of Violation (NOV) of the National Primary Drinking Water Standards from the Tennessee Department of Environment and Conservation (TDEC). The NOV was issued because sampling for the Volatile Contaminant Rule (VOC) showed that the raw water sampling of the private wells indicated a detection of Tetrachloroethylene. These private wells serve as the sole source of raw water for the City of Friendship.

NOTE: A contract for the purchase of water from these wells has been in effect since 1989. This contract is under separate legal review and/or action. As such, it is not part of this study and its recommendations.

On October 20, 2016 TDEC sent a Corrective Action Plan to the City of Friendship which outlined the actions that the City was to take as a result of the VOC violation including the following:

1. Monitor for VOC contaminants until TDEC determines that adequate treatment has been installed or the contaminant source has been eliminated
2. Evaluate the feasibility of making an emergency connection to the County Wide Utility District (CWUD)
3. Develop an additional well near the treatment plant
4. Seek funding for a long-term solution which would include a permanent connection to CWUD or the development of additional wells and treatment facilities outside the area of the contamination

The interim solution to remove the VOC from the water supply was additional aeration at the water plant. The additional aeration was funded by an USDA Emergency Community Water Assistance Grant (ECWAG). In December 2016 a forced air blower and air piping was installed and test results showed the VOC was below the detection limit. The contaminant level in the raw water increased each month and it was obvious that the blower would eventually not be able to remove the VOC to a safe level.

In August 2017 the City was awarded additional ECWAG funding to install a test well at the plant. Test results showed the water was free of VOC's and was able to provide water at 75 gpm. The ECWAG funding allowed the City to install a 300 gpm well at this location that was put into service in October 2017. This well is now the primary water source for the City. The private wells have now been disconnected from the system as directed by TDEC.

In September 2017 the City was awarded a Tennessee Economic and Community Development Block Grant (CDBG) to fund an emergency connection to County Wide Utility District. A new finished water line was installed along Sudbury Road from the Friendship water plant to the intersection of Sudbury Road and Old Highway 20 and ending about 10 feet from CWUD's water line. As of this date no connection has been made to CWUD.

Friendship has been under the jurisdiction of the State of Tennessee Water and Wastewater Finance Board (WWFB) since 2010 as a financially distressed utility due to negative change in net assets and excessive water loss.

The Friendship wastewater plant was unable to meet the discharge limits established by TDEC and was decommissioned by TDEC in February 2017. At that time Friendship began to pump their raw sewage to the Dyersburg wastewater plant.

Water and Sewer Data

As of June 30, 2018, the City had 373 water customers and 368 sewer customers.

The City's board meets monthly and the last rate adjustment was in 2015. The water and sewer revenue for the fiscal year ended June 30, 2019 (FY 2019) was \$302,601.

Using data from the audited financial statements for FY 2018 and FY 2019, the change in net position (before grants and capital contributions) of the water and sewer fund is presented below:

	FY 2018	FY 2019
Water Fund	(\$16,791)	(\$97,604)
Sewer Fund	(\$141,256)	(\$140,701)

Financial Ratios

Using the Utility Financial Assessment Tool (Exhibit #1), the current ratios and adjusted ratios with increased revenue and expense reduction are presented below:

	Current	Projected
Affordability Ratio	2.9%	5.5%
Operating Ratio (Revenue vs. Expenses) without depreciation	0.85%	1.19%
Liquidity Ratio	0.35%	0.35%

Energy Efficiency

Water and Facilities

According to the United State Census Bureau, Friendship has a population of nearly 700 people. It has a median income of approximately \$24,583. Friendship has a well that it uses for its primary water source and provides drinking water to approximately 370 water customers. The water treatment process at Friendship is a well that is treated in accordance with the state rules governing ground water treatment and the current Corrective Action Plan regarding this facility.

The main electrical expense at this treatment plant is a 25 hp blower well pump.

Additional opportunities for electrical cost savings exist by changing the city street lights to LED and by changing out the remaining city buildings to LED lighting.

Energy Efficiency Recommendations:

Recommendation 1: Installing a (Variable Frequency Drive) VFD on a 25-horsepower blower well pump could cut the electrical use significantly at this site.

Recommendation 2: Changing the city street lights to more energy efficient LED lights could cut the energy use as well as extend the life of the light. This change could very well exceed the predicted savings mentioned in this assessment

Recommendation 3: Changing the lighting in the remaining city owned buildings to more energy efficient LED lighting could further cut costs associated with the entire operations of the Friendship Utility Department.

The following table of data suggests what savings are possible if the above recommended changes are implemented. This table reflects possible changes, meaning the changes could be greater or less than the chart shows.

Project Item	Energy Conservation Measure Description	Annual Energy Savings (kWh)	Annual Cost Savings (\$)	Estimated Cost of Improvement (\$)	Rebate Total (\$)	Payback (Years)
1	VFD on 25 hp well pump	71,738	\$8,472.25	\$4,012.00	\$0.00	0.47
2	Change existing street lights to LED	10280	\$1,214.07	\$771.70	\$0.00	0.64
3	Change existing lights in city owned buildings to LED	15254	\$1,801.50	\$400.00	\$0.00	0.22
Total		97274	\$11,487.82	\$5,183.70	\$0.00	

	Pre-Assessment	Post Assessment	Savings
Total Energy Consumption (kWh)	294555	197276	97279
Current energy rate (\$)	0.1181	0.1181	0
Total Energy Costs (\$)	\$34,786.95	\$23,298.30	\$11,488.65

Sewer

Friendship doesn't have a wastewater treatment plant; however, it transfers wastewater via lift stations and pumps to nearby Dyersburg. Friendship presents a unique opportunity in looking for savings in energy costs. Since they don't treat their own wastewater, electrical costs are perhaps the biggest expense they have in association with the wastewater department.

Recommendation 1: Install a VFD pump on a sewer lift station that uses approximately 70,000 kilowatts a year. This change could cut that expense by nearly half of the current yearly bill.

Recommendation 2: The city has another 30 horsepower (hp) motor on a sewer pump at a lift station that could possibly save thousands in electrical costs with the installation of a VFD. This could also extend the life of the motor as well.

Recommendation 3: By installing a VFD pump on a third 10 HP motor at a sewer lift station Friendship could very well see a reduction in kilowatts used and costs associated with this site.

Recommendation 4: Replacing all lighting in the buildings the city uses in conjunction with operations of transferring wastewater to Dyersburg to more energy efficient LED lighting could lead to a possible reduction of over 10,000 kilowatts per year.

The following table of data suggests what savings are possible if the above recommended changes are implemented. This table reflects **possible** changes, meaning the changes could be greater or less than the chart shows.

Project Item	Energy Conservation Measure Description	Annual Energy Savings (kWh)	Annual Cost Savings (\$)	Estimated Cost of Improvement (\$)	Rebate Total (\$)	Payback (Years)
1	VFD on sewer lift station	42,925	\$6,185.50	\$4,650.00	\$0.00	0.75
2	VFD on 30 hp sewer lift station	33334	\$4,803.43	\$4,650.00	\$0.00	0.97
3	VFD on 10 HP sewer lift station	14637	\$2,109.19	\$1,805.00	\$0.00	0.86
4	Replace all lighting in city buildings with LED lights	10272	\$1,480.20	\$758.00	\$0.00	0.51
Total		101168	\$14,578.32	\$11,863.00	\$0.00	

	Pre-Assessment	Post Assessment	Savings
Total Energy Consumption (kWh)	162914	61746	101168
Current energy rate (\$)	0.1441	0.1441	0
Total Energy Costs (\$)	\$23,475.91	\$8,897.60	\$14,578.31

Water Loss

In Tennessee, water loss audits are performed using AWWA software. The non-revenue water for the City in the FY 2019 reporting year was 11,649,000 gallons. This results in non-revenue water as a percent of volume of water supplied of 42.9%. The annual cost of the loss was \$10,557.

The estimated cost to achieve its water loss goal is \$101,000.

The estimated savings if the water loss goal is achieved is \$14,800.

It is a reasonable assumption that this loss could be reduced by 6,000,000 GPY. This would save the City \$12,000 per/year at a rate of \$2.00/1,000 gallons. The cost of a water loss study with corrective action is estimated at \$50,000

Policies

The following policies of the City were evaluated by TAUD and found to be adequate for the City of Friendship.

1. Late Fee Policy-10% late fee payment

Water and sewer bills shall be rendered monthly and shall designate a standard net payment period for all members of not less than ten (10) days after the date of the bill. Failure to receive a bill will not release a customer from payment obligation. Additionally, it has been policy for all customers that a late payment charge not to exceed 10% for any portion of the bill paid after the net payment period.

2. Connection Fee Policy

The policy requires the payment of a non-refundable water tap fee of \$200 and sewer tap fee of \$200. The policy also requires a new property owner/customer to pay a non-refundable deposit of \$15, a rental customer to pay a non-refundable deposit of \$75 and a mobile home customer a non-refundable deposit of \$75.

3. Water Leak Adjustment Policy

The following is a list of the rules for water leak adjustment:

- (1) Must be a water leak. Proof of repair may be required if there is any doubt.
- (2) One adjustment per calendar year per customer.

- (3) \$5 minimum adjustment for water and \$5 minimum adjustment for sewer.
- (4) Adjustment cannot be made until billing is processed and received by the customer.
- (5) Customer must request adjustment either in person or by phone during regular business hours after bill has been received by the customer and before cut-off date, which is approximately twenty-five (25) days.
- (6) Customer pays average consumption calculated over the past six (6) months, provided the residence has been occupied during that time, plus one-half (1/2) of the leak.
- (7) The City of Friendship shall make an adjustment for one-half of the leak at \$1.00 per thousand gallons of water.
- (8) There is a maximum sewer charge of \$52.00

4. Shut-off Policy

Service termination for any reason shall be reconnected only after the payment of all charges due or satisfactory arrangements for payment have been made, or the correction of the problem that resulted in the termination of service in a manner satisfactory to the water and sewer department, plus the payment of a reconnection charge of \$20 if the reconnection to the water or sewer line is made during regular business hours, or \$30 if the reconnection to the water or sewer line is made after regular business hours. If the reconnection is to be to the water, sewer and gas lines, the payment of a reconnection charge of \$30 shall be made if the reconnection to all lines is made during regular business hours, or \$40 if the reconnection to all lines is made after regular business hours.

Management

The duties for the water and distribution system are performed by the operations specialist and the office administrative staff person. The water plant is classified as Water Treatment Grade 2 by TDEC regulations. The City is governed by the Mayor and four Aldermen which meet monthly at the Friendship City Hall.

Alternatives for Water Rates

The City has four options for solving its current water issues; listed below are those options.

Information used in determining the options below includes:

- Draft Audit for FY 2019
- Audit for FY 2018
- AWWA Water Audit Software FY 2018
- Engineering Study Dated May 23, 2019, by A2H Engineers
- Information furnished by Countywide Utility District (CWUD).

Option #1

No Action

This option is for the City to continue operations as they are at present. Expenses are based on FY 2019 draft audit and includes “No growth” and “No increase in expenses”.

The city showed a negative change in net position (before grants and capital contributions) for the FY 2019 audit of \$97,604 under the current water rates as shown below:

First 3,000 Gallons	\$24.00
Over 3,000 Gallons	\$7.00 per 1,000/gals

To provide a positive change in net position, the rates would need to be raised to the following:

First 3,000 Gallons	\$41.00
Over 3,000 Gallons	\$12.00 per 1,000/gals

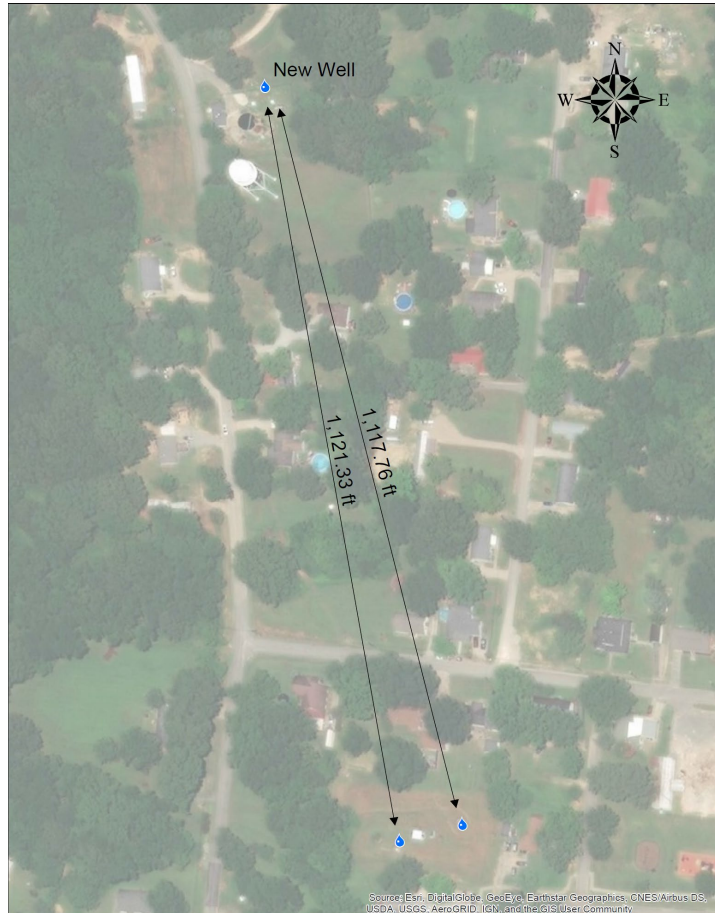
This would provide an additional \$105,207 in revenue. (See Exhibit #3)

Option #2

Upgrade Water Treatment Plant

Cost \$911,000

This option would upgrade the water plant to 300 gpm. The current demand is about 77,500 gpd or about 60 GPM over a 24-hour period. This option is designed to include an estimated water loss of 36% but the water loss in the last water audit was 43% by volume. While this site is outside of the contaminated area, most estimates indicate that contamination will eventually reach this area. While it is difficult estimate the time of travel, several estimates indicate contamination will reach this area in between 5 and 15 years. See map below for the locations of the contaminated wells and the new well:



Information used in this option is from Engineering Report dated May 2019.

Under this option the City would to continue to operate its own water treatment plan after an upgrade.

Expenses based on Engineers report	\$174,544
Expenses based on draft audit FY 2019.	\$259,181

Expenses are based on draft audit FY 2019 and includes “No growth” and “No increase in expenses”. A combination of 70% loan/30% grant from USDA was used for purposes of this calculation.

This adds \$22,775 in depreciation and \$17,440 in new interest expenses.

To provide a positive change in net position, the rates would need to be raised to the following:

First 3,000 Gallons	\$47.00
Over 3,000 Gallons	\$15.00 per 1,000/gals

This would provide an additional \$149,532 in revenue. (See Exhibit #3)

Option #3 Connect to Countywide with new 10-inch line Cost \$1,915,000

Information used in this option is from A2H Engineering Report. This option is for the City to abandon its water treatment plant and purchase all its water from County Wide UD.

Expenses based on Engineers report \$166,203

Expenses based on draft audit FY 2019. \$259,181

Expenses are based on draft audit FY 2019 and includes “No growth” and “No increase in expenses”. A 70% loan/30% grant from USDA was used for purposes of making this calculation.

This includes additional expenses of \$38,300 in depreciation, \$36,630 in interest expense, \$60,000 in water purchase expense, but has a cost savings from not operating the water plant of \$100,000 per year.

To provide a positive change in net position, the rates would need to be raised to the following:

First 3,000 Gallons	\$45.00
Over 3,000 Gallons	\$13.00 per 1,000/gals

This would provide an additional \$128,934 in revenue. (See Exhibit #3)

**Option #4 Connect to Countywide at Bonicord plant.
rates from County Wide UD**

Cost included in

Information used in this option is an estimate from CWUD.

This option is for the City to abandon its water treatment plant and purchase all its water from County Wide UD.

Expenses based on draft audit FY 2019. \$259,118

Expenses are based on draft audit FY 2019 and includes “No growth” and “No increase in expenses”.

This adds \$0 in depreciation and \$0 in new interest expenses and has a cost savings from not operating the water plant of \$100,000 per year.

Charges from CWUD would be \$30,000 per minimum and \$2.00/1,000 gals

Based on information in the AWWA report the FY 2019 total water supplied was 29.585 gallons (in millions). For 29,585,000 gallons, this would equal \$59,170 and a total year for \$89,170

The contract would be for 38 years and a cost adjustment would occur only when rates are raised to CWUD’s customers.

To provide a positive change in net position, the rates would need to be raised to the following:

First 3,000 Gallons	\$44.00
Over 3,000 Gallons	\$11.00 per 1,000/gals

This would provide an additional \$112,812 in revenue. (See Exhibit #3)

TAUD Recommendation for Water Rates

Option #4 is the only option that is affordable and provides long term sustainability to the City.

Other suggestions:

The city's meters have reached an age that they have lost ability to register all water that is used by the customer. We suggest that the city seek funding to replace all their meters with AMR's at a cost of approximately \$100,000. It would be in the City's best interest to use the same meters that CWUD uses. This would allow CWUD to read the meter (at a nominal fee) and provide the reading to the City. This would save the City approximately \$10,000 initially through not purchasing the equipment and training to read their meters. Also, this would save approximately \$1,800 per year in software maintenance and fees.

Based on their current meter being 5% low in actual reading, total water and sewer revenues after all the adjustments in the preferred option would provide about \$27,938 per year in new income. If the city could obtain a 70/30 grant loan at 3% for 10 years, the payments would be about \$7,096 yearly. After the payment for the loan this will add \$20,842 in revenue. This would allow rates to be lowered slightly in the preferred option.

The City should undertake a program to lower its water loss. The current loss is 12,331,000 gallons per year (GPY) and this equals 42.9% in Non-Revenue water. It is a reasonable that this loss could be reduced by 6,000,000 GPY. This would save the City \$12,000 per/year at a rate of \$2.00/1,000 gallons. The cost of a water loss study with corrective action is \$50,000.

TAUD Recommendation for Sewer Rates

The sewer system currently sends all of its waste to the City of Dyersburg.

The City's sewer system has excessive amounts of inflow & infiltration (I&I) with little work being done to correct this due to lack of funds.

Sewer System expenses are estimated to be \$281,975 as per the draft FY 2019 audit

Sewer System Revenues are estimated to be \$141,240 as per the draft FY 2019 audit.

Additional revenue is estimated to be \$145,305. See Exhibit #4.

This requires a large rate increase.

Current Rates

First 3,000 Gallons	\$24.00
Over 3,000 Gallons	\$7.00 per 1,000/gals
Maximum charge of \$52.00	

Rates necessary to operate at a positive change in net position:

First 3,000 Gallons	\$48.00
Over 3,000 Gallons	\$14.00 per 1,000/gals

Given the excessive amounts of I & I, immediate and significant steps should be taken to locate and repair the system. Estimated cost of I&I study with corrective action is \$100,000.

With rates recommended on pages 18 and 19 based on the average usage per customer of 3,857 gallons per month, the average water bill would be \$53.47 and the average sewer bill would be \$59.99, for a total of \$113.46.

The City has been operating a net loss for at least nine years. The last rate adjustment was in 2015.

Summary of Findings

Energy Efficiency

	Cost	Annual Savings
Water and Facilities	\$5,700	\$11,500
Sewer	\$12,000	\$14,600

Water Loss and Water Meters

	Cost	Annual Savings
Water Loss	\$50,000	\$12,000
Water Meters	\$100,000	\$28,000

Grand Total \$167,200 \$66,100

Water Plant Option #4	\$89,170/year	\$112,812/year
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Sewer System I&I	\$100,000	
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Exhibit #1

UTILITY FINANCIAL ASSESSMENT TOOL

KRWA

Name of Utility: City of Friendship - Water and Sewer Funds County _____ State _____

Type of Utility:	MUN	WD	SD	WA	PRI	OTHER	Date: _____ / _____ / _____
------------------	-----	----	----	----	-----	-------	-----------------------------

Utility Connections: Residential: 373 Comm/Ind: 0 Total: 373 186.5

Number of Employees: Full-time: 0 Part-time: 2 Total: 2 Connections per employee

PERFORMANCE	2019	2020	2021	2022
Operating Revenue (REV)	\$302,601.00	\$430,285.00	\$560,513.00	\$560,513.00
Operating Expense (EXP)	\$355,750.00	\$359,157.00	\$361,300.00	\$366,623.00
Operating Gain or <Loss>	-\$53,149.00	\$71,128.00	\$199,213.00	\$193,890.00
Depreciation Expense	\$169,839.00	\$169,839.00	\$169,839.00	\$169,839.00
Debt Service Expense	\$33,788.00	\$71,384.00	\$49,770.00	\$48,688.00
LONG - TERM PERFORMANCE				
Total Capital Assets	\$5,117,204.00	\$5,117,204.00	\$5,117,204.00	\$5,117,204.00
Accumulated Depreciation	\$1,197,365.00	\$1,367,204.00	\$1,537,043.00	\$1,706,882.00
Net Capital Assets	\$3,919,839.00	\$3,750,000.00	\$3,580,161.00	\$3,410,322.00

RATIOS	2019	2020	2021	2022
Operating Ratio (REV/EXP)	0.575736935	0.813399345	1.055303791	1.044832626
(with depreciation)	BENCHMARK: 1.0 or higher			
Operating Ratio (REV/EXP)	0.850600141	1.198041525	1.551378356	1.528853891
(without depreciation)	BENCHMARK: 1.25 or higher			
Debt Service Coverage Ratio	-1.573014088	0.996413762	4.002672293	3.982295432
(REV - EXP / Principal & Interest)	BENCHMARK: 1.2 or higher			

RATES	Cost Based?	Y/N	COS Study:	Year 2021
Purchase Water?	yes		\$3.01	per 1,000 gallons
Sell Wholesale Water?	0		\$0.00	per 1,000 gallons
Average Residential Water Bill/Usage:			\$53.47	3,857 gallons
Average Residential Sewer Bill/Usage:			\$59.99	3,857 gallons
Med. House. Income:	\$24,861.00	Affordability Index:	5.5%	

Y/N	ASSET TRACKING
	GIS Mapping?
	Meter Testing/Changeout?
	Inventory/Work Order System?
	Asset Management Plan?
	Capital Budget/Plan?

RESERVES	Y/N	Invest. Policy?	Y/N
Debt Service	0		0
		Amount or Percentage	
Maintenance	0	\$0.00	%
		Amount or Percentage	
Depreciation (Capital)	0	\$0.00	%

ACCOUNTABILITY	
NON-REVENUE WATER	
Gallons per year:	12,691,000
Estimated cost per year:	\$25,382.00
INFLOW & INFILTRATION	
Gallons per year:	3,846,000
Estimated cost per year:	\$2,961,420.00

Operating Budget:	Y/N	Uncollected Accounts:	Amount or Percentage
		\$	%

REPORTING	Y/N	Check each that applies:		
		Monthly	Quarterly	Annually
Financial Report to Board?	yes			X
	Y/N			Y/N
Annual Audit Required?	yes	Adverse Findings?		yes

LONG-TERM DEBT	
Amount:	\$560,092
Per Connection:	\$ 3,003.17

Exhibit #3

Recalculated water revenue based on usage for the year ended June 30, 2018

Water – 373 customers	<u>Rates</u>	<u>Gallons (from FY 2018 AWWA schedule)</u>	<u>Recalculated Revenue</u>
First 3,000 gallons	\$24.00	13,428,000	\$ 107,424
Over 3,000 gallons	\$7.00 / 1,000 gallons	5,823,000	\$ 40,761
	TOTAL	19,251,000	\$ 148,185

Option 1 - Raise water rates as follows:

Water – 373 customers	<u>Rates</u>	<u>Gallons</u>	<u>Recalculated Revenue</u>
First 3,000 gallons	\$41.00	13,428,000	\$ 183,516
Over 3,000 gallons	\$12.00 / 1,000 gallons	5,823,000	\$ 69,876
	TOTAL	19,251,000	\$ 253,392
			\$105,207 estimated increase in revenue

Option 2 - Raise water rates as follows:

Water – 373 customers	<u>Rates</u>	<u>Gallons</u>	<u>Recalculated Revenue</u>
First 3,000 gallons	\$47.00	13,428,000	\$ 210,372
Over 3,000 gallons	\$15.00 / 1,000 gallons	5,823,000	\$ 87,345
	TOTAL	19,251,000	\$ 297,717
This option included \$22,775 in additional depreciation and \$17,440 in additional interest expense			\$149,532 estimated increase in revenue

Option 3- Raise water rates as follows:

Water – 373 customers	Rates	Gallons	Recalculated Revenue
First 3,000 gallons	\$45.00	13,428,000	\$ 201,420
Over 3,000 gallons	\$13.00 / 1,000 gallons	5,823,000	\$ 75,699
	TOTAL	19,251,000	\$ 277,119
This option included \$100,000 for treatment savings, additional \$60,000 water purchase expense, \$38,300 in additional depreciation and \$36,630 in additional interest expense			\$128,934 estimated increase in revenue

Option 4- Raise water rates as follows:

Water – 373 customers	Rates	Gallons	Recalculated Revenue
First 3,000 gallons	\$44.00	13,428,000	\$ 196,944
Over 3,000 gallons	\$11.00 / 1,000 gallons	5,823,000	\$ 64,053
	TOTAL	19,251,000	\$ 260,997
This option included \$100,000 for treatment savings			\$112,812 estimated increase in revenue

Exhibit #4

Recommended rate increase for Water Fund (Option 4)-

Water – 373 customers	<u>Rates</u>	<u>Gallons</u>	<u>Recalculated Revenue</u>
First 3,000 gallons	\$44.00	13,428,000	\$ 196,944
Over 3,000 gallons	\$11.00 / 1,000 gallons	5,823,000	\$ 64,053
	TOTAL	19,251,000	\$ 260,997
			\$112,812 estimated increase in revenue

Recommended rate increase for Sewer Fund -

Sewer – 368 customers	<u>Rates</u>	<u>Gallons</u>	<u>Recalculated Revenue</u>
First 3,000 gallons	\$48.00	13,428,000	\$ 211,968
Over 3,000 gallons	\$14.00 / 1,000 gallons	5,823,000	\$ 81,522
	TOTAL	19,251,000	\$ 293,490
			\$145,305 estimated increase in revenue

Gates

	Water and Sewer	County: Lauderdale		
	2016	2017	2018	2019
Unrestricted Net Position	\$177,843.00	\$225,411.00	\$224,090.00	
Operating Revenues	\$210,445.00	\$208,130.00	\$199,947.00	
Net Sales	\$199,408.00	\$195,413.00	\$189,595.00	
Operating Expenses	\$223,589.00	\$226,312.00	\$205,517.00	
Operating Income	(\$13,144.00)	(\$18,182.00)	(\$5,570.00)	
Depreciation Expense	\$64,955.00	\$70,528.00	\$72,582.00	
Non-Operating Rev. (Exp.)	\$614.00	\$659.00	\$1,224.00	
Operating Profit	(\$12,530.00)	(\$17,523.00)	(\$4,346.00)	
Grants and Capital Contribution	\$285,046.00	\$0.00	\$49,078.00	
Transfers In	\$0.00	\$0.00	\$0.00	
Transfers Out	\$0.00	\$0.00	\$0.00	
GAAP Change in Net Position	\$270,603.00	(\$17,523.00)	\$44,732.00	
Statutory Change in NP (2017)	(\$14,443.00)	(\$17,523.00)	(\$4,346.00)	
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	
Statutory Change in NP (2018)		(\$17,523.00)	(\$4,346.00)	





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Town of Gates**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

On September 30, 2019, the Board issued the attached order regarding Gates.

The Town has complied with all Board directives.

Staff Recommendation:

Order the Town to comply with the following:

1. The Town shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2021, until the Board releases the Town from its oversight.

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:

TOWN OF GATES

)
)
)
)
)
)
)

**TENN. CODE ANN. § 68-221-1010
-FINANCIAL DISTRESS**

ORDER

On September 19, 2019, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the Town of Gates (“the Town”) pursuant to Tenn. Code Ann. § 68-221-1010. Board staff informed the Board that the Town’s mayor has been proactive with the referral and the Town’s operator and licensed engineer, Scott Nelson, performed a rate study. Mr. Nelson’s recommendations included an updated rate structure and a recommendation that the Town become a purchase-only system. Thus, not only has the Town begun purchasing its water from the Town of Halls (“Halls”), it has received a grant to build additional infrastructure, of which Halls will take ownership after it is built so that the Town will avoid depreciation costs. Therefore, based on Staff’s statements, recommendations, and supporting documentation, the Board hereby orders the following:

1. The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, complete the following:
 - a. a review of the capitalization policy, including any recommended modifications;
 - b. the creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and

- c. a review of the leak adjustment policy, including any recommended modifications.
2. By October 31, 2019, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.
 3. By February 28, 2020, the Town shall provide Board staff with proof of completion of the tasks in paragraph 1, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
 4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town.

ENTERED this 30th day of September, 2019.

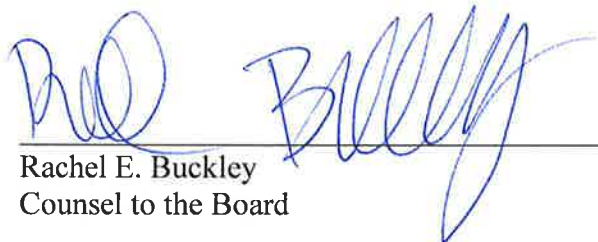


ANN V. BUTTERWORTH, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

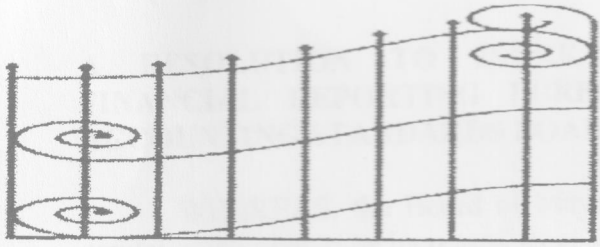
I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 30th day of September, 2019:

Mayor Dwayne Dixon
Ms. Jenny Ward, City Recorder
Town of Gates
10085 2nd St.
P.O. Box 129
Gates, TN 38037

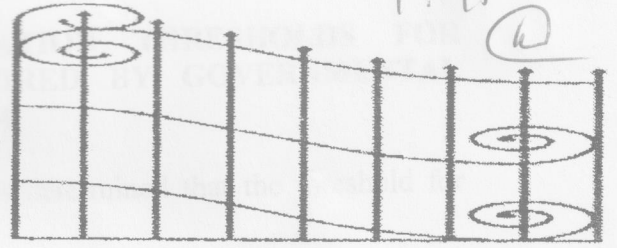


Rachel E. Buckley
Counsel to the Board

Emareel
2/28/2020
1:45
①



Town of Gates
10085 2nd St
Gates TN 38037
731-836-7501



February 28, 2020

Mr. John Greer
Utilities Board
Via: email

Dear Mr. Greer,

The Town requested the assistance of the University of Tennessee's Municipal Technical Advisory Service to assist us in reviewing the order in our case before the Tennessee Water and Wastewater Financing Board.

Attached is the information requested by the Tennessee Water and Wastewater Financing Board in the matter of Town of Gates.

The Town's capitalization policy has been reviewed and the capitalization threshold has been raised from \$2,000 to \$5,000. That is the only change in the capitalization policy. Resolution attached.

The Town is currently using a CDBG grant to close their current water plant and to connect to Halls water system. A long term contract has been signed with Halls to provide water to the Town of Gates. This grant and project should be completed in fall 2020. We have discussed future capital improvements needed for the water system once the connection with Halls is completed and our engineering firm has determined that they do not see the need for any capital improvements in the foreseeable future.

The Town has reviewed the leak adjustment policy and has adopted a new policy which is attached.

I hope that this satisfies the requirements of the Board. If additional information in needed, please contact me.

Sincerely,

Jenny Ward , City Recorder

RESOLUTION NO. _____

A RESOLUTION TO INCREASE CAPITALIZATION THRESHOLDS FOR FINANCIAL REPORTING PURPOSES AS REQUIRED BY GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT 34.

WHEREAS, the Board of Mayor and Aldermen has determined that the threshold for capital assets should be increased from \$2,000 to \$5,000;

NOW, THEREFORE BE IT RESOLVED by the Board of Mayor and Aldermen of the Town of the Gates that:

Section 1. The following minimum threshold amounts are established for the purpose of recording and reporting general capital assets, including general infrastructure assets, in the new financial statements as required by GASB 34.

<u>Capital Asset</u>	<u>Capitalize & Depreciate</u>
Land and Land Improvements	\$1 and above – capitalize only
All other capital assets Including Buildings, Machinery and Equipment, Vehicles and Infrastructure	\$5,000

Section 2. Assets in the above categories must have an estimated useful life of more than two years to be considered for capitalization and depreciation. Assets that are consumed, used-up, habitually lost or worn-out in two years or less shall not be capitalized. Assets having a useful life of more than two years but that have a historical or estimated cost of less than the threshold limit established in Section 1 may, at the discretion of the City Recorder and other Department Heads, be inventoried for tracking purposes.

Section 3. The City Recorder is authorized to consult with department heads, external auditors and accountants, the University of Tennessee’s Municipal Technical Advisory Service, and other professionals for the purpose of determining information necessary to develop a comprehensive capital assets policy. This policy should include, but not be limited to, determinations of estimated useful life, asset historical or estimated cost, salvage value, depreciation method to be used, and method of determining aggregate value of like kind assets that do not individually exceed the threshold amount. It is the intent of this resolution to adopt a process for the purpose of complying with the capital asset requirements of GASB 34 and at the same time minimizing the costs associated with its implementation.

Section 4. All other resolutions in conflict with the requirements of this resolution are hereby declared null and void. The resolution shall take effect upon final passage, the public welfare requiring it.

Approved February 25th, 2020

Mayor [Signature]
Mayor

[Signature]
City Recorder (Clerk)

Graysville

	Water	County: Rhea		
	2016	2017	2018	2019
Unrestricted Net Position	\$422,503.00	\$356,848.00	\$393,670.00	
Operating Revenues	\$267,818.00	\$255,882.00	\$302,517.00	
Net Sales	\$249,293.00	\$238,254.00	\$280,532.00	
Operating Expenses	\$281,955.00	\$290,269.00	\$301,539.00	
Operating Income	(\$14,137.00)	(\$34,387.00)	\$978.00	
Depreciation Expense	\$52,081.00	\$54,296.00	\$58,563.00	
Non-Operating Rev. (Exp.)	(\$10,377.00)	(\$10,197.00)	(\$9,645.00)	
Operating Profit	(\$24,514.00)	(\$44,584.00)	(\$8,667.00)	
Grants and Capital Contribution	\$0.00	\$0.00	\$0.00	
Transfers In	\$0.00	\$0.00	\$0.00	
Transfers Out	\$0.00	\$0.00	\$0.00	
GAAP Change in Net Position	(\$24,514.00)	(\$44,584.00)	(\$8,667.00)	
Statutory Change in NP (2017)	(\$24,514.00)	(\$44,584.00)	(\$8,667.00)	
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	
Statutory Change in NP (2018)		(\$44,584.00)	(\$8,667.00)	





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **City of Graysville**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water**

Staff Summary:

On September 30, 2019, the Board issued the attached order regarding the City's financial distress.

The City engaged TAUD to assist with the directives of the Board order. The City received the attached TAUD report on August 6, 2020, but has not had sufficient time to implement its recommendations at this point.

Staff Recommendation:

Order the City to comply with the following:

1. By November 30, 2020, the City shall implement all recommendations in the TUA report dated August 6, 2020.
2. By December 31, 2020, the Town shall provide Board staff with proof of implementation of all TUA recommendations.
3. The Town shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2021, until the Board releases the Town from its oversight.

2. By October 31, 2019, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.
3. By February 28, 2020, the City shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the City.

ENTERED this 30th day of September, 2019.

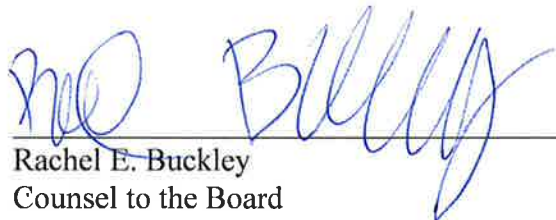


ANN V. BUTTERWORTH, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 30th day of September, 2019:

Mayor Jimmy Massengill
Ms. Tracey Pankey, City Recorder
City of Graysville
136 Harrison Ave.
Graysville, TN 37338



Rachel E. Buckley
Counsel to the Board



Tennessee Utility Assistance, LLC
840 Commercial Court
Murfreesboro, TN 37129
Voice (615) 896-9022
Fax (615) 898-8283

REPORT FOR CITY OF GRAYSVILLE, TENNESSEE

WATER AND WASTEWATER FINANCING BOARD ORDER DATED SEPTEMBER 30, 2019

August 6, 2020

INTRODUCTION

Description of the Graysville Water System and Existing Rates

The City of Graysville, Tennessee (City or Graysville) is located in Rhea County. The City provides water service to approximately 720 customers. The City's raw water supply comes from a single well which is treated at the City's water treatment plant for distribution to its customers.

The City has single rate class for all of its customers, but has inside-city rates and outside-city rates for this single rate class. The City's current rates have been in effect since July 1, 2017 and are as follows:

Inside City

First 1,500 gallons	\$22.49
1,501 - 5,500	\$ 2.24 / 1,000 gallons
5,501 - 7,500	\$ 2.33 / 1,000 gallons
7,501 - 9,500	\$ 2.41 / 1,000 gallons
Over 9,501	\$ 2.50/ 1,000 gallons

Outside City

First 1,500 gallons	\$32.04
1,501 - 5,500	\$ 3.35 / 1,000 gallons
5,501 - 7,500	\$ 3.48 / 1,000 gallons
7,501 - 9,500	\$ 3.61 / 1,000 gallons
Over 9,501	\$ 3.74 / 1,000 gallons

As of February 18, 2020, the City had 589 inside-city customers and 132 outside-city customers. The City's water fund's balance of cash and cash equivalents and investments was \$358,213 as of June 30, 2019.

The City was referred to the Water and Wastewater Financing Board (WWFB) upon the submission of its audit for its fiscal year ending June 30, 2018, because it met the statutory definition for a financially distressed municipal water system. The system had a negative change in net position for two consecutive years without regard to any grants or capital contributions for its fiscal years ending June 30, 2017 and June 30, 2018.

The City had a negative change in net position of \$10,047 for its fiscal year ending June 30, 2019, not including capital contributions and grant revenue.

Water and Wastewater Financing Board Order

On September 30, 2019, the Water and Wastewater Financing Board (WWFB) issued an order directing the City of Graysville do the following items.

- 1) The City shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by the Board staff, perform a rate study that includes the following:
 - a) A review of the capitalization policy, including any recommended modifications;
 - b) Creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and
 - c) A justification of the discrepancy between rates inside the City as opposed to outside the City, if possible.
- 2) By October 31, 2019, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.
- 3) By February 28, 2020, the City shall provide the Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
- 4) Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the City.

RECOMMENDATIONS

Recommendation #1

The City should adopt a new rate structure effective October 1, 2020, with the following changes:

- (1) The City should have a single usage rate tier rather than four usage rate tiers for both inside-city and outside-city customers.
- (2) The City should adopt the following rates to become effective October 1, 2020:

Inside-City

First 1,500 gallons	\$23.00
Over 1,500 gallons	\$ 2.60 per 1,000 gallons

Outside-City

First 1,500 gallons	\$31.00
Over 1,500 gallons	\$ 3.35 per 1,000 gallons

Recommendation #2

The City should adopt the following rates to become effective on July 1, 2021.

Inside-City

First 1,500 gallons	\$23.50
Over 1,500 gallons	\$ 2.70 per 1,000 gallons

Outside-City

First 1,500 gallons	\$31.00
Over 1,500 gallons	\$ 3.20 per 1,000 gallons

Recommendation # 3

The City should adopt a resolution to establish a capitalization policy which incorporates the capitalization cost thresholds and service lives the City currently uses for all capital assets except its water system assets. The City's capitalization policy should include the service lives for its water system using the recommended service lives adopted by the WWFB for municipal water systems. TUA prepared a suggested resolution which the City can adopt to establish the recommended capitalization policy.

Currently, the City uses \$500 as a capitalization threshold. This threshold is low. Capitalizing each asset which cost more than \$500 and depreciating the asset over its useful life requires extra recordkeeping for the City which provides no real benefit to the City. The GFOA recommends that the capitalization threshold for local governments be no less than \$5,000. While a smaller city such as Graysville may not need to have \$5,000 as its capitalization threshold, something greater than \$500 seems warranted.

FIVE YEAR CAPITAL ASSET PLAN

The City informed TUA that it did not plan to make any capital improvements or make any capital purchases for the next five years so no Five-Year Capital Asset Plan was developed.

RATE STUDY AND PROPOSED PLAN OF ACTION

To determine whether existing rates will produce sufficient revenues to make the City's water system self-supporting, TUA first projected a Statement of Revenues and Expenses and Changes in Net Position for the City's water fund for its fiscal year which ending June 30, 2020. TUA projected the revenues for the system using existing rates. TUA projected operation and maintenance expenses and debt service payments by reviewing historical information from the five previous years, reviewing the City's budget for its water fund for the fiscal year ending June 30, 2020, and reviewing its actual expenses to date for the fiscal year ending June 30, 2020.

Then, TUA projected Statements of Revenues and Expenses and Changes in Net Position for the City's water fund for its fiscal years ending June 30 of 2021, 2022, 2023, 2024, and 2025. See **Exhibit 1** attached to this Report.

Revenue Projections:

- Water sales for the fiscal year ending June 30, 2020, were projected based on the average of water sales for the prior two fiscal years. The City has experienced no growth in water customers and had no rate increases during the prior two fiscal years.
- All other revenues for the fiscal year ending June 30, 2020, were projected based upon ten months of the actual amount of these other revenues plus projected amounts for the remaining two months of the fiscal year based upon the previous ten months.
- Since 2015 the City has experienced minimal annual customer growth and does not plan to expand its existing water system in the near future. Therefore, the water sales for the fiscal years ending June 30th of 2021, 2022, 2023, 2024, and 2025 do not include any revenue increases based annual customer growth.

Expense Projections:

- Except for depreciation, all operating expenses are projected based upon ten months of the actual expense for the fiscal year ending June 30, 2020, plus an estimate of the expense for the remaining two months of this fiscal year based upon the previous ten months.
- Depreciation for the fiscal year ending June 30, 2020, is based upon the City's fixed asset schedule which includes the annual depreciation of its capital assets.
- For the remaining fiscal years in the five-year projection, all operating expenses, except depreciation, are increased by 2% annually over the projected amount for the current fiscal year.
- Annual depreciation expenses are projected based upon the City's existing fixed asset schedule and the useful service lives used on the schedule for depreciation plus the new depreciation for capital assets placed into service in the fiscal year ending June 30, 2020.

- Interest expense for the fiscal year ending June 30, 2020 and for the future fiscal years in the projection was based on the amortization schedules for debt issued by the City which is secured by the water fund.

Revenue Sufficiency and Rate Modifications Required

TUA projects that the City’s water fund will have a positive change in net position of \$2,505 for its fiscal year ending June 30, 2020, not including capital contributions and grant revenue,

Based upon the projected Statements, the City’s water fund will have a negative change in net position each year at current rates for the next five fiscal years.

Rate Changes Effective October 1, 2020

TUA recommends the following changes to the City’s existing rates to become effective October 1, 2020.

- The City should have a single usage rate tier rather than four usage rate tiers for both inside-city and outside-city customers. The City was unable to find any record of why it adopted four inclining rate tiers. The City really has no cost justification for have four inclining rate tiers. Therefore, TUA recommended that the City only have one usage rate tier.
- The City’s schedule of rates on October 1, 2020, will be as follows:

Inside-City

First 1,500 gallons	\$23.00
Over 1,500 gallons	\$ 2.60 per 1,000 gallons

Outside-City

First 1,500 gallons	\$31.00
Over 1,500 gallons	\$ 3.35 per 1,000 gallons

- These rate changes should give the City’s water fund a positive change in net position for its fiscal year ending June 30, 2021. See **Exhibit 1**.

Rate Changes Effective July 1, 2021

TUA recommends the following changes to the City's rates effective July 1, 2021.

Inside-City

First 1,500 gallons	\$23.50
Over 1,500 gallons	\$ 2.70 per 1,000 gallons

Outside-City

First 1,500 gallons	\$31.00
Over 1,500 gallons	\$ 3.20 per 1,000 gallons

Rate Changes for the Fiscal Year Beginning July 1, 2022

TUA recommends a series of small annual rate increases in water rates through July 1, 2024 to ensure the City's water fund continues to have a positive change in net position. See **Exhibit 2** attached to this Report.

The annual rate recommendations for the fiscal years beginning July 1, 2022, are based upon revenue and expense projections which are subject to change. Therefore, the rate recommendations should be reviewed annually as a part of the budgetary process each year to ensure that rates recommended will continue to produce sufficient revenues to give the water fund a positive change in net position in future fiscal years.

Projected Cash and Investments Schedule

If the City adopts the rate increases recommended by TUA, the water fund should have a cash and investments balance of \$509,090 as of June 30, 2025. The Water Fund - Projected Cash and Investments Balance Schedule is attached as **Exhibit 3**.

JUSTIFICATION OF OUTSIDE RATE DIFFERENTIAL

TUA allocated the projected water revenue for the City’s fiscal year ending June 30, 2020 between inside-city customers and outside-city customers. This allocation shows that inside-city customers produce 75.48% of the City’s total water revenue and outside-city customers produce 24.52% of the City’s total water revenue.

Revenue Allocations Based on Percentages for Fiscal Year Ending June 30, 2020

Inside Revenue	\$224,571	75.48%
Outside Revenue	<u>\$ 72,970</u>	<u>24.52%</u>
Total	\$297,541	100.00%

TUA allocated the expenses of the water system between inside-city and outside-city customers for the fiscal year ending June 30, 2020, as set forth in **Exhibit 4** attached to this Report. Based upon the expense allocations, inside-city customers are currently generating 80% of the cost of the operation of the water system and outside-city customers are generating 20% of the cost. While a rate differential between inside-city and outside-city rates is justified, the rate differential needs to be reduced. The rates recommended in this Report lower the rate differential over time so that inside-city customers should be contributing approximately 80% of the water system’s revenues for the City’s fiscal year ending June 30, 2025, thereby covering the cost of service to inside-city customers.

The monthly water bill for an inside-city customer and an outside-city customer using 4,000 gallons at the recommended rates to become effective July 1, 2024 will be as follows:

Inside-City \$32.75

Outside-City \$35.95

CITY’S CAPITALIZATION POLICY

The City was not able to locate a resolution or other action which set forth its capitalization policy. The City should adopt a resolution which incorporates the capitalization cost thresholds and service lives the City currently uses for all capital assets except its water system assets. The City’s capitalization policy should include the service lives for its water system using the recommended service lives adopted by the WWFB for municipal water systems. TUA prepared a suggested resolution which the City can adopt to establish this recommended capitalization policy which is attached as **Exhibit 5** to this Report.

Graysville, Tennessee- Projected Statements of Revenues and Expenses and Changes in Net Position

Water Fund

	Projected <u>6/30/2020</u>	Projected <u>6/30/2021</u>	Projected <u>6/30/2022</u>	Projected <u>6/30/2023</u>	Projected <u>6/20/2024</u>	Projected <u>6/30/2025</u>
Operating Revenues:						
Water Sales	280,800	280,800	280,800	280,800	280,800	280,800
Penalties	12,257	12,257	12,257	12,257	12,257	12,257
Connection Fees	5,952	5,952	5,952	5,952	5,952	5,952
Other Operating	2,948	2,948	2,948	2,948	2,948	2,948
Total Operating Revenues	301,957	301,957	301,957	301,957	301,957	301,957
Operating Expenses:						
Water Distribution and Pumping	151,080	154,102	157,184	160,327	163,534	166,805
Administration	74,615	76,107	77,629	79,182	80,766	82,381
Depreciation	64,179	64,179	64,179	64,179	64,179	64,179
Total Operating Expenses	289,874	294,388	298,992	303,688	308,479	313,365
Operating Income (Loss)	12,083	7,569	2,965	(1,731)	(6,522)	(11,408)
Nonoperating Revenues (Expenses)						
Interest Revenue	368	200	200	200	200	200
Interest Expense	(9,946)	(9,743)	(9,534)	(9,319)	(9,097)	(8,869)
Total Nonoperating Revenues (Expenses)	(9,578)	(9,543)	(9,334)	(9,119)	(8,897)	(8,669)
Change in Net Position before Contributed Capital	2,505	(1,974)	(6,369)	(10,850)	(15,419)	(20,077)
Capital Contributions / Grants	211,700	-	-	-	-	-
Change in Net Position after Contributed Capital	214,205	(1,974)	(6,369)	(10,850)	(15,419)	(20,077)
Revenue Generated from Suggested Rate Increase	N/A	6,177	13,623	18,377	23,130	28,428
Change in Net Position after Suggested Rate Increase	214,205	4,203	7,254	7,527	7,712	8,351

Graysville, Tennessee - Recommended Rates

<u>Recommended Rates for FY 22-23 (to start July 1, 2022)</u>	
	<u>Rates</u>
<u>Inside City - 589 customers</u>	
First 1,500 gallons	\$24.00
Over 1,500 gallons	\$2.80 / 1,000 gallons
<u>Outside City - 132 customers</u>	
First 1,500 gallons	\$30.00
Over 1,500 gallons	\$3.20/ 1,000 gallons

<u>Recommended Rates for FY 23-24 (to start July 1, 2023)</u>	
	<u>Rates</u>
<u>Inside City - 589 customers</u>	
First 1,500 gallons	\$24.50
Over 1,500 gallons	\$2.90 / 1,000 gallons
<u>Outside City - 132 customers</u>	
First 1,500 gallons	\$29.00
Over 1,500 gallons	\$3.20/ 1,000 gallons

<u>Recommended Rates for FY 24-25 (to start July 1, 2024)</u>	
	<u>Rates</u>
<u>Inside City - 589 customers</u>	
First 1,500 gallons	\$24.25
Over 1,500 gallons	\$3.20 / 1,000 gallons
<u>Outside City - 132 customers</u>	
First 1,500 gallons	\$27.75
Over 1,500 gallons	\$3.30/ 1,000 gallons

Graysville, Tennessee - Water Fund - Projected Cash and Investment Schedule

	Projected <u>6/30/2020</u>	Projected <u>6/30/2021</u>	Projected <u>6/30/2022</u>	Projected <u>6/30/2023</u>	Projected <u>6/30/2024</u>	Projected <u>6/30/2025</u>
Beginning Balance	358,213	418,235	479,752	544,111	608,527	672,907
Sources of Funds						
Water Sales ***	280,800	286,977	294,423	299,177	303,930	309,228
Other Revenues	21,157	21,157	21,157	21,157	21,157	21,157
Interest Revenue	368	200	200	200	200	200
CDBG Grant	211,700	-	-	-	-	-
Total Sources of Funds	514,025	308,334	315,780	320,534	325,287	330,585
Uses of Funds						
Operating Expenses	289,874	294,388	298,992	303,688	308,479	313,365
Depreciation	(64,179)	(64,179)	(64,179)	(64,179)	(64,179)	(64,179)
Debt Service - Principal	6,662	6,865	7,074	7,289	7,511	7,739
Debt Service - Interest	9,946	9,743	9,534	9,319	9,097	8,869
Capital Expenditures	211,700	-	-	-	-	-
Total Uses of Funds	454,003	246,817	251,421	256,117	260,908	265,794
Ending Balance	418,235	479,752	544,111	608,527	672,907	737,698

*** Includes revenue from suggested rate increases

NOTE: This synopsis from beginning funds to ending funds does not include accounts receivable, accounts payable, fixed asset or any other adjustments made to the statement of net position. This is a "cash basis" summary.

Graysville, Tennessee - Water Fund - Inside and Outside Analysis

	Actual 6/30/2020	Allocated Expenses		
		Inside	Outside	
Operating Expenses:				
Water Distribution and Pumping	151,080	123,269	27,811	Based of % of Gallons Used
Administration	74,615	60,953	13,662	Based on % of Customers
Depreciation	64,179	46,333	17,846	See Below
Total Operating Expenses	289,874	230,556	59,319	
		79.54%	20.46%	

<u>Allocations Based on Gallons Used</u>		
	<u># of Gallons</u>	<u>%</u>
Inside City	29,008,595	81.59%
Outside City	6,544,573	18.41%
	<u>35,553,168</u>	<u>100.00%</u>

<u>Allocations based on # of Customers</u>		
		<u>%</u>
# of Customers Inside	589	81.69%
# of Customers Outside	132	18.31%
	<u>721</u>	<u>100.00%</u>

	<u>Total Expense</u>	<u>Inside</u>	<u>Outside</u>	
Depreciation Expense Allocations				
Distribution Mains	13,801.90	6,900.95	6,900.95	divide equally
Equipment	457.42	373.22	84.20	% based on gallons used
Hydrants	317.91	259.39	58.52	% based on gallons used
Meters	25.05	20.46	4.59	% based on # of customers
Services	165.68	135.35	30.33	% based on # of customers
Structures & Improvements	78.00	63.64	14.36	% based on gallons used
Vehicles	7,607.68	6,207.27	1,400.41	% based on gallons used
Water Pumping Plant	36,433.59	29,726.95	6,706.64	% based on gallons used
new Water Line Upgrade	5,292.00	2,646.00	2,646.00	divide equally
	<u>64,179.23</u>	<u>46,333.23</u>	<u>17,846.00</u>	

RESOLUTION NO. 2020-_____

A RESOLUTION TO ESTABLISH CAPITALIZATION THRESHOLDS FOR ASSETS TO BE RECORDED AS CAPITAL ASSETS IN THE CITY'S FINANCIAL STATEMENTS

WHEREAS, the City of Graysville, Tennessee (the City) desires to formally adopt the capitalization thresholds at which its assets have historically been capitalized and recorded as capital assets in the City's financial statements; and

WHEREAS, the City desires to establish appropriate service lives for its water system assets which are consistent with the directives of the Water and Wastewater Financing Board for municipal water systems.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Board of Commissioners that:

(a) **Capitalization Thresholds.** The capitalization thresholds for the City's assets are a cost of \$500.00 and an estimated useful life of two years. Land and Construction in Progress are capitalized but not depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

(b) **Asset Cost Basis.** Capital assets shall be recorded at historical cost when the cost is reasonably determinable. If historical cost data is not determinable, an estimated historical cost will be used.

- (1) Actual Cost – This cost will include the purchase or construction cost (which can be obtained through invoice, purchase order, and paid check files) and charges necessary to place the asset into service at its intended location. Such necessary costs may include costs such as freight and transportation, site preparation expenditures, interest costs, professional fees, and legal claims directly attributable to asset acquisition.
- (2) Estimated Cost – This cost will be based on as much documentary evidence as can be found to support the cost, such as interviews with vendors selling such assets engineers, or other personnel and price level adjustments based on the Consumer Price Index for each asset.
- (3) Donated Cost – These assets will be based on their estimated fair market value at time of acquisition. A determination as to the fair market value basis will be included with property records.
- (4) Interest on Debt Issued – Interest on debt issued for the construction of an asset will be capitalized as part of the asset's cost to the extent of the interest that was incurred during the construction period only.

(c) **Depreciation.**

- (1) Depreciation is a method for allocating the cost of capital assets over their useful lives. Generally accepted accounting principles dictate that the value of the capital asset must be written off as an expense over the useful life of the asset.
- (2) Annual depreciation expense will be calculated using the straight-line method.
- (3) When the asset is disposed of, the actual date of disposal is disregarded, and the disposal date is the end of the month prior to the month of disposal (i.e. no depreciation is taken for the month of disposal).
- (4) The salvage value of an asset is an estimate made by management of what the value of an asset will be at the end of its useful life. If the City intends to utilize a capital asset until it is literally worthless, a salvage value of zero (0) will be assigned.

(d) **Useful Lives of Capital Assets**

<u>Asset Type</u>	<u>Useful Life in Years</u>
Land and Easements	No depreciation
Building	40 - 50
Vehicles (other than water system)	5 - 10
Equipment (other than water system)	7
Water System:	
Buildings (Office and Plant)	30 - 50
Equipment and Tools	10 - 15
Furniture and Fixtures	5 - 10
Machinery, Equipment and Service Vehicles	5 - 15
Pumps and Treatment Equipment	15 - 20
Transportation Equipment	5 - 10
Water Lines and Storage	40 - 50
Well / Dam	Engineer's Estimate

Adopted this ____ day of _____, 2020

Mayor

Attest: _____
City Recorder



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Grundy County Sewer System**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Sewer**

Staff Summary:

Staff Recommendations:

Staff recommendation to follow.

Harriman

	Water and Sewer	County: Roane		
	2016	2017	2018	2019
Unrestricted Net Position	\$632,039.00	\$624,759.00	\$418,480.00	
Operating Revenues	\$1,959,012.00	\$1,785,732.00	\$1,763,577.00	
Net Sales	\$1,902,107.00	\$1,731,075.00	\$1,685,744.00	
Operating Expenses	\$1,713,331.00	\$1,706,187.00	\$1,734,216.00	
Operating Income	\$245,681.00	\$79,545.00	\$29,361.00	
Depreciation Expense	\$562,529.00	\$576,040.00	\$577,734.00	
Non-Operating Rev. (Exp.)	(\$105,185.00)	(\$96,531.00)	(\$120,684.00)	
Operating Profit	\$140,496.00	(\$16,986.00)	(\$91,323.00)	
Grants and Capital Contribution	\$0.00	\$0.00	\$3,750.00	
Transfers In	\$0.00	\$0.00	\$0.00	
Transfers Out	\$0.00	\$0.00	\$0.00	
GAAP Change in Net Position	\$140,496.00	(\$16,986.00)	(\$87,573.00)	
Statutory Change in NP (2017)	\$140,496.00	(\$16,986.00)	(\$91,323.00)	
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	
Pension and OPEB Liability	\$189,347.00	\$465,036.00	\$555,514.00	
Statutory Change in NP (2018)		\$258,703.00	(\$845.00)	





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **City of Harriman**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

On September 30, 2019, the Board issued the attached order regarding the City's financial distress.

The City hired Chris Mitchell Management Consultants to assist in completing the directives of the Board order. The resulting rate study and recommendations can be found on the accompanying pages.

The City has implemented all recommendations of the rate study and has therefore complied with all Board directives.

Staff Recommendation:

Order the City to comply with the following:

1. The City shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2021, until the Board releases the City from its oversight.

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:

CITY OF HARRIMAN

)
)
)
)
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)
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**TENN. CODE ANN. § 68-221-1010
-FINANCIAL DISTRESS**


ORDER

On September 19, 2019, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the City of Harriman (“the City”) pursuant to Tenn. Code Ann. § 68-221-1010. Board staff informed the Board that although the City had previously raised its rates, Staff has no evidence that the raise is sufficient. Therefore, based on Staff’s statements, recommendations, and supporting documentation, the Board hereby orders the following:

1. The City shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - a. a review of the capitalization policy, including any recommended modifications; and
 - b. a review of the current five-year capital asset plan, including any recommended modifications.
2. By October 31, 2019, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.

3. By February 28, 2020, the City shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the City.

ENTERED this 30th day of September, 2019.

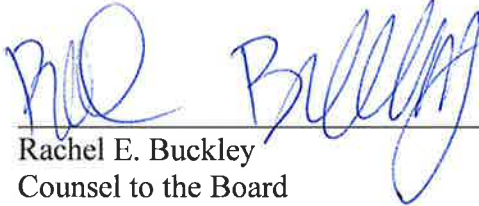


ANN V. BUTTERWORTH, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 30th day of September, 2019:

Mayor Wayne Best
Ms. Candace Vannsdale
City of Harriman
609 N. Roane St.
P.O. Drawer 433
Harriman, TN 37748



Rachel E. Buckley
Counsel to the Board

2020 RESIDENTIAL WATER RATES PROPOSAL

Current Rates:

	Inside City	Outside City	
Customer Charge	\$21.00	\$24.50	
First 2,000 gallons	\$0.00	\$0.00	
Next 8,000 gallons	\$6.83	\$9.85	per thousand gallons
Excess...	\$4.98	\$6.23	per thousand gallons

Proposed Rates (effective 8/1/2020):

	Inside City	Outside City	
Customer Charge	\$20.25 ²	\$23.75 ²	
First 1,500 gallons ¹	\$0.00	\$0.00	
Next 8,500 gallons	\$6.93 ²	\$10.19 ²	per thousand gallons
Excess...	\$5.05 ²	\$6.45 ²	per thousand gallons

Notes:

1. We are changing the number of gallons included in the minimum bill (customer charge) from 2,000 to 1,500 gallons in August 2020 and from 1,500 to 1,000 gallons in August 2021.
2. Effective August 1, 2020: For inside customers, we are reducing the fixed rate (customer charge) by 3.57% and increasing the variable rate by 1.5%. For outside customers, we are reducing the fixed rate (customer charge) by 3.06% and increasing the variable rate by 3.5%.

2020 COMMERCIAL WATER RATES PROPOSAL

Current Rates:

	Inside City	Outside City	
Customer Charge	\$23.40	\$27.24	
First 2,000 gallons	\$0.00	\$0.00	
Next 8,000 gallons	\$7.65	\$10.79	per thousand gallons
Excess...	\$5.58	\$6.23	per thousand gallons

Proposed Rates (effective 8/1/2020):

	Inside City	Outside City	
Customer Charge	\$22.56 ²	\$26.41 ²	
First 1,500 gallons ¹	\$0.00	\$0.00	
Next 8,500 gallons	\$7.76 ²	\$11.17 ²	per thousand gallons
Excess...	\$5.66 ²	\$6.45 ²	per thousand gallons

Notes:

1. We are changing the number of gallons included in the minimum bill (customer charge) from 2,000 to 1,500 gallons in August 2020 and from 1,500 to 1,000 gallons in August 2021.
2. Effective August 1, 2020: For inside customers, we are reducing the fixed rate (customer charge) by 3.57% and increasing the variable rate by 1.5%. For outside customers, we are reducing the fixed rate (customer charge) by 3.06% and increasing the variable rate by 3.5%.

2-YEAR (2020 & 2021)**RESIDENTIAL WASTEWATER RATES PROPOSAL****Current Rates:**

	Inside City	Outside City
Customer Charge	\$18.46	\$18.46
First 1,000 gallons	\$0.00	\$0.00
per 1,000 gallons...	\$11.27	\$11.27

Proposed Rates (effective 8/1/2020):

	Inside City	Outside City
Customer Charge	\$19.75 ¹	\$19.75 ¹
First 1,000 gallons	\$0.00	\$0.00
per 1,000 gallons...	\$12.06 ¹	\$12.06 ¹

Proposed Rates (effective 8/1/2021):

	Inside City	Outside City
Customer Charge	\$20.74 ²	\$20.74 ²
First 1,000 gallons	\$0.00	\$0.00
per 1,000 gallons...	\$12.66 ²	\$12.66 ²

Notes:

1. Effective August 1, 2020: We are increasing the fixed rate (customer charge) and the variable rate by 7%.
2. Effective August 1, 2021: We are increasing the fixed rate (customer charge) and the variable rate by 5% compared to the 8/1/2020 rates.

2-YEAR (2020 & 2021)**COMMERCIAL WASTEWATER RATES PROPOSAL****Current Rates:**

	Inside City	Outside City
Customer Charge	\$50.59	\$50.59
First 1,000 gallons	\$0.00	\$0.00
per 1,000 gallons...	\$11.64	\$11.64

Proposed Rates (effective 8/1/2020):

	Inside City	Outside City
Customer Charge	\$54.13 ¹	\$54.13 ¹
First 1,000 gallons	\$0.00	\$0.00
per 1,000 gallons...	\$12.45 ¹	\$12.45 ¹

Proposed Rates (effective 8/1/2021):

	Inside City	Outside City
Customer Charge	\$56.84 ²	\$56.84 ²
First 1,000 gallons	\$0.00	\$0.00
per 1,000 gallons...	\$13.07 ²	\$13.07 ²

Notes:

1. Effective August 1, 2020: We are increasing the fixed rate (customer charge) and the variable rate by 7%.
2. Effective August 1, 2021: We are increasing the fixed rate (customer charge) and the variable rate by 5% compared to the 8/1/2020 rates.

From: cvannasdale@hub-tn.com
To: Utilities@cot.tn.gov
Cc: [Dusty Fagan](#); [Jeremy Gibson](#); ["Wayne Best"](#); khelms@cityofharriman.net; ["Chris Mitchell"](#)
Subject: RE: Response to State Order for Harriman Utility Board (Financial Distress)
Date: Tuesday, June 30, 2020 7:53:31 AM
Attachments: [image001.jpg](#)
[Harriman New Water and Sewer Rates.pdf](#)

This e-mail is to follow-up on the water and sewer rate study information I provided your office on February 27th. As you are aware, the City of Harriman (Harriman Utility Board, HUB) was issued an Order on 09/30/2019. As such, HUB was required to submit a completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation. The proposed plan of implementation was presented in my previous e-mail (February 27th). Today's e-mail includes the "proof of implementation".

Yesterday evening, our Board of Directors passed a water rates proposal to be effective August 1st, 2020. Also, they passed a 2-year sewer rates proposal. The first sewer rate change will take effect August 1st, 2020 and the second will take effect August 1st, 2021. The attached PDF summarizes the rate changes passed yesterday evening. These rate changes were exactly as recommended in our rate study provided to you in February, with the exception that we are starting August 1st, 2020 instead of July 1st, 2020. The minor delay is due mostly to our desire to wait until our COVID-19 impact could be better assessed prior to voting on the rate changes. Also, the Board wanted to reevaluate the water department finances in one year before making a decision on the second year (2021) recommendation. I hope you will agree that is appropriate considering the improvement we have already made in our water department since your Order was issued.

In accordance with our strategic plan, our goals are to build appropriate cash reserves in each department, balance our annual budgets to achieve a positive net income (without grant revenue considered), and fund future infrastructure projects (i.e. water plant filter rehab, distribution tank rehab, AMI meters, sewer plant clarifier rehab, etc.).

If you would like additional information or have any questions, please do not hesitate to call me.

Candace D. Vannasdale, P.E.
General Manager

From: cvannasdale@hub-tn.com <cvannasdale@hub-tn.com>
Sent: Thursday, February 27, 2020 4:28 PM
To: 'utilities@cot.tn.gov' <utilities@cot.tn.gov>
Cc: Dusty Fagan (dfagan@hub-tn.com) <dfagan@hub-tn.com>; Jeremy Gibson <jgibson@hub-tn.com>; 'Wayne Best' <wayne.best@cityofharriman.net>; 'khelms@cityofharriman.net' <khelms@cityofharriman.net>; 'Chris Mitchell' <mail@chrismitchellmc.com>
Subject: Response to State Order for Harriman Utility Board (Financial Distress)

In accordance with the Order issued to the City of Harriman (Harriman Utility Board, HUB) on 09/30/2019, HUB is required to submit a completed rate study, and either proof of implementation

of the resulting recommendations or a proposed plan of implementation.

Attached you will find a copy of our completed rate study with recommendations for both water and wastewater rates for the next four years. This information was developed by our rates consultant Chris Mitchell of Chris Mitchell Management Consultants (CMMC) based upon financial information provided by HUB.

The information from CMMC was first presented to our Board on 01/27/2020. Additionally, I meet with our Board in a Workshop session on 02/10/2020 to further discuss and evaluate the options presented. The Board was very receptive to the recommendations presented by CMMC and agreed that we should vote on the first two years' of rate action for both water and wastewater at the February meeting. Unfortunately, 2 of the 5 Board Members were unable to attend the February meeting, and a decision was made to hold the vote until the next regular Board Meeting scheduled for March 30, 2020. A summary of the proposed Board Action is attached as well as a copy of the State's Order and a copy of our January 2020 Minutes.

I hope that you trust we will send you a summary of the action to be taken at the 03/30/2020 meeting as soon as we can. If you need any additional information, or if you would like paper copies of any of the attachments, please do not hesitate to call me.

Candace D. Vannasdale, P.E.

General Manager



Harriman Utility Board
P.O. Box 434
200 N. Roane Street
Harriman, TN 37748
cvannasdale@hub-tn.com
Phone: (865) 882-3242 x 201

Hornbeak

	Sewer	County: Obion		
	2016	2017	2018	2019
Unrestricted Net Position	\$130,727.00	\$164,333.00	\$199,812.00	\$244,377.00
Operating Revenues	\$106,753.00	\$102,175.00	\$102,550.00	\$113,213.00
Net Sales	\$105,761.00	\$102,170.00	\$102,540.00	\$113,213.00
Operating Expenses	\$92,779.00	\$103,120.00	\$101,614.00	\$104,270.00
Operating Income	\$13,974.00	(\$945.00)	\$936.00	\$8,943.00
Depreciation Expense	\$45,380.00	\$45,379.00	\$45,380.00	\$45,380.00
Non-Operating Rev. (Exp.)	(\$7,082.00)	(\$6,759.00)	(\$6,614.00)	\$(5,381.00)
Operating Profit	\$6,892.00	(\$7,704.00)	(\$5,678.00)	\$3,562.00
Grants and Capital Contribution	\$0.00	\$0.00	\$0.00	\$-00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	\$6,892.00	(\$7,704.00)	(\$5,678.00)	\$3,562.00
Statutory Change in NP (2017)	\$6,892.00	(\$7,704.00)	(\$5,678.00)	\$3,562.00
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		(\$7,704.00)	(\$5,678.00)	\$3,562.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Town of Hornbeak**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Sewer**

Staff Summary:

On September 30, 2019, the Board issued the attached order regarding the Town's financial distress.

The Town engaged TAUD to assist in completing the directives of the Board order. The resulting report and recommendations are attached.

The Town has implemented all TAUD recommendations and has therefore complied with all Board directives.

Staff Recommendation:

Order the Town to comply with the following:

1. The Town shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2021, until the Board releases the Town from its oversight.

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:

TOWN OF HORNBEAK

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**TENN. CODE ANN. § 68-221-1010
-FINANCIAL DISTRESS**

ORDER

On September 19, 2019, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the Town of Hornbeak (“the Town”) pursuant to Tenn. Code Ann. § 68-221-1010. The Town believes the Tennessee Department of Environment and Conservation (“TDEC”) is issuing septic permits for locations where public sewer is available. Therefore, based on Staff’s statements, recommendations, and supporting documentation, the Board hereby orders the following:

1. The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - a. a justification for Black Oak School’s discounted rate or a recommended rate if justification is not possible;
 - b. a review of the capitalization policy, including any recommended modifications;
 - c. the creation of a delinquent accounts policy; and
 - d. the creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs.

2. By October 31, 2019, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.
3. The Town shall consult with counsel regarding the Town's ability and feasibility to stop septic permits from being issued in areas where public sewer is available.
4. By February 28, 2020, the Town shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
5. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town.

ENTERED this 30th day of September, 2019.



ANN V. BUTTERWORTH, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 30th day of September, 2019:

Mayor Dennis Dozier
Ms. Joyce Gray, City Recorder
Town of Hornbeak
P.O. Box 265
Hornbeak, TN 38232



Rachel E. Buckley
Counsel to the Board



Tennessee Utility Assistance, LLC
840 Commercial Court
Murfreesboro, TN 37129
Voice (615) 896-9022
Fax (615) 898-8283

REPORT FOR TOWN OF HORNBEAK, TENNESSEE

WATER AND WASTEWATER FINANCING BOARD ORDER DATED SEPTEMBER 30, 2019

**March 20, 2020
Submitted by John Hall**

Introduction

The Town of Hornbeak (Town or Hornbeak) operates a small sewer system which serves the residents of the Town. The Town was referred to the Water and Wastewater Financing Board (WWFB) upon the submission of its audit for its year ending June 30, 2018, because the Town's sewer fund had a negative change in net position for two consecutive years without regard to any grants or capital contributions for its fiscal years ending June 30, 2017, and June 30, 2018.

On September 30, 2019, the Water and Wastewater Financing Board (WWFB) issued an order directing the Town of Hornbeak do the following items.

- 1) The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by the Board staff, perform a rate study that includes the following:
 - a) A justification for Black Oak School's discounted rate or a recommended rate if justification is not possible;
 - b) A review of the capitalization policy, including any recommended modifications;
 - c) Creation of a delinquent accounts policy; and
 - d) Creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs.
- 2) By October 31, 2019, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.
- 3) The Town shall consult with counsel regarding the Town's ability and feasibility to stop septic permits from being issued in areas where public sewer is available.
- 4) By February 28, 2020, the Town shall provide the Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

For its fiscal year ending June 30, 2019, the Town sewer fund had a positive change in net position for \$3,562, excluding grants and capital contributions.

RECOMMENDATIONS

Recommendation #1

To meet its revenue requirement, TUA recommends that the Town make the following changes to its existing rates and charges.

- 1) The Town should increase its monthly minimum bill by \$2.50 per month;
- 2) The Town should increase the monthly usage rate by \$1.00 per 1,000 gallons;
- 3) The Town's should eliminate its commercial rate and have a single rate class for all customers.
- 4) The Town should discontinue its current policy of taking customer deposits when a new customer signs up for sewer service. In its place, the Town should begin charging new sewer customers a non-refundable service charge of \$100.00 when an application for service is made.

TUA does not recommend any change to the monthly flat rate of \$1,300 being charged the Black Oak School.

If all of these recommendations are adopted, the Town's schedule of sewer rates and charges will be as follows:

First 2,000 gallons (minimum bill)	\$31.00 per month
All over 2,000 gals	\$10.50 per 1,000 gallons
Black Oak School	\$1,300 per month
New Customer Service Charge	\$100.00

Recommendation # 2

The Town should adopt a resolution to establish a capitalization policy for the Town which incorporates the service lives the Town currently uses for all capital assets except sewer system assets. The Town's capitalization policy should adopt the service lives for its sewer system using the recommended service lives adopted by the WWFB for sewer systems. The policy should include a service life of 20 years for grinder pumps. The Town's policy should establish the cost threshold for the capitalization of fixed assets of \$3,000 for its sewer system.

Recommendation #3

The Town should continue to fully fund its annual depreciation expense and should use cash created from depreciation to pay for future sewer system improvements. TUA recommends that the Town maintain a minimum cash reserve of \$100,000 for future capital improvements.

Recommendation #4

The Town should adopt an ordinance to establish to a new delinquent account policy which provides: (1) that when the unpaid balance on a customer's account reaches \$500, the Town will notify the customer in writing of the amount of the delinquent account and that the Town has a lien on the customer's property for the amount of the unpaid sewer charges; and (2) that when the unpaid balance on a customer's account reaches \$1,000, the Town will file an action in court to enforce the payment of the unpaid sewer charges as set forth in T.C.A. §7-35-202.

Description of the Hornbeak Sewer System

The Town operates a collection system only. The sewer system is a pressure system, and each residence or business served has an individual grinder pump unit. The Town's wastewater is pumped to the Reelfoot Lake Regional Utility and Planning District (the District) for transportation and treatment pursuant to an agreement between the Town and the District. The District then transports the Town's wastewater to the Town of Tiptonville for treatment. The District charges the Town approximately \$2,630 per month to transport and treat its wastewater. This amount is a minimum bill which pays for the transportation and treatment of up to 1,000,000 gallons per month.

The Town's sewer system is a pressure system, consisting of one master pumping station and individual grinder units at each premises, piping network that connects to the master station, and a line from the master station to the District.

Currently, the Town has approximately 182 properties connected to its sewer system; however, the Town only has 128 customers who are regularly paying their monthly sewer bills. The Town has about 37 customers who are connected to its sewer system who are not paying their monthly sewer bills. As a result, the Town loses approximately \$20,000 per year for service provided to these 37 customers.

The Town has 17 sewer connections to properties where the premises served have either burned or been abandoned.

The Town provides sewer service to one school, Black Oak School.

The Town has made sewer service available to six homes which have never connected to the Town's sewer system and who are not paying a monthly minimum sewer bill to the Town.

Rate Study and Proposed Plan of Action

To determine the revenue requirements needed to fund the ongoing expenses of the Town's sewer system, TUA projected operation and maintenance expenses, debt service payments and reserve requirements the Town's sewer system for its fiscal years ending June 30, 2020, 2021, 2022, 2023 and 2024. See the attached **Exhibit 1** to this Report.

Revenue Projections:

- Sewer Sales. Annual sewer sales revenue is based upon the actual sewer sales revenues for the Town's fiscal year ending June 30, 2019. No increase in sewer sales revenue was projected for customer growth because the Town has experienced little annual customer growth in the past few years.

- Service Charges. The Town currently charges a deposit on new sewer accounts. TUA recommends that the Town cease charging customer deposits and begin charging new customers a non-refundable service charge of \$100 upon making an application for sewer service. The Town provides sewer service to approximately 60 rental units and has about 20 new sewer customers sign up for sewer service annually at these units. The implementation of a non-refundable service charge of \$100 should produce approximately \$2,000 per year in new revenue.
- Elimination of Commercial Rate Tier. The Town's current usage rate for commercial customers using over 10,000 gallons per month is \$5.00 per 1,000 gallons. The Town's current usage rate for residential customers using over 2,000 gallons a month is \$9.50 per 1,000 gallons. No cost justification exists for the lower usage rate for commercial customers using more than 10,000 gallons a month. Therefore, TUA recommends that this commercial rate tier be eliminated. This elimination of this rate tier should produce \$3,100 in additional annual sewer revenue.
- New Delinquent Bill Collection Policy. TUA is recommending that the Town implement a new delinquent bill collection policy which should increase annual sewer revenues. However, TUA is making no allowances for such any potential revenue increases in its revenue projections.

Expense Projections:

- Operating Expense Projections. Operating expenses for the fiscal year ending June 30, 2020 were projected based upon the Town's budget for its sewer fund which seemed reasonable. All operating expenses except those listed below were increased by 3% annually.
- Reelfoot Fees. The minimum bill paid to Reelfoot pays for the transportation and treatment of up to 1,000,000 gallons of the Town's wastewater. The Town's volume of wastewater sent to Reelfoot is far below this amount covered by the minimum and should will remain stable. Therefore, these fees have been increased by 3% increase per year.
- Legal and accounting fees. Legal fees have been projected to increase over the historical by approximately \$2,000 per year. The Town expects to incur greater legal expenses to implement the stronger delinquent accounts policy which will require legal work for the filing and enforcement of liens for unpaid sewer charges.
- Training fees: Training fees of \$1,800 have been included for the fiscal year ending June 30, 2020 and for every three years thereafter to cover the cost of mandated municipal utility official training for members of the Town's governing body.

- **Depreciation:** Historically, the Town has treated grinder pumps as sewer lines in its list of depreciable fixed assets. The Town's new capitalization policy will treat grinder pumps as separate assets with a useful life of 20 years. The average age of the Town's grinder pumps is 11 years, and the installed cost per unit was \$4,000. The Town currently has 17 residential units that have been abandoned, and the grinder units are no longer being used. The original cost of these 17 pumps was \$68,000, and \$37,400 of this cost has been depreciated as of June 30, 2019. TUA recommends that the undepreciated costs of these 17 grinder pumps of \$30,600 be shown as a prior period adjustment for the Town's fiscal year ending June 30, 2020. This prior period adjustment will decrease the Town's annual depreciation expense by \$3,400 per year.

Black Oak School

No rate increase is recommended for the Black Oak School. When the Town installed its sewer system, the Town agreed take over the school's existing sewer system and agreed to charge the school a rate of \$1,200 per month. This rate was a negotiated rate between the parties which was established in connection with the Town taking over the school's sewer system. This rate was raised to \$1,300 in 2019.

While this rate is higher than what the Town charges its other customers, this rate was a negotiated rate which both the Town and the school agreed was necessary for the Town to take over the school's sewer system. The economic feasibility of the Town's sewer system was based upon this negotiated rate. In addition, a higher rate is appropriate since the Town had to replace the pumping station serving the school at a cost of approximately \$25,000 shortly after it took over the school's sewer system.

Five Year Capital Improvement Plan

The Town's sewer system is a pressure system, consisting of one master pumping station and individual grinder units at each premises served, piping network that connects to the master station, and a line from the master station to the District. For the following reasons, the rate study does not incorporate a five year capital plan.

- The master pumping station was just recently replaced, and its life should be between 15 to 25 years.
- None of the individual grinder pump units need to be replaced. When the pumps or controls fail, usually after the age of 10 years or greater, they are rebuilt at a cost of less than \$1,000 which will be an expense to the system. The majority of the grinder pump units for the system are less than 10 years old.
- The Town has no plans to replace any sewer pipelines, and no replacements are needed within the next five years.
- The Town's sewer system does not have any rolling stock.

Other Rate Considerations

- The Town's sewer system is current on all debt payments.
- The Town has funded and properly restricted all required debt reserves.
- The Town is fully funding its annual depreciation expense and is restricting the use of cash funded by depreciation for future sewer system improvements. The Town currently has restricted \$140,000 of its cash reserve for capital improvements. The Town is considering funding some small line extensions from this restricted cash reserve and from future cash generated by depreciation which will increase the number of sewer customers. TUA agrees that funding small sewer line extensions to increase its customer base is a proper use of funds in the restricted depreciation account. TUA recommends that the Town maintain a minimum cash reserve of \$100,000 for future capital improvements.

The Sewer Fund – Projected Cash Balance Schedule is attached as Exhibit 2.

If the Town adopts the new rate schedule recommended by TUA, the Town's sewer fund should continue to have a positive change in net position for its next five fiscal years.

TUA recommends that the Town review its rates annually as a part of the budgetary process beginning in the Spring of 2021 to ensure that the current rates will continue to produce sufficient revenues to give it a positive change in net position for future fiscal years.

Capitalization Policy

TUA recommends that the Town amend its current capitalization policy to include the following service lives and capitalization thresholds for its sewer system assets:

<u>Sewer System Assets</u>	<u>Threshold</u>	<u>Service Lives</u>
Sewer System (lines and infrastructure)	\$3,000	40-50
Grinder Pumps	\$3,000	20
Pumps and Treatment Equipment	\$3,000	15-20
Buildings (Office and Plant)	\$3,000	30-50
Equipment and Tools	\$3,000	10-15
Furniture and Fixtures	\$3,000	5-10
Machinery, Equipment and Vehicles	\$3,000	5-15
Transportation Equipment	\$3,000	5-10

The current cost of the units being used are approximately \$4,000 per unit. The current capitalization threshold for grinder pumps is \$5,000; therefore, they are being expensed. Changing the capitalization threshold will reduce annual expenses and will allow the Town to better track the grinder pump units in its fixed asset journal for the sewer fund.

Delinquent Account Policy

Water service to the Town's sewer customers is provided by Hornbeak Utility District. The Town has made repeated requests to Hornbeak Utility District to agree to terminate water service for the non-payment of the Town's sewer bill pursuant to T.C.A. § 7-35-201(6), but the District has been unwilling to do so. Therefore, the Town has limited options in trying to collect delinquent sewer bills from its customers.

In 2018, the legislature enacted a statute which gives the Town a lien for all unpaid sewer charges which the Town may enforce using the same procedure the Town may use to enforce the payment unpaid property taxes. T.C.A. §7-35-202.

TUA recommends that when the unpaid balance on a customer's account reaches \$500, the Town will notify the customer in writing of the amount of the delinquent account and that the Town has a lien on the customer's property for the amount of the unpaid sewer charges. Once the unpaid balance on a customer's account reaches \$1,000, the Town will file an action in court to enforce the payment of the unpaid sewer charges pursuant to T.C.A. §7-35-202.

Efforts to Stop Issuance of Septic Permits by TDEC

With the assistance of TUA, the Town Mayor wrote a letter to Billy Neal with the Tennessee Department of Environment and Conservation (TDEC) in Dyersburg to request that TDEC issue no more septic system permits to real property owners within the Town of Hornbeak until TDEC confirms with the Town that the home or business is not located on property which abuts the Town's sewer main. A copy of this letter is attached to this Report as Exhibit 3.

The Mayor has been advised by TDEC that it will comply with his request and that TDEC will not issue any new septic system permits for properties in the Town without confirming that the home or business is not located on property which abuts a Town sewer main.

Hornbeak, Tennessee- Projected Statements of Revenues and Expenses and Changes in Net Position**Sewer Fund**

	Projected 6/30/2020	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023	Projected 6/20/2024
Operating Revenues:					
Charge for Services	111,213	111,213	111,213	111,213	111,213
Service Charges	2,000	2,000	2,000	2,000	2,000
Total Operating Revenues	113,213	113,213	113,213	113,213	113,213
Operating Expenses:					
Reelfoot Utility Fees	32,137	33,101	34,094	34,117	34,117
Contract labor	8,000	8,240	8,487	8,742	9,004
Maintenance and Parts	21,310	21,949	22,608	23,286	23,985
Utilities	2,000	2,060	2,122	2,185	2,251
Billing Costs	1,000	1,030	1,061	1,093	1,126
Legal and Accounting	4,000	4,120	4,244	4,371	4,502
Surety Bond	300	300	300	300	300
Training	1,800	-	-	1,800	-
Office Supplies	125	129	133	137	141
Depreciation	41,600	41,600	41,600	41,600	41,600
Total Operating Expenses	112,272	112,529	114,648	117,631	117,025
Operating Income (Loss)	941	684	(1,435)	(4,418)	(3,812)
Nonoperating Revenues (Expenses)					
Interest Income	700	700	700	700	700
Interest Expense	(6,999)	(6,838)	(6,668)	(6,495)	(6,314)
Loss on Disposal of Capital Asset	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	(6,299)	(6,138)	(5,968)	(5,795)	(5,614)
Change in Net Position before Contributed Capital	(5,358)	(5,454)	(7,403)	(10,213)	(9,426)
Capital Contributions	-	-	-	-	-
Change in Net Position	(5,358)	(5,454)	(7,403)	(10,213)	(9,426)
Revenue Generated from Suggested Rate Increase	9,626	9,915	10,212	10,519	10,834
Change in Net Position after Suggested Rate Increase	4,268	4,461	2,809	306	1,408
Prior Period Adjustment for depreciation	(30,600)	0	0	0	0

Hornbeak, Tennessee - Sewer Fund - Projected Cash Balance Schedule

	Projected <u>6/30/2020</u>	Projected <u>6/30/2021</u>	Projected <u>6/30/2022</u>	Projected <u>6/30/2023</u>	Projected <u>6/30/2024</u>
Beginning Balance	214,102	243,811	273,263	300,596	324,946
Sources of Funds					
Charge for Services	111,213	111,213	111,213	111,213	111,213
Interest Revenue	700	700	700	700	700
Total Sources of Funds	<u>111,913</u>	<u>111,913</u>	<u>111,913</u>	<u>111,913</u>	<u>111,913</u>
Uses of Funds					
Operating Expenses	112,272	112,529	114,648	117,631	117,025
Depreciation	(41,600)	(41,600)	(41,600)	(41,600)	(41,600)
Debt Service - Principal	4,533	4,694	4,864	5,037	5,218
Debt Service - Interest	6,999	6,838	6,668	6,495	6,314
Capital Outlay	-	-	-	-	-
Total Uses of Funds	<u>82,204</u>	<u>82,461</u>	<u>84,580</u>	<u>87,563</u>	<u>86,957</u>
Ending Balance	<u>243,811</u>	<u>273,263</u>	<u>300,596</u>	<u>324,946</u>	<u>349,902</u>
Cash Reserves	232,279	261,731	289,064	313,414	338,370
Reserves - Debt Service	11,532	11,532	11,532	11,532	11,532
Total	<u>243,811</u>	<u>273,263</u>	<u>300,596</u>	<u>324,946</u>	<u>349,902</u>

NOTE: This synopsis from beginning funds to ending funds does not include accounts receivable, accounts payable, fixed asset or any other adjustments made to the balance sheet. This is a "cash basis" summary.

Town of Hornbeak

Dennis Dozier, Mayor

P. O. Box 265, Hornbeak, Tennessee 38232
Phone 731-538-9626 -- Fax 731-538-9626

March 2, 2020

Billy Neal
Tennessee Department of Environment and Conservation
328 South Mill Avenue
Dyersburg, TN 38025

RE: Issuance of Septic System Permits within the Town of Hornbeak

Dear Mr. Neal:

I am the Mayor of Hornbeak, Tennessee (the Town). The Town operates a sewer collection system to provide sewer service to its residents. Section 18-203(1)(d) of the Town's Code of Ordinances mandates that all houses, buildings and properties where the property is within 500 feet of a Town sewer main must connect to the Town's sewer system. This Section provides:

(d) Use of public sewers required. The owner of all houses, buildings, or properties used for human occupancy, employment, recreation, or other purposes, situated within the Town and abutting on any street, alley, right-of-way or easement in which there is now located or may in the future be located a public sanitary sewer shall connect to the public sanitary sewer system. The connection to the public sanitary sewer system shall be required at the property owner's expense including all applicable connection and tap fees provided said public sewer is within 500 feet of the property line or easement on which the principal structure is located.

The Town has a small sewer system and must pay for the operation of the system solely from revenues derived from rates paid by its sewer customers. The economic feasibility of the Town's sewer system depends upon all new homes and businesses connecting to the sewer system. In the past, the Tennessee Department of Environment and Conservation (TDEC) has issued septic system permits to the owners of real property in Hornbeak who are obligated to connect to the Town's sewer system. By issuing these septic system permits, TDEC has created a difficult issue for the Town. Once a property owner gets a septic system permit from TDEC and spends the money to install the septic system, it is very difficult for the Town to then mandate the property owner to connect to the Town's sewer system.

Please be advised that moving forward, the Town intends to uniformly enforce the obligation of property owners within the Town to connect new homes and businesses

Town of Hornbeak

Page 2

Dennis Dozier, *Mayor*

P. O. Box 265, Hornbeak, Tennessee 38232

Phone 731-538-9626

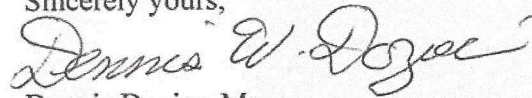
Fax 731-538-9626

to the Town's sewer system when a sewer main abuts the real property on which the home or business is constructed. I request that TDEC issue no more sewer system permits to real property owners within the Town of Hornbeak until TDEC confirms with the Town that the home or business is not located on property which abuts the Town's sewer main. Your cooperation is needed to help keep the Town's sewer system self-supporting which is mandated by Tennessee law.

I would appreciate you acknowledging the receipt of this letter and confirming to me that TDEC will not issue any more septic system permits within the Town of Hornbeak until TDEC confirms with the Town that the property owner has no obligation to connect to the Town's sewer system under its sewer ordinance.

I am thanking you in advance for your cooperation.

Sincerely yours,



Dennis Dozier, Mayor

c: Conner Franklin, Water Resources Manager
TDEC Jackson Field Office

ORDINANCE NO. 20-02

AN ORDINANCE OF THE TOWN OF HORNBEAK, TENNESSEE, ESTABLISHING A SCHEDULE OF RATES FOR CUSTOMERS OF THE MUNICIPAL WASTEWATER UTILITIES.

BE IT ORDAINED BY THE BY THE BOARD OF MAYOR AND ALDERMEN ON THE TOWN OF HORNBEAK, TENNESSEE, AS FOLLOWS:

1. **Municipal Wastewater Rates.** The Hornbeak Board of Mayor and Aldermen hereby adopt the following monthly rate schedule applicable to all customers of the municipal wastewater utility, exclusive of applicable taxes:

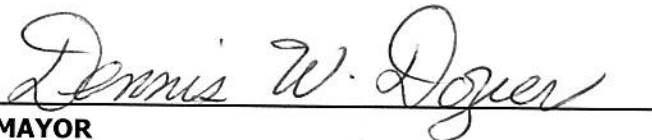
MONTHLY WASTEWATER RATES	In Town	
Minimum charge, includes first 2,000 gallons of usage	\$ 31.80	
Cost of additional consumption, per 1,000 gallon usage:	\$ 10.50	
(a) Black Oak School per month usage flat rate @	\$ 1300.00	
(b) New Customer Service Charge	\$ 100.00	

2. **Effective date.** This ordinance shall be in full force and effect from and after its date of adoption by the Hornbeak Board of Mayor and Aldermen.

PASSED AND APPROVED THIS 9th DAY OF JUNE, 2020 BY A ROLL CALL VOTE OF THE BOARD OF MAYOR AND ALDERMEN.

1st Reading 5/12/2020

2nd Reading 6/9/2020


MAYOR

ATTEST: 
City Recorder

ORDINANCE NO. 2020-03_

AN ORDINANCE OF THE TOWN OF HORNBEAK, TENNESSEE, TO AMEND SECTION 18-111 OF THE HORNBEAK MUNICIPAL CODE.

BE IT ORDAINED BY THE BOARD OF MAYOR AND ALDERMEN OF THE TOWN OF HORNBEAK, TENNESSEE, AS FOLLOWS:

1. Section 18-111 of the Hornbeak Municipal Code is amended to read as follows:

18-111. Customer billing, payment and collection policy. Sewer bills shall be rendered monthly and shall designate a standard net payment period of not less than fifteen (15) days after the date of the bill. Failure to receive a bill will not release a customer from the payment obligation. When payment is made after the standard net payment period, the customer will pay a 10% late payment charge.

Payment must be received in Town Hall no later than 4:00 p.m. on the due date. If the due date fall on Saturday, Sunday or a holiday, net payment will be accepted if paid no later than 5:00 p.m. on the next business day.

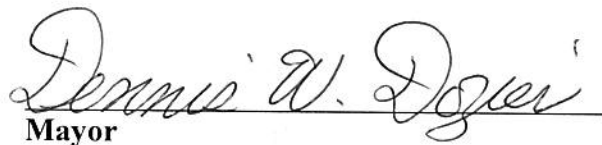
When the unpaid balance on a customer's account reaches \$500.00, the Town will notify the customer in writing of the amount of the delinquent account and will notify the customer that the Town has a lien on the customer's property for the amount of the unpaid sewer charges. When the unpaid balance on a customer's account reaches \$1,000.00, the Town will file an action in court to enforce the payment of the unpaid sewer charges as provided in T.C.A. §7-35-202.

2. Effective date. This ordinance shall be in full force and effect from and after its date of adoption by the Board of Mayor and Aldermen.

PASSED AND APPROVED THIS 9th OF June, 2020, BY A ROLL CALL VOTE OF THE BOARD OF MAYOR AND ALDERMEN.

1st Reading 05/12/2020

2nd Reading 6/9/2020


Mayor

Attest: 
Town Recorder

RESOLUTION NO. 2020-02

A RESOLUTION TO ESTABLISH CAPITALIZATION THRESHOLDS FOR ASSETS TO BE RECORDED AS CAPITAL ASSETS IN THE TOWN'S FINANCIAL STATEMENTS

WHEREAS, the Town of Hornbeak, Tennessee (the Town) desires to formally adopt the capitalization thresholds at which its assets have historically been capitalized and recorded as capital assets in the Town's financial statements; and

WHEREAS, the Town desires to establish appropriate capitalization thresholds and service lives for its sewer system assets which are consistent with the directives of the Water and Wastewater Financing Board for municipal sewer systems.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Board of Aldermen that:

(a) **Capitalization Thresholds.** Town assets with an estimated useful life of two years or more and which meet the following thresholds will be capitalized:

Equipment (other than sewer equipment)	\$ 5,000
Improvements, Infrastructure, Buildings	\$10,000
Sewer System	\$ 3,000

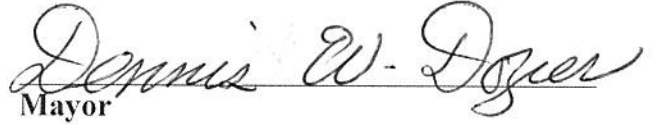
Land and Construction in Progress are capitalized but not depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

(b) **Asset Cost Basis.** Capital assets shall be recorded at historical cost when the cost is reasonably determinable. If historical cost data is not determinable, an estimated historical cost will be used.

- (1) Actual Cost – This cost will include the purchase or construction cost (which can be obtained through invoice, purchase order, and paid check files) and charges necessary to place the asset into service at its intended location. Such necessary costs may include costs such as freight and transportation, site preparation expenditures, interest costs, professional fees, and legal claims directly attributable to asset acquisition.
- (2) Estimated Cost – This cost will be based on as much documentary evidence as can be found to support the cost, such as interviews with vendors selling such assets engineers, or other personnel and price level adjustments based on the Consumer Price Index for each asset.
- (3) Donated Cost – These assets will be based on their estimated fair market value at time of acquisition. A determination as to the fair market value basis will be included with property records.

BE IT FURTHER RESOLVED, that this Resolution is effective upon the date of its adoption.

Adopted this 12th day of May, 2020.


Mayor

Attest: 
Town Recorder

Huntland

	Water	County: Carroll		
	2016	2017	2018	2019
Unrestricted Net Position	\$512,380.01	\$507,068.25	\$434,010.33	\$0.00
Operating Revenues	\$261,686.54	\$281,472.02	\$271,284.52	\$0.00
Net Sales	\$259,398.63	\$280,569.91	\$271,164.52	\$0.00
Operating Expenses	\$256,635.05	\$306,145.72	\$358,202.85	\$0.00
Operating Income	\$5,051.49	(\$24,673.70)	(\$86,918.33)	\$0.00
Depreciation Expense	\$59,525.25	\$59,585.96	\$64,183.94	\$0.00
Non-Operating Rev. (Exp.)	\$951.11	(\$2,219.55)	\$947.06	\$-00
Operating Profit	\$6,002.60	(\$26,893.25)	(\$85,971.27)	\$0.00
Grants and Capital Contribution	\$0.00	\$0.00	\$0.00	\$-00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	\$6,002.60	(\$26,893.25)	(\$85,971.27)	\$0.00
Statutory Change in NP (2017)	\$6,002.60	(\$26,893.25)	(\$85,971.27)	\$0.00
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$8,496.00	\$4,905.00	\$2,609.00	\$42,710.00
Statutory Change in NP (2018)		(\$30,484.25)	(\$88,267.27)	\$40,101.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Town of Huntland**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water**

Staff Summary:

On September 30, 2019, the Board issued the attached order regarding the Town's financial distress.

The Town engaged TAUD to assist in completing all directives of the Board order, the results of which are attached.

The Town has implemented all TAUD recommendations thereby complying with all Board directives.

Staff Recommendation:

Order the Town to comply with the following:

1. The Town shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2021, until the Board releases the Town from its oversight.

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:

TOWN OF HUNTLAND

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**TENN. CODE ANN. § 68-221-1010
-FINANCIAL DISTRESS**

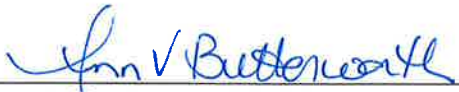
ORDER

On September 19, 2019, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the Town of Huntland (“the Town”) pursuant to Tenn. Code Ann. § 68-221-1010. Board staff indicated that although the Town has adjusted its rates, it provided no justification for the new rates. Therefore, based on Staff’s statements, recommendations, and supporting documentation, the Board hereby orders the following:

1. The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - a. the creation of a debt management policy;
 - b. the creation of a capitalization policy; and
 - c. a review of the leak adjustment policy, including any recommended modifications.
2. By October 31, 2019, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.
3. By February 28, 2020, the Town shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town.

ENTERED this 30th day of September, 2019.

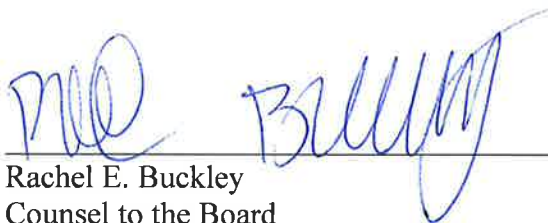


ANN V. BUTTERWORTH, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 30th day of September, 2019:

Mayor Dolton Steele
Mr. Doug Porter, City Recorder
Town of Huntland
100 Banks St.
P.O. Drawer H
Huntland, TN 37345



Rachel E. Buckley
Counsel to the Board



Tennessee Utility Assistance, LLC
840 Commercial Court
Murfreesboro, TN 37129
Voice (615) 896-9022
Fax (615) 898-8283

REPORT FOR TOWN OF HUNTLAND, TENNESSEE

WATER AND WASTEWATER FINANCING BOARD ORDER DATED SEPTEMBER 30, 2019

**April 29, 2020
Submitted by Mark Butler**

INTRODUCTION

Description of the Huntland Water System

The Town of Huntland, Tennessee (“the Town”) provides water services to approximately 600 customers inside and outside the city limits of Huntland, Tennessee. The Town’s water supply comes from two wells under the direct influence of groundwater and has a package sand filter water treatment plant with a capacity of 500,000 gallons per day. Currently, the Town is treating approximately 150,000 – 160,000 gallons per day.

- In 1993, the Town extended its water system to serve to a community known as Pleasant Ridge which is located outside of the Town’s city limits.
- The Town’s water fund has no outstanding debt.
- The Town’s water fund has a balance of cash and cash equivalents of \$411,725 as of June 30, 2019.

The Town was referred to the Water and Wastewater Financing Board (WWFB) upon the submission of its audit for its fiscal year ending June 30, 2018, because it met the statutory definition for a financially distressed Town water system. The system had a negative change in net position for two consecutive years without regard to any grants or capital contributions for its fiscal years ending June 30, 2017 and June 30, 2018.

For its fiscal year ending June 30, 2019, the Town’s water fund had a positive change in net position for \$28,381, excluding grants and capital contributions.

WWFB Order

On September 30, 2019, the WWFB entered an order directing the Town to do the following:

- 1) The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by the Board staff, perform a rate study that includes the following:
 - a) Creation of a debt management policy
 - b) Creation of a capitalization policy
 - c) A review of the leak adjustment policy.
- 2) By October 31, 2019, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.

-
- 3) By February 28, 2020, the Town shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
 - 4) Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town.

RECOMMENDATIONS

Recommendation #1

To meet its annual revenue requirements for its fiscal years ending June 30 of 2021 and 2022, TUA concurred in the new water rate structure adopted by the Town on March 30, 2020, which made the following rate changes:

- (1) The Town eliminated the outside-of-city rate class.
- (2) The Town changed the minimum bill for the Inside/Outside rate class to \$27.00 and changed the minimum bill for the Pleasant Ridge rate class to \$32.00. Each of these minimum bills include 2,000 gallons of usage.
- (3) The Town changed the usage rates for both rate classes to:

2,001 - 10,000 gallons	\$7.25 per 1,000 gallons
Over 10,001 gallons	\$9.00 per 1,000 gallons

Recommendation # 2

To continue to meet its revenue requirements for its fiscal years ending June 30 of 2023-2025, TUA recommends two additional rate increases.

- (1) Effective, July 1, 2022, TUA recommends that the Town consider increasing the minimum bill for both rate classes by \$0.75 and the usage rate for each usage tier for both rate classes by \$0.75 per 1,000 gallons.
- (2) Effective July 1, 2024, TUA recommends that the Town consider increasing the minimum bill for both rate classes by \$0.30 and the usage rate for each usage tier for both rate classes by \$0.25 per 1,000 gallons.

Recommendation # 3

TUA recommended that the Town adopt a resolution to establish a capitalization policy for the Town which incorporates the service lives the Town currently uses for all capital assets except its water system assets. The Town's capitalization policy should adopt the service lives for its water system using the recommended service lives adopted by the WWFB for sewer systems. The Mayor and Board of Aldermen adopted the capitalization policy recommended by TUA on March 17, 2020.

Recommendation #4

On March 17, 2020, the Mayor and Board of Aldermen adopted Ordinance 2020-2-10 to adopt a new leak adjustment policy with the terms and conditions recommended by TUA.

Recommendation #5

TUA recommended that the Town adopt a debt management policy consistent with the model debt management policy prepared by the Comptroller's Office for local governments. On March 17, 2020, the Town adopted the debt management policy prepared by TUA.

RELEVANT HISTORY OF THE TOWN'S WATER RATES

Rates in Effect on July 1, 2017

On July 1, 2017, the Town's rates for water service were as follows:

Inside City

Minimum bill (includes 2,000 gallons)	\$18.63
2,001 - 10,000 gallons	\$ 4.03 per 1,000 gallons
Over 10,000 gallons	\$ 5.90 per 1,000 gallons

Outside City

Minimum bill (includes 2,000 gallons)	\$21.81
2,001 - 10,000 gallons	\$ 4.31 per 1,000 gallons
Over 10,000 gallons	\$ 5.90 per 1,000 gallons

Pleasant Ridge

Minimum bill (includes 2,000 gallons)	\$30.13
2,001 - 10,000 gallons	\$ 7.34 per 1,000 gallons
Over 10,000 gallons	\$ 5.90 per 1,000 gallons

These rates had been in effect for several years.

Rate Changes Effective June 26, 2018

Inside City

Minimum bill (includes 2,000 gallons)	\$24.04
2,001 - 10,000 gallons	\$ 5.12 per 1,000 gallons
Over 10,000 gallons	\$ 7.49 per 1,000 gallons

Outside City

Minimum bill (includes 2,000 gallons)	\$27.26
2,001 - 10,000 gallons	\$ 5.39 per 1,000 gallons
Over 10,000 gallons	\$ 7.38 per 1,000 gallons

Pleasant Ridge

Minimum bill (includes 2,000 gallons)	\$36.76
2,001 - 10,000 gallons	\$ 8.95 per 1,000 gallons
Over 10,000 gallons	\$ 7.20 per 1,000 gallons

Customer Impact of Rate Changes Effective June 26, 2018

Before the rate increases effective June 26, 2018, the monthly water for a residential customer using 4,000 gallons was:

<u>Inside City</u>	<u>Outside City</u>	<u>Pleasant Ridge</u>
\$26.69	\$30.43	\$44.81

After these three rate changes, the monthly water for a residential customer using 4,000 gallons of water was:

<u>Inside City</u>	<u>Outside City</u>	<u>Pleasant Ridge</u>
\$34.28	\$38.04	\$54.66

This represents a percentage increase in the monthly water bill of the Town's residential customers using 4,000 gallons as follows:

Inside City	22.1%
Outside City	20.0%
Pleasant Ridge	18.0%

Five Year Capital Asset Plan

Mark Butler met with the Mayor, Board of Alderman and Town Recorder to discuss potential capital improvements and the purchase of other capital assets the Town wanted to make to its water system over the next five years. They discussed the options for funding these capital expenditures.

Based upon these discussions, the Town voted to approve the Five-Year Capital Asset Plan attached to this Report as **Exhibit 1**. The Town plans to fund the purchase and installation of the capital assets on the Plan with the cash reserves of the water fund.

Rate Study and Proposed Plan of Action

To determine whether existing rates will produce sufficient revenues to make the Town's water system self-supporting, TUA first projected a Statement of Revenues and Expenses and Changes in Net Position for the Town's water fund for its current fiscal year ending June 30, 2020. TUA projected the revenues for the system using existing rates which went into effect on June 26, 2018. TUA projected operation and maintenance expenses by reviewing historical information from the five previous years, reviewing the Town's budget for the water fund for the current fiscal year, and taking into account any known and anticipated changes for this fiscal year. The Town's water system has no debt.

Then, TUA projected Statements of Revenues and Expenses and Changes in Net Position for the City's water fund for its fiscal years ending June 30 of 2021, 2022, 2023, 2024, and 2025. TUA projected the revenues for the system using existing rates and projected operation and maintenance expenses for the system. See **Exhibit 2** attached to this Report.

Revenue Projections:

- Water sales for the fiscal year ending June 30, 2020, were projected based upon water sales for the year ending June 30, 2019 which included one year of water sales at the rates effective on June 26, 2018.
- Since 2015 the City has experienced minimal annual customer growth and does not plan to expand its existing water system in the near future. Therefore, the water sales for the fiscal years ending June 30th of 2021, 2022, 2023, 2024, and 2025 do not include any revenue increases based annual customer growth.

Expense Projections:

- All operating expenses for fiscal year ending June 30, 2020, were projected based upon the Town's budget for its water system for this fiscal year, except for contractual services and other supplies and expenses.
- TUA used the five-year average of the Town's contractual services and other supplies and expenses for the fiscal year ending June 30, 2020. TUA believed the five-year average was a better forecast for these two expenses.
- For the remaining fiscal years in the five year projection, all operating expenses were increased by 3% annually over the projected amount for the current fiscal year except for depreciation.
- In addition to the 3% annual increase, repair and maintenance expenses for the fiscal year ending June 30, 2021 were increased by \$500 and for the fiscal year ending June 30, 2023 were increased by \$17,500 for water tank inspections and inspection and cleanup of the lagoon which do not meet the Town's capitalization thresholds.

- Annual depreciation expenses were projected based upon the Town’s existing fixed asset schedule and the useful service lives used on this schedule for depreciation. TUA confirmed with the Town that all water system assets on the Town’s fixed asset list were still in service. Depreciation on new capital assets in the capital asset plan are based upon the new capitalization policy adopted by the Town on March 17, 2020.

Revenue Sufficiency and Rate Modifications Required

First Rate Modification Adopted

Based upon the projected Statements, the Town’s water fund will have a negative change in net position each year at current rates for the next five fiscal years. To meet its revenue requirements, the Town made the following changes to its rate structure on March 30, 2020, to become effective on July 1, 2020:

- (1) The Town eliminated the outside-of-city rate class. The Town only has 25 outside-of-city customers, and the revenue from these customers comprise only 5.1% the Town’s water revenues. Therefore, no justification exists for a separate outside-of-city rate class.
- (2) The Town changed the minimum bill for the Inside/Outside rate class to \$27.00, and changed the minimum bill for the Pleasant Ridge rate class to \$32.00.
- (3) The Town changed the usage rates for both rate classes to:

2,001 - 10,000 gallons	\$7.25 per 1,000 gallons
Over 10,001 gallons	\$9.00 per 1,000 gallons

With these rate changes, the Town’s water fund should have a positive change in net position for its fiscal years ending June 30, 2021 and June 30, 2022. See **Exhibit 2**

The Town’s new rate schedule effective July 1, 2020, will be as follows:

Inside/Outside Rate

Minimum bill (includes 2,000 gallons)	\$27.00
2,001 - 10,000 gallons	\$7.25 per 1,000 gallons
Over 10,001 gallons	\$9.00 / 1,000

Pleasant Ridge - 150 customers

Minimum bill (includes 2,000 gallons)	\$32.00
2,001 - 10,000 gallons	\$7.25 per 1,000 gallons
Over 10,001 gallons	\$9.00 per 1,000 gallons

Future Rate Modifications Needed

Based upon TUA’s projected Statements, the Town will require a rate increase on July 1, 2022 and July 1, 2024 to continue to have a positive change in net position for its fiscal years ending June 30 of 2023-2025.

Effective, July 1, 2022, TUA recommends that the Town consider increasing the minimum bill for both rate classes by \$0.75 and the usage rate for each usage tier for both rate classes by \$0.75 per 1,000 gallons.

The Town’s new rate schedule effective July 1, 2022, with these changes will be as follows:

Inside/Outside Rate

Minimum bill (includes 2,000 gallons)	\$27.75
2,001 - 10,000 gallons	\$8.00 per 1,000 gallons
Over 10,001 gallons	\$9.75 / 1,000

Pleasant Ridge - 150 customers

Minimum bill (includes 2,000 gallons)	\$32.75
2,001 - 10,000 gallons	\$8.00 per 1,000 gallons
Over 10,001 gallons	\$9.75 per 1,000 gallons

Effective July 1, 2024, TUA recommends that the Town consider increasing the minimum bill for both rate classes by \$0.30 and the usage rate for each usage tier for both rate classes by \$0.25 per 1,000 gallons.

The Town’s new rate schedule effective July 1, 2024, with these changes will be as follows:

Inside/Outside Rate

Minimum bill (includes 2,000 gallons)	\$28.05
2,001 - 10,000 gallons	\$8.25 per 1,000 gallons
Over 10,001 gallons	\$10.00 per 1,000

Pleasant Ridge - 150 customers

Minimum bill (includes 2,000 gallons)	\$33.05
2,001 - 10,000 gallons	\$8.25 per 1,000 gallons
Over 10,001 gallons	\$10.00 per 1,000 gallons

If the Town adopts the two additional rate increases recommended by TUA, the Water Fund should have a cash balance of \$446,862 as of June 30, 2025. The Water Fund - Projected Cash Balance Schedule is attached as **Exhibit 3**.

The Town has elected to wait and implement the recommended rate increases to become effective July 1, 2022 and July 1, 2024 as a part of its budgeting process for these two fiscal years.

Town's Capitalization Policy

In reviewing the current capitalization threshold which the Town was using for its capital assets, the Town decided to change the capitalization thresholds and useful service lives for its capital assets. TUA recommended that the Town incorporate the service lives for its water system assets using the recommended service lives adopted by the WWFB for municipal water systems. TUA prepared a capitalization policy for the Town to these changes. This policy was adopted by the Mayor and Board of Aldermen on March 17, 2020, which is attached as **Exhibit 4** to this Report.

New Leak Adjustment Policy

The Town was making leak adjustments, but the Town could not locate an ordinance in which it adopted the policy it was using. TUA prepared an ordinance to include the terms and conditions the Town wanted to include for leak adjustments. On March 17, 2020, the Mayor and Board of Aldermen adopted Ordinance No 2010-3 to adopt the new leak adjustment policy recommended by TUA which is attached as **Exhibit 5** to this Report.

Debt Management Policy

TUA recommended that the Town adopt a debt management policy consistent with the model debt management policy prepared by the Comptroller's Office for local governments. On March 17, 2020, the Town adopted the debt management policy prepared by TUA which is attached as **Exhibit 6** to this Report.

Huntland, Tennessee - Water Fund
Five Year Capital Asset Plan

	<u>Estimated Cost</u>					
	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2025</u>
Mueller Radio Read Meters AMR	-	140,000	-	-	-	-
New Utility Service Truck	-	-	-	-	20,000	-
Water Treatment Plant Renovations	197,000	-	-	-	-	-
Paint - Pleasant Ridge/Indian Trail Water Tank	-	-	-	-	120,000	-
Lab Equipment Upgrades	-	4,100	4,800	1,100	-	-
Pump Replacement	-	-	10,000	-	-	-
Air Compressor for Plant Controls	-	-	3,000	-	-	-
Total	197,000	144,100	17,800	1,100	140,000	-
Cumulative Depreciation	9,850	20,003	22,230	22,450	32,450	32,450
Total Capital Outlay & Depreciation	206,850	164,103	40,030	23,550	172,450	32,450
<u>Source of Funds</u>						
Loans	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Cash	197,000	144,100	17,800	1,100	140,000	-
Total Funding Sources	197,000	144,100	17,800	1,100	140,000	-

Huntland, Tennessee - Projected Statements of Revenues and Expenses and Changes in Net Position
Water Fund

	Projected 6/30/2020	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023	Projected 6/30/2024	Projected 6/30/2025
Operating Revenues:						
Charge for Services	330,000	330,000	330,000	330,000	330,000	330,000
Miscellaneous	950	950	950	950	950	950
Total Operating Revenues	330,950	330,950	330,950	330,950	330,950	330,950
Operating Expenses:						
Contractual Services	21,000	21,630	22,279	22,947	23,636	24,345
Water Purchased	18,000	-	-	-	-	-
Utilities	18,250	18,798	19,361	19,942	20,541	21,157
Purification	12,000	12,360	12,731	13,113	13,506	13,911
Repairs & Maintenance	31,000	32,430	33,403	51,905	53,462	55,066
Salaries & Wages	94,000	96,820	99,725	102,716	105,798	108,972
Employee Benefits	35,000	36,050	37,132	38,245	39,393	40,575
Payroll Taxes	8,400	8,652	8,912	9,179	9,454	9,738
Insurance	15,500	15,965	16,444	16,937	17,445	17,969
Other Supplies & Expenses	13,000	13,390	13,792	14,205	14,632	15,071
Depreciation	74,850	85,003	87,230	87,450	97,450	97,450
Fire Hydrant Testing & Repairs	2,000	2,000	2,000	2,000	2,000	2,000
Total Operating Expenses	343,000	343,098	353,007	378,641	397,316	406,252
Operating Income (Loss)	(12,050)	(12,148)	(22,057)	(47,691)	(66,366)	(75,302)
Nonoperating Revenues (Expenses)						
Interest Income	750	750	750	750	750	750
Sale of Fixed Assets	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	750	750	750	750	750	750
Change in Net Position before Contributed Capital	(11,300)	(11,398)	(21,307)	(46,941)	(65,616)	(74,552)
Capital Contributions	-	-	-	-	-	-
Change in Net Position	(11,300)	(11,398)	(21,307)	(46,941)	(65,616)	(74,552)
Revenue Generated from Suggested Rate Increase	N/A	23,819	23,819	47,404	69,189	77,050
Change in Net Position after Suggested Rate Increase	(11,300)	12,422	2,512	463	3,573	2,498

Huntland, Tennessee - Water Fund - Projected Cash Balance Schedule

	Projected <u>6/30/2020</u>	Projected <u>6/30/2021</u>	Projected <u>6/30/2022</u>	Projected <u>6/30/2023</u>	Projected <u>6/30/2024</u>	Projected <u>6/30/2025</u>
Beginning Balance	411,725	278,275	231,600	303,542	390,356	351,378
Sources of Funds						
Charge for Services ***	330,000	353,819	353,819	377,404	399,189	407,050
Miscellaneous	950	950	950	950	950	950
Interest Revenue	750	750	750	750	750	750
Loans	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Total Sources of Funds	331,700	355,519	355,519	379,104	400,889	408,750
Uses of Funds						
Operating Expenses	343,000	343,098	353,007	378,641	397,316	406,252
Depreciation	(74,850)	(85,003)	(87,230)	(87,450)	(97,450)	(97,450)
Capital Outlay	197,000	144,100	17,800	1,100	140,000	-
Total Uses of Funds	465,150	402,195	283,577	292,291	439,866	308,802
Ending Balance	278,275	231,600	303,542	390,356	351,378	451,326
Cash Reserves	278,275	231,600	303,542	390,356	351,378	451,326

NOTE: This synopsis from beginning funds to ending funds does not include accounts receivable, accounts payable, fixed asset or any other adjustments made to the balance sheet. This is a "cash basis" summary.

*** Includes revenue from rate increases

Ordinance 2020-03
CAPITAL ASSET POLICY AND PROCEDURES
TOWN OF HUNTLAND, TENNESSEE

(a) **Purpose.** The purpose of this Capital Asset Policy and Procedures (the Policy) is to provide guidelines for the Town of Huntland regarding capital asset reporting in the financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statement-and Management's Discussion and Analysis-for State and Local Governments*. The Policy establishes management control and continuing accountability for all capital assets, capitalization thresholds, and service lives for capital assets acquired by the Town.

Capital assets can be defined as assets that provide value for at least 3 years and that meet a predefined cost threshold. Capital assets typically include such things as land, buildings, town infrastructure, improvements, machinery, equipment, furniture, computers and construction-in-progress. (Detailed in sections g and h) The asset amounts represented in the Town's financial statements should be documented by an inventory listing supported with detailed records for the historical or estimated historical cost of each asset.

(b) **Administration of Capital Assets.**

- (1) The Town's capital asset database is currently maintained by the BRK CPA firm.
- (2) The Town uses the straight-line depreciation method and full-month convention for assets acquired in the current fiscal year.
- (3) The Town Recorder is responsible for informing the auditors of any new capital asset acquisitions or disposals which is typically done in connection with the Town's annual audit.
- (4) Each Town department supervisor should notify the Town Recorder of new capital asset acquisitions, the projected life of the asset in years, and any asset disposals during the current fiscal year.
- (5) Each Town department supervisor will notify the Town Recorder of any theft or damage to the Town's assets in order that law enforcement and/or insurance companies may be notified.
- (6) Any asset transfers require approval from the Mayor / Mayor and Board of Aldermen and notification to the Town Recorder.
- (7) The Town Recorder may randomly audit selected department assets and will report any non-compliance to the Mayor. He or she will work with management and external auditors on all issues concerning capital asset reporting in order to comply with GASB Statement 34.

(c) **Recordation of Capital Assets.**

- (1) Recording Land – Land will be capitalized at historical or estimated historical cost until the land is sold or transferred. Land will not be depreciated.
- (2) Recording Land Improvements – Depreciated dependent on values.
 - (A) Non-exhaustible improvements – Expenditures for improvements that do not require maintenance or replacement are capitalized but not depreciated.
 - (B) Exhaustible – Other improvements that are part of a site, such as parking lots, landscaping, and fencing, are depreciable. These improvements will be recorded separately to the extent that cost documentation is available.
- (3) Recording Buildings – Buildings will be recorded at either their acquisition cost or construction cost. Each building component (e.g., roof, HVAC systems, etc.) should be recorded separately when significant because of the difference in the useful lives of these components. These components will be recorded separately to the extent that cost documentation is available.
- (4) Recording Building Improvements – Building improvements that extend the useful life of a building and meet the capitalization threshold will be capitalized. These improvements will be recorded separately to the extent that cost documentation is available.
- (5) Recording Construction-in-Progress – Construction-in-Progress will be capitalized but not depreciated.
- (6) Recording Vehicles and Transportation Equipment – Vehicles and transportation equipment will be identified, inventoried and depreciated.
- (7) Recording Furniture and Equipment – Assets such as furniture, machinery, and equipment should be identified and inventoried. If an asset meets the threshold levels, it will be capitalized and depreciated.
- (8) Recording Water / Sewer System Infrastructure - Water system infrastructure will be recorded at either its acquisition cost or construction cost. Each significant component (e.g., water lines, pumps, storage tanks, etc.) should be recorded separately because of the difference in the useful lives of the components. These components will be recorded separately to the extent that cost documentation is available.
- (9) Recording Water / Sewer System Improvements – Water system improvements that extend the useful life of a water system asset and which meets the capitalization

threshold will be capitalized. These improvements will be recorded separately to the extent that cost documentation is available.

(d) **Asset Cost Basis.** Capital assets shall be recorded at historical cost when the cost is reasonably determinable. If historical cost data is not determinable, an estimated historical cost will be used.

- (1) Actual Cost – This cost will include the purchase or construction cost (which can be obtained through invoice, purchase order, and paid check files) and charges necessary to place the asset into service at its intended location. Such necessary costs may include costs such as freight and transportation, site preparation expenditures, interest costs, professional fees, and legal claims directly attributable to asset acquisition.
- (2) Estimated Cost – This cost will be based on as much documentary evidence as can be found to support the cost, such as interviews with vendors selling such assets engineers, or other personnel and price level adjustments based on the Consumer Price Index for each asset.
- (3) Donated Cost – These assets will be based on their estimated fair market value at time of acquisition. A determination as to the fair market value basis will be included with property records.
- (4) Interest on Debt Issued – Interest on debt issued for the construction of an asset will be capitalized as part of the asset's cost to the extent of the interest that was incurred during the construction period only.

(e) **Depreciation.**

- (1) Depreciation is a method for allocating the cost of capital assets over their useful lives. Generally accepted accounting principles dictate that the value of the capital asset must be written off as an expense over the useful life of the asset as an indirect cost.
- (2) Annual depreciation expense will be calculated using the straight-line method. The Town will utilize the full-month averaging convention. By using the full-month averaging convention, property placed in service at any time during a given month is treated as if it was placed in service at the first day of that month, regardless of the actual day of the month acquired.
- (3) When the asset is disposed of, the actual date of disposal is disregarded, and the disposal date is the end of the month prior to the month of disposal (i.e. no depreciation is taken for the month of disposal).

- (4) The salvage value of an asset is an estimate made by management of what the value of an asset will be at the end of its useful life. If the Town intends to utilize a capital asset until it is literally worthless, a salvage value of zero (0) will be assigned.

(f) **Capitalization Thresholds.** The capitalization thresholds for the Town's assets will be for GASB Statement 34 reporting are set forth below.

- (1) Land (Capitalize Only)
- (2) Land Improvements - \$2,500
- (3) Buildings - \$10,000
- (4) Building Improvements - \$2,500
- (5) Roads and Bridges - \$7,500
- (6) Vehicles and Transportation Equipment - \$5,000
- (7) Machinery and Equipment - \$7,500
- (8) Furniture and Fixtures - \$1,500
- (9) Computer Hardware and Equipment - \$500
- (10) Water / Sewer System Pumps and Treatment Equipment \$2,500
- (11) Water / Sewer Lines and Storage Tanks \$3,500
- (12) Well/Dam \$2,500
- (13) Construction in Progress (Capitalize Only)

(g) **Useful Lives of Capital Assets**

<u>Asset Type</u>	<u>Useful Life in Years</u>
Land and Easements	No depreciation
Buildings	
Buildings	40
Roofing	10-20
HVAC Systems	7-10
Carpet Replacement	7
Electrical/Plumbing	10-15
Kitchen Equipment Appliances	5-15
Non-Infrastructure	
Furniture, Office Equipment, Tables, Chairs, File Cabinets	3-7
Computer Hardware / Monitors, Printers	3-5
Telephone Equipment	7
Motor Vehicles	
Cars and Light Trucks	5-7

Police Vehicles	5-10
Fire Trucks	5-15

Police, Street and Sanitation Equipment

Backhoes, trucks, dozers, front-end loaders, etc.	5-15
Firefighting equipment, ladders, hoses	5-10
Police special equipment	5-10
Medical equipment	5-7
Traffic Control equipment, stoplights	10
Radio, mobile communication equipment, portable radios	5-10
Outdoor/Playground equipment, bleachers, radio towers	10-20
Land Improvements – Park landscaping	7-15
Grounds Equipment - Mowers, tractors and attachments	5-15
Land Improvements – Structures, parking lots, sidewalks, fencing,	10-20

Water / Sewer Systems

Buildings (Office and Plant)	30-50
Equipment and Tools	10-15
Furniture and Fixtures	5-10
Machinery, Equipment and Vehicles	5-15
Pumps and Treatment Equipment	15-20
Transportation Equipment	5-10
Water / Sewer Lines and Storage	40-50
Well / Dam	Engineer's Estimate

Bridges / Culverts

Wood	20
Concrete (Box)	30-40
Steel (Span)	30-40

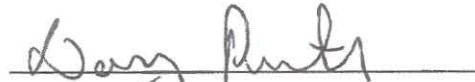
Ordinance 2020-03 (Con't)
CAPITAL ASSET POLICY AND PROCEDURES TOWN OF HUNTLAND,
TENNESSEE

Passed 1st Reading February 10, 2020

Passed 2nd Reading March 16, 2020

A handwritten signature in cursive script that reads "Dolton Steele". The signature is written above a solid horizontal line.

Dolton Steele / Mayor

A handwritten signature in cursive script that reads "Gary Pugh". The signature is written above a solid horizontal line.

Attest: City Recorder

**TOWN OF HUNTLAND, TENNESSEE
PERSONAL PROPERTY ACQUISITION/DISPOSITION RECORD**

PROPERTY DESCRIPTION

Location _____ Tag # _____
Account Code _____
Item Description _____
Vendor _____
Make/Model _____ Serial # _____
Purchase Price \$ _____ or Appraised Value \$ _____

ACQUISITION

Date Received _____ Purchase Order # _____
Received By _____ Condition Code _____
Transferred From _____ Status Code _____
Status Code (U=In Use; R=Held In Reserve; S=In Storage)
Donated By _____

DISPOSITION

_____ Transfer _____ Stolen/Lost _____ Surplus _____ Scrap _____
Other _____
Transferred To _____

I certify the above described equipment has been transferred, stolen/lost, declared surplus, scrapped, or disposed of by other means as indicated above. If the item was declared surplus, it is available for use by other departments or can be sold in the prescribed manner as surplus. If stolen, a stolen property report has been **filed with the police/sheriff's department.**

SIGNATURE DEPARTMENT HEAD

DATE

Ordinance No 2020-04

An Ordinance Authorizing Leak Adjustments for Water Customers of the Town of Huntland, Tennessee

Whereas, the Mayor and Board of Alderman desires to have a fair, consistent and equitable procedure to adjust high water bills caused by leak on the customer's side of the Town's water meter.

Be It Ordained by the Mayor and Board of Alderman of Town of Huntland, Tennessee, that the following policy be adopted for the adjustment of high water bills caused by a leak on the customer's side of the meter as a new Section 18-127 to the Huntland Municipal Code.

18-127. Leak Adjustments

(1) The customer is responsible for paying for all metered water usage at the customer's service address. Customers are responsible for keeping their plumbing repaired and in good working order.

(2) To qualify for a leak adjustment, the following conditions must be met.

(a) Water loss from a leak must result in a monthly water bill which is at least \$100.00 more the average of the customer's three preceding monthly water bills. Provided the customer timely reported and repaired the leak, the month in which the leak occurred shall be excluded in calculating the customer's average water bill for the preceding three month period. When a customer does not have three months water usage history with the Town, the customer's average water usage will be based upon the customer's average water usage for the number of full months the customer has actually received water service at the service address.

(b) The leak must have been concealed and not readily detectable by a reasonable person such as a leak in an underground water service line between the meter and the exterior of a building or within walls or under the floors of a building.

(c) The customer must locate and repair the leak which must be verified by the Town. The repair may be verified one of the following methods.

(i) The customer must present the Town with an affidavit or written statement from a plumber that the leak has been located and repaired.

(ii) A Town employee verifies that the customer was able to repair the leak.

(d) A leak must be repaired within 30 days of the due date of the bill which shows the customer has a water leak. When a customer is notified of a leak by the Town, the leak must be repaired within 30 days of receiving such notice. The

customer must submit a leak adjustment request form to the Town office which form can be obtained by calling the Town's office.

(e) When the customer has a chronic leak, the Town may require the replacement of the pipe before a leak adjustment is made.

(3) No leak adjustment will be made for leaks which are readily detectable by the customer. These include the following:

- (a) Leaking faucets and toilets;
- (b) Faucets, hoses and other water outlets left running;
- (c) Leaks from frozen pipes;
- (d) Water used for filling swimming pools, washing cars and irrigating lawns gardens; or
- (e) Leaks from swimming pool systems and from irrigation systems.

When a customer is elderly or has special needs, the customer may request a leak adjustment from the Mayor and Board of Aldermen which shall have the authority to give a leak adjustment upon finding the customer was unable to detect the leak.

(4) Only one bill will be adjusted for a qualifying leak in any consecutive twelve month period. The leak adjustment will only be made in the billing cycle in which the leak is repaired.

(5) The leak adjustment will be calculated as follows:

STEP 1: An "average monthly bill" for the customer will be calculated from the customer's three preceding monthly bills, excluding the month in which the leak occurred. When a customer does not have three months water usage history with the Town, the customer's average water usage will be based upon the customer's average water usage for the number of full months the customer has actually received water service at the service address.

STEP 2: Subtract the average monthly bill from STEP 1 from the total of the billing being adjusted to establish the amount of the overage.

STEP 3: Divide the overage from STEP 2 by two for the adjustment.

STEP 4: The adjusted billing amount will include the average monthly bill plus the adjustment from STEP 3 plus sales tax and any other charges that may apply.


Example: The customer's water bill is \$139.00. The customer's average water bill is \$25.00. The leak adjustment is computed as follows:

$$\begin{array}{r} \$139.00 \\ - 25.00 \\ \hline \$114.00 \div 2 = \$57.00 + \$25.00 = \underline{\$ 82.00} \text{ Adjusted Bill (plus sales tax)} \end{array}$$

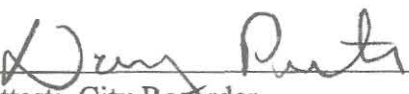
(6) In hardship cases monthly payments may be arranged, but shall not to exceed twelve (12) consecutive monthly installments without interest accruing. The Mayor will approve monthly payment arrangements when the adjusted bill amount is less than \$1,000, and the Board of Aldermen will approve monthly payment arrangements when the adjusted bill amount is \$1,000 or more. The minimum monthly payment amount will be \$50.00 plus the customer's current monthly bill.

Passed 1st Reading February 10, 2020

Passed 2nd Reading March 16, 2020



Dolton Steele / Mayor



Attest: City Recorder

Ordinance No. 2020-2

An Ordinance Establishing a Debt Management Policy for the Town of Huntland, Tennessee

Be It Ordained by the Mayor and Board of Alderman of Town of Huntland, Tennessee, that the following Debt Management Policy is adopted:

DEBT MANAGEMENT POLICY TOWN OF HUNTLAND, TENNESSEE

(a) Purpose. The purpose of this debt management policy (the Policy) is to establish a set of parameters by which debt obligations will be undertaken by the Town of Huntland, Tennessee (the Town). This Policy reinforces the commitment of the Town and its officials to manage the financial affairs of the Town so as to minimize risks, avoid conflicts of interest and ensure transparency while still meeting the capital needs of the Town. A debt management policy signals to the public and the rating agencies that the Town is using a disciplined and defined approach to financing capital needs and fulfills the requirements of the State of Tennessee regarding the adoption of a debt management policy.

The goal of this Policy is to assist decision makers in planning, issuing and managing debt obligations by providing clear direction as to the steps, substance and outcomes desired. In addition, greater stability over the long-term will be generated by the use of consistent guidelines in issuing debt.

(b) Definition of Debt. All obligations of the Town to repay, with or without interest, in installments and/or at a later date, some amount of money utilized for the purchase, construction, or operation of Town resources. This includes, but is not limited to notes, bond issues, capital leases, and loans of any type (whether from an outside source such as a bank or from another internal fund).

(c) Approval of Debt. Bond anticipation notes, capital outlay notes, grant anticipation notes, and tax and revenue anticipation notes will be submitted to the State of Tennessee Comptroller's Office and the Mayor and Board of Aldermen prior to issuance or entering into the obligation. A plan for refunding debt issues will be submitted to the Comptroller's Office prior to issuance. Capital or equipment leases may be entered into by the Mayor and Board of Aldermen; however, details on the lease agreement will be forwarded to the Comptroller's Office on the specified form within 45 days.

(d) Transparency.

- The Town shall comply with legal requirements for notice and for public meetings related to debt issuance.
- All notices shall be posted in the customary and required posting locations, including as required local newspapers, bulletin boards, and websites.
- All costs (including principal, interest, issuance, continuing, and one-time) shall be clearly presented and disclosed to the citizens, Mayor and Board of Aldermen, and other stakeholders in a timely manner.
- The terms and life of each debt issue shall be clearly presented and disclosed to the citizens, Mayor and Board of Aldermen, and other stakeholders in a timely manner.
- A debt service schedule outlining the rate of retirement for the principal amount shall be clearly presented and disclosed to the citizens, Mayor and Board of Aldermen, and other stakeholders in a timely manner.

(e) Role of Debt.

- Long-term debt shall not be used to finance current operations. Long-term debt may be used for capital purchases or construction identified through the capital improvement, regional development, transportation, or master process or plan. Short-term debt may be used for certain projects and equipment financing as well as for operational borrowing; however, the Town will minimize the use of short-term cash flow borrowings by maintaining adequate working capital and close budget management.
- In accordance with Generally Accepted Accounting Principles and state law,
 1. The maturity of the underlying debt will not be more than the useful life of the assets purchased or built with the debt, not to exceed 30 years; however, an exception may be made with respect to federally sponsored loans, provided such an exception is consistent with law and accepted practices.
 2. Debt issued for operating expenses must be repaid within the same fiscal year of issuance or incurrence.

(f) Types and Limits of Debt.

- The limitation on total outstanding debt must be reviewed prior to the issuance of any new debt.
- The Town's total outstanding debt obligation will be monitored and reported to the Mayor and Board of Aldermen by the City Recorder and/or Financial Advisor if one has been appointed by the Board. If at any time there is a matter or event that adversely affects the credit or financial integrity of the Town, it is the responsibility of the City Recorder / Financial Advisor to report such event to the Mayor and Alderman within 3 Business days.

- The Town has issued bonds in the past and is authorized to issue general obligation bonds, revenue bonds, TIFs (tax increment financing), loans, notes and other debt allowed by law.
- The Town will seek to structure debt with level or declining debt service payments over the life of each individual bond issue or loan.
- As a rule, the Town will not backload, use “wrap-around” techniques, balloon payments or other exotic formats to pursue the financing of projects. When refunding opportunities, natural disasters, other non-general fund revenues, or other external factors occur, the Town may utilize non-level debt methods. However, the use of such methods must be thoroughly discussed in a public meeting and the Mayor and Board of Aldermen must determine such use is justified and in the best interest of the Town.
- The Town may use capital leases to finance short-term projects.
- Bonds backed with a general obligations pledge often have lower interest rates than revenue bonds. The Town may use its general obligation pledge with revenue bond issues when the populations served by the revenue bond projects overlap or significantly are the same as the property tax base of the Town. The Mayor and Board of Aldermen and management are committed to maintaining rates and fee structures of revenue supported debt at levels that will not require a subsidy from the Town’s General Fund.

(g) Use of Variable Rate Debt.

- The Town recognizes the value of variable rate debt obligations and that cities have greatly benefitted from the use of variable rate debt in the financing of needed infrastructure and capital improvements.
- However, the Town also recognizes there are inherent risks associated with the use of variable rate debt and will implement steps to mitigate these risks; including:
 1. The Town will annually include in its budget an interest rate assumption for any outstanding variable rate debt that takes market fluctuations affecting the rate of interest into consideration.
 2. Prior to entering into any variable rate debt obligation that is backed by insurance and secured by a liquidity provider, the Mayor and Board of Aldermen shall be informed of the potential effect on rates as well as any additional costs that might be incurred should the insurance fail.
 3. Prior to entering into any variable rate debt obligation that is backed by a letter of credit provider, the Mayor and Board of Aldermen shall be informed of the potential effect on rates as well as any additional costs that might be incurred should the letter of credit fail.

4. Prior to entering into any variable rate debt obligation, the Mayor and Board of Aldermen will be informed of any terms, conditions, fees, or other costs associated with the prepayment of variable rate debt obligations.
5. The Town shall consult with persons familiar with the arbitrage rules to determine applicability, legal responsibility, and potential consequences associated with any variable rate debt obligation.

(h) Use of Derivatives.

- The Town chooses not to use derivative or other exotic financial structures in the management of the Town's debt portfolio.
- Prior to any reversal of this provision:
 1. A written management report outlining the potential benefits and consequences of utilizing these structures must be submitted to the Mayor and Board of Aldermen; and
 2. The Mayor and Board of Aldermen must adopt a specific amendment to this Policy concerning the use of derivatives or interest rate agreements that complies with the State Funding Board Guidelines.

(i) Costs of Debt.

- All costs associated with the initial issuance or incurrence of debt, management and repayment of debt (including interest, principal, and fees or charges) shall be disclosed prior to action by the Mayor and Board of Aldermen in accordance with the notice requirements stated above.
- In cases of variable interest or non-specified costs, detailed explanation of the assumptions shall be provided along with the complete estimate of total costs anticipated to be incurred as part of the debt issue.
- Costs related to the repayment of debt, including liabilities for future years, shall be provided in context of the annual budgets from which such payments will be funded (i.e. general obligations bonds in context of the General Fund, revenue bonds in context of the dedicated revenue stream and related expenditures, loans and notes).

(j) Refinancing Outstanding Debt.

- The Town will refund debt when it is in the best financial interest of the Town to do so, under the direction of the Mayor and Board of Aldermen. The Town Recorder shall have the responsibility of recommending a financial advisor based upon a request from the Mayor and Board of Aldermen. The decision to refinance must be explicitly approved by the Mayor and Board of Aldermen, and all plans for current or advance refunding of debt must be in compliance with state laws and regulations.

- The Mayor and Board of Aldermen (or when applicable the appointed financial advisor) will consider the following issues when analyzing possible refunding opportunities:
 1. Onerous Restrictions – Debt may be refinanced to eliminate onerous or restrictive covenants contained in existing debt documents, or to take advantage of changing financial conditions or interest rates.
 2. Restructuring for Economic Purposes – The Town will refund debt when it is in the best financial interest of the Town to do so. Such refunding may include restructuring to meet unanticipated revenue expectations, achieve cost savings, mitigate irregular debt service payments, or to release reserve funds. Current refunding opportunities may be considered by the Mayor and Board of Aldermen (or when applicable the appointed financial advisor) if the refunding generates positive present value savings, and if the refunding establishes a minimum present value savings threshold for any refinancing.
 3. Term of Refunding Issues – The Town will refund bonds within the term of the originally issued debt. However, the Mayor and Board of Aldermen (or when applicable the appointed financial advisor) may consider maturity extension, when necessary to achieve a desired outcome, provided such extension is legally permissible. The Mayor and Board of Aldermen (or when applicable the appointed financial advisor) may also consider shortening the term of the originally issued debt to realize greater savings. The remaining useful life of the financed facility and the concept of inter-generational equity should guide this decision.
 4. Escrow Structuring – The Town shall utilize the least costly securities available in structuring refunding escrows. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Town from its own account.
 5. Arbitrage – The Town shall consult with persons familiar with the arbitrage rules to determine applicability, legal responsibility, and potential consequences associated with any refunding.

(k) Professional Services. The Town shall require all professionals engaged in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by both the Town and the lender or conduit issuer, if any. This includes “soft” costs or compensations in lieu of direct payments.

- Counsel: The Town shall enter into an engagement letter agreement with each lawyer or law firm representing the Town in a debt transaction. No engagement letter is required for any lawyer who is an employee of the Town or lawyer or law firm which is under a general appointment or contract to serve as counsel to the Town.
- Financial Advisor: If the Town chooses to hire a financial advisor, the Town shall enter into a written agreement with each person or firm serving as financial advisor for debt management and transactions. Whether in a competitive sale or negotiated sale, the financial advisor shall not be permitted to bid on, privately place or underwrite an issue

for which they are or have been providing advisory services for the issuance or broker any other debt transactions for the Town.

- Underwriter: If there is an underwriter, the Town shall require the Underwriter to clearly identify itself in writing (e.g., in a response to a request for proposals or in promotional materials provided to an issuer) as an underwriter and not as a financial advisor from the earliest stages of its relationship with the Town with respect to that issue. The Underwriter must clarify its primary role as a purchaser of securities in an arm's-length commercial transaction and that it has financial and other interests that differ from those of the Entity. The Underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the Mayor and Board of Aldermen advance of the pricing of the debt.

(l) Conflicts.

- Professionals involved in a debt transaction hired or compensated by the Town shall be required to disclose to the Town existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, liquidity or credit enhancement provider, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators. This disclosure shall include that information reasonably sufficient to allow the Town to appreciate the significance of the relationships.
- Professionals who become involved in the debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure. No disclosure is required that would violate any rule or regulation of professional conduct.

(m) Review of Policy. This Policy shall be reviewed at least annually by the Mayor and Board of Aldermen with the approval of the annual budget. Any amendments shall be considered and approved in the same process as the initial adoption of this Policy, with opportunity for public input.

(n) Compliance. The Mayor and the Town Recorder responsible for ensuring compliance with this Policy.

TCA References:

TCA 7, Part 9 – Contracts, Leases, and Lease Purchase Agreements

TCA 9, Part 21 – Local Government Public Obligations Law

Ordinance No. 2020-2 (Con't)

An Ordinance Establishing a Debt Management Policy for the Town of Huntland, Tennessee

Passed 1st Reading February 10, 2020

Passed 2nd Reading March 16, 2020

Dolton Steele

Dolton Steele / Mayor

Larry Pugh

Attest: City Recorder

Kingston

	Water and Sewer	County: Roane		
	2016	2017	2018	2019
Unrestricted Net Position	\$2,086,952.00	\$2,500,509.00	\$2,171,904.00	\$1,998,950.00
Operating Revenues	\$3,362,551.00	\$3,338,780.00	\$3,333,157.00	\$3,525,088.00
Net Sales	\$3,353,857.00	\$3,333,382.00	\$3,325,778.00	\$3,519,943.00
Operating Expenses	\$3,054,263.00	\$3,175,159.00	\$3,175,105.00	\$3,416,504.00
Operating Income	\$308,288.00	\$163,621.00	\$158,052.00	\$108,584.00
Depreciation Expense	\$637,210.00	\$668,822.00	\$671,333.00	\$676,176.00
Non-Operating Rev. (Exp.)	(\$150,611.00)	(\$175,975.00)	(\$179,906.00)	(\$173,855.00)
Operating Profit	\$157,677.00	(\$12,354.00)	(\$21,854.00)	(\$65,271.00)
Grants and Capital Contribution	\$153,065.00	\$576,102.00	\$0.00	\$-00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	\$310,742.00	\$530,412.00	(\$21,854.00)	(\$65,271.00)
Statutory Change in NP (2017)	\$157,677.00	(\$45,690.00)	(\$21,854.00)	(\$65,271.00)
Pension and OPEB Asset	\$95,322.00	\$61,778.00	\$98,266.00	\$106,009.00
Pension and OPEB Liability	\$0.00	\$0.00	\$35,551.00	\$46,286.00
Statutory Change in NP (2018)		(\$12,146.00)	(\$22,791.00)	(\$62,279.00)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Kingston**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

On December 2, 2019, the Board issued the attached order regarding the City’s financial distress.

Kingston engaged Raftelis to assist in completing all the Board’s directives, and, in accordance with the Board’s order provided the resulting rate study to Staff prior to May 1, 2020. After reviewing the study, Board staff expressed concerns regarding the size of the payment in lieu of taxes (“PILOT”) and differing rates between customers inside the City as opposed to those outside the City.

In response to Staff’s concerns, the City and Raftelis decreased the disparity between the inside and outside rates. However, Raftelis recommended that the PILOT must remain in order to cover certain costs, which are explained in more detail in the attached rate study.

The City is waiting for the Board’s approval before implementing the proposed rate increases from Raftelis.

Staff Recommendations:

Formally approve Raftelis’s proposed rate increases.

Order the City to comply with the following:

1. The City shall implement all recommendations of the Raftelis rate study and send Board staff proof of such implementation by November 6, 2020.
2. The City shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2021, until the Board releases the Town from its oversight.

CITY OF
Kingston, TN

Rate & Financial Planning Study

Final Report / April 30, 2020



April 30, 2020

David L. Bolling
City Manager
City of Kingston
900 Waterford Place
Kingston, TN 37763

Subject: Water and Sewer Rate & Financial Planning Study Report

Dear Mr. Bolling,

Raftelis is pleased to present this report describing the assumptions and findings of our Water and Sewer Rate & Financial Planning Study (Study) performed for the City of Kingston (City). Over the past several months, we have worked closely with the City completing this engagement. We would like to take this opportunity to thank you and your staff for the efforts and participation you put forth during the Study.

The major objectives of the study include the following:

- Creating a financial plan that establishes guidelines and policies to ensure long-term financial stability and compliance with state regulatory requirements;
- Planning for, and helping the City manage, the future operational, capital, and service delivery needs of the water and sewer utilities; and
- Developing a financial planning model for continued use by City staff.

This report summarizes the key findings and recommendations related to the development of proposed rates and financial plans for the water and sewer utilities.

It has been a pleasure working with you, and we thank you and the City staff for the support provided during the course of this study.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bart Kreps'.

Bart Kreps
Vice President

A handwritten signature in black ink, appearing to read 'Will Kerr'.

Will Kerr
Manager

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APPENDIX A: Key Financial Planning Model Schedules

APPENDIX B: Determination of PILOT

APPENDIX C: Outside-City Differential Calculation

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1. Introduction

Background of the Study

The City of Kingston (City) Water Department provides water and sewer service to customers in Kingston, a historic city of about 5,825 people, and surrounding areas. Located along the Tennessee River on the shore of Watts Bar Lake, the City benefits from a readily accessible and high-quality water supply. The City provides water service to 3,800 customers, operating a 2.0 million gallon per day treatment plant on the Tennessee River and treating spring water from Swan Pond Spring. The City also provides sewer service to about 2,500 customers. The City has been experiencing growth in their service area in recent years and has added new storage and distribution lines to accommodate growing demands.

Although the City's water and sewer fund revenues have historically exceeded expenditures on a cash-basis, small losses in the City's audited financial statements (presented on an accrual-basis) have prompted the State of Tennessee Water and Wastewater Financing Board (WWFB) to order the City to perform a financial planning and rate study. The City engaged Raftelis Financial Consultants, Inc. (Raftelis) to complete the study, and this report documents the study's key assumptions and results. The major objectives of the study include the following:

- Creating a financial plan that establishes guidelines and policies to ensure long-term financial stability and compliance with state regulatory requirements;
- Planning for, and helping the City manage, the future operational, capital, and service delivery needs of the water and sewer utilities; and
- Developing a financial planning model for continued use by City staff.

To accompany this report, Raftelis has developed a financial planning and rate model to forecast annual revenue requirements, customer demand, rates, and system revenues over a five-year planning period. The model provides a module for analyzing the City's current financial position and the future impacts of the recommended program of rate adjustments on the system and its customers.

Rate Study Process

Raftelis utilized a systematic approach for the Study, which was tailored to the City's goals and objectives. The project formally kicked-off with a call to identify the overall study goals and a broad discussion of the City's pricing objectives. During this call, Raftelis discussed the rate analyses that would be conducted both those ordered by the WWFB and other structural modifications the City may want to consider. This meeting laid the roadmap for the Study, solidifying the timeline, deliverables, and expectations for the City and Raftelis.

The next step was the development of a financial plan, which summarizes the revenue requirements and projected revenues for the five-year planning period, while also monitoring annual debt service coverage requirements and reserve fund balances. The financial plan projects revenue shortfalls under the City's existing rates and indicates the additional level of revenues necessary to support the projected revenue requirements.

After the financial plan was developed, Raftelis began the process of rate structure adjustments and resulting rates to recover the revenue shortfall identified in the financial plan. Based on information provided during the kick-off meeting and subsequent correspondence, Raftelis developed a recommended rate program to address the objectives identified.

2. Financial Plan

Once the overall objectives of the Study were established, the next step was the development of a financial plan, which includes establishing a forecast of revenue requirements, determining the necessary revenue increases using demand projections, and examining the forecasted operating results over the five-year forecast period (FY 2021 – FY 2025).

Revenue Requirements

The first major task in establishing a financial plan is developing an understanding of the revenue requirements of the utility over the forecast period. Revenue requirements are presented in two manners. Revenue requirements on a cash-needs (or “cash”) basis are comprised of operating expenses, annual debt service payments (principal and interest), cash-funded capital, and transfers that the Water Department makes to the City in each fiscal year. Accrual-basis revenue requirements include interest and depreciation as capital costs instead of principal on debt service and cash-funded capital.

OPERATING EXPENSES

Operations and Maintenance (O&M) expenses represent normal, recurring expenses necessary to sustainably operate and maintain the system during the City’s annual accounting cycle, which is a Fiscal Year ending June 30th. The FY 2020 operating budget was provided to Raftelis by City Staff and serves as the baseline for the projection of utility operating costs.

To develop a five-year forecast of system operating costs and account for growing utility costs and inflation, escalation factors were developed for the O&M expenses. Based on feedback from City staff, the O&M budget were assumed to grow at a blended rate of 3% per year, which is consistent with historical trends in baseline costs.

CAPITAL IMPROVEMENT PLAN

One of the major components of establishing the financial plan was incorporating the City’s water and sewer Capital Improvement Plans (CIP) and corresponding capital financing plan based on the anticipated capital expenditures for the systems over the forecast period.

The City provided Raftelis with separate water, distribution and collection, and sewer system CIPs for the forecast period (Table 1). Distribution CIP projects, including the Compact Excavator and Track Loader, are shared between the water and sewer utilities in proportion to the respective costs of the other CIP projects. The main project in the water CIP is the Ladd Landing Tank project. Including its share of the value of distribution projects (61%), the water system is responsible for \$804,056 in capital expenditures from FY 2021 – FY 2025. Major elements of the sewer CIP include a new WWTP generator and a WAS pump replacement. Including its share of the value of collection projects (39%), the sewer system is responsible for \$493,262 in capital expenditures from FY 2021 – FY 2025. Raftelis reviewed the sources of capital funding with City staff, who determined that planned capital projects would be funded with cash (PAYGO, rate-, or cash-financed capital).

Table 1: Capital Improvement Plan, FY 2021-FY 2025

Water	Funding Source	2021	2022	2023	2024	2025
Ladd Landing Tank 2	Cash		\$400,000			
Total Water Projects		\$ -	\$400,000	\$ -	\$ -	\$ -

Distribution & Collection <i>61% Water Funded, 39% Sewer Funded</i>	Funding Source	2021	2022	2023	2024	2025
Bobcat T870 T4 Track Loader	Cash	\$67,318				
Line Replacements	Cash			\$200,000	\$200,000	\$200,000
Total Distribution Projects		\$67,318	\$ -	\$200,000	\$200,000	\$200,000

Sewer	Funding Source	2021	2022	2023	2024	2025
New Generator for WWTP	Cash		\$150,000			
Replace WAS Pumps	Cash	\$80,000				
Total Sewer Projects		\$80,000	\$150,000	\$ -	\$ -	\$ -

It is important to note that in years without planned capital improvements for water and sewer, an assumed level of spending of \$200,000 in Distribution & Collection projects was included to address unforeseen capital needs and system capitalization. A long-term goal for the City should be to target annual capital reinvestment of 100% of utility depreciation or roughly \$670,000 per year. This will become more feasible in the future, specifically when payments on the 1999 Gallaher Rd. loan subsidy in FY 2026.

DEBT SERVICE

The City’s current outstanding indebtedness includes a combination of both Tennessee Municipal Bond Fund (TMBF) and USDA Rural Development loans. The projected principal and interest payments on existing debt for the forecast period are based on payment schedules provided by City staff. Since the City anticipates funding all capital projects using cash, no projected debt service payments on new loans are included in the revenue requirement forecast.

OTHER REVENUE REQUIREMENTS

In addition to O&M, cash-financed capital, and debt, there are other costs that must be factored into the forecast of revenue requirements, including:

- The City’s water and sewer fund makes an annual payment-in-lieu of taxes (PILOT) to the City’s general fund. Raftelis reviewed the City’s PILOT in detail. Findings of this analysis are presented in Section 3.
- Depreciation expense must be considered for the forecast of accrual-based revenue requirements. Raftelis forecasted depreciation using depreciation on existing assets and projected capital projects identified in the CIP. Raftelis also reviewed the City’s current depreciation and capital asset policies. Findings from this analysis are presented in Section 3.

The projected revenue requirements for a five-year forecast period are shown in Table 2. Due to the WWFB oversight, the City is required to evaluate revenue requirements on both a cash-needs and an accrual basis. This table presents revenue requirements under both.

Table 2: Cash and Accrual Basis Revenue Requirements

Cash-Needs	2020	2021	2022	2023	2024	2025
O&M Expenses	\$2,501,785	\$2,576,839	\$2,654,144	\$2,733,768	\$2,815,781	\$2,900,254
Debt Service (Principal & Interest)	596,054	610,978	627,662	643,082	660,250	678,142
PAYGO	135,000	147,318	550,000	200,000	200,000	200,000
PILOT Transfers	485,170	485,170	485,170	499,725	514,717	530,158
Total Revenue Requirements	\$3,718,009	\$3,820,304	\$4,316,975	\$4,076,575	\$4,190,748	\$4,308,554

Accrual	2020	2021	2022	2023	2024	2025
O&M Expenses	\$2,501,785	\$2,576,839	\$2,654,144	\$2,733,768	\$2,815,781	\$2,900,254
Depreciation	673,914	676,631	681,789	686,103	687,608	689,177
Interest	119,949	113,358	106,482	99,295	91,809	83,998
PILOT Transfers	485,170	485,170	485,170	499,725	514,717	530,158
Total Revenue Requirements	\$3,780,818	\$3,851,997	\$3,927,584	\$4,018,891	\$4,109,915	\$4,203,588

Revenues

The City collects revenue from several sources. Operating revenues consist primarily of revenues from water and sewer rates and charges. Other revenues include user fees (commonly referred to as “Tap Fees”), interest earnings, penalties, and miscellaneous fees. Non-operating revenues primarily include revenues from interest earnings.

DEMAND FOR SERVICES

To estimate system user charge revenue, a customer demand forecast must be developed and applied to utility rates and charges. To calculate demand, Raftelis reviewed the City’s historical demand and customer growth and projected future demand for service over the forecast period. Detailed billing data was provided to Raftelis by the City. Raftelis then analyzed the detailed billing data to develop the demand forecast used in the model.

After discussions with City staff, it was agreed that Raftelis would assume the following customer growth and usage assumptions over the forecast period. Customer accounts for residential and commercial water and sewer customers are projected to grow by 0.5% per year throughout the duration of the forecast, while all other classes (Compound Meters and Sprinklers for water and Carwash and Flat Rate for sewer) are projected to remain flat. Water and sewer usage is also projected to grow by 0.5% per year for residential and commercial customers and 0% per year for all other customers, with the exception of Watts Bar Utility, which is projected to grow by 1% per year beginning in FY 2023. Raftelis believes these assumptions to be reasonable given the City’s expectations for service area growth and economic development. It should be noted that Raftelis discussed the potential near and medium-term implications associated with the Novel Coronavirus (COVID-19) with City staff. At this point, based on available information, the City anticipates COVID-19 impacts to be relatively small in terms of demand reductions and related revenue losses. These expectations are due, in large part, to a predominantly residential

customer base and minimal changes in water pumping volumes as of the date of this report. However, the City plans to monitor the current situation carefully and will develop a plan to address any potential negative impacts, if warranted. The projected schedule of customer bills and usage for the forecast period is shown in Table 3.

Table 3: Projected Bills and Usage, FY 2020 – FY 2025

Water Billing Data	2020 Estimate	2021 Projected	2022 Projected	2023 Projected	2024 Projected	2025 Projected
<u>Bills</u>						
Inside-City	33,864	34,033	34,203	34,375	34,546	34,719
Outside-City	11,976	12,036	12,096	12,157	12,217	12,278
Total Water Bills	45,840	46,069	46,300	46,531	46,764	46,998
<i>% Change</i>		0.5%	0.5%	0.5%	0.5%	0.5%
<u>Usage (Kgal)</u>						
Inside-City	141,203	141,909	142,619	143,332	144,048	144,769
Outside-City	44,024	44,244	44,465	44,687	44,911	45,135
Watts Bar Utility District	84,029	84,029	84,029	84,870	85,718	86,576
Total Water Usage	269,256	270,182	271,113	272,889	274,678	276,480
<i>% Change</i>		0.3%	0.3%	0.7%	0.7%	0.7%
Sewer Billing Data	2020 Estimate	2021 Projected	2022 Projected	2023 Projected	2024 Projected	2025 Projected
<u>Bills</u>						
Inside-City	29,856	30,005	30,155	30,306	30,458	30,610
Carwash (Inside-City)	43	43	43	43	43	43
Flat Rate	22	22	22	22	22	22
Total Sewer Bills	30,070	30,220	30,371	30,523	30,675	29,921
<i>% Change</i>		0.5%	0.5%	0.5%	0.5%	0.5%
<u>Usage (Kgal)</u>						
Inside-City	125,477	126,104	126,735	127,369	128,005	128,645
Carwash (Inside-City)	1,329	1,329	1,329	1,329	1,329	1,329
Roane County	18	18	18	18	18	18
Total Sewer Usage	126,824	127,452	128,082	128,716	129,353	129,993
<i>% Change</i>		0.5%	0.5%	0.5%	0.5%	0.5%

USER CHARGE REVENUES

Operating revenues are generated primarily from user rates and charges assessed to retail customers. Water customer groups include Inside-City and Outside-City (residential and commercial), Watts Bar Utility District (a water-only wholesale customer), Compound Meter/Hi-Flow Water Inside-City, Small Sprinklers, and Large Sprinklers. Sewer customer classes include regular Inside-City and Outside-City (although the City currently has no outside-city sewer customers), Carwash Inside-City, Roane County Sewer, and Flat Rate Sewer. Revenue from each of these customer classes has been forecasted by using projected customer billing demand data over the study period and by applying the annual adjustments to the user rates and charges.

Table 4 shows the City’s existing water and sewer rates for the two major categories of customers Inside- and Outside-City.

Table 4: Existing Water and Sewer Rates

Water Rates

Customer Class	FY 2020 Rate
Inside-City	
Minimum (0-1,000 gal.)	\$10.42
Volumetric (per 1,000 gal. over 1,000 gal.)	\$7.22
Regular Outside-City	
Minimum (0-1,000 gal.)	\$16.33
Volumetric (per 1,000 gal. over 1,000 gal.)	\$14.42

Sewer Rates

Customer Class	FY 2020 Rate
Regular Inside-City	
Minimum (0-1,000 gal.)	\$10.42
Volumetric (per 1,000 gal. over 1,000 gal.)	\$9.79
Regular Outside-City	
Minimum (0-1,000 gal.)	\$19.47
Volumetric (per 1,000 gal. over 1,000 gal.)	\$15.58
Flat Rate Sewer	
Flat Charge	\$44.69

As shown, the City maintains a 2.00x differential for outside-City water volumetric rates and roughly a 1.60x differential for outside-City sewer volumetric rates (although the City does not have outside-City sewer customers at this time). Raftelis performed a detailed outside-City differential analysis and the findings are presented in Section 3.

Revenues for FY 2020 have been projected based on the projected number of customer bills and billable units and the rates in place during FY 2019. FY 2019 rates were implemented July 1, 2015. The remaining years of the forecast period (FY 2021 – FY 2025) have been projected in the same way, using the projected number of bills and billable units of service and the future rates, effective July 1st of each Fiscal Year.

OTHER REVENUES

In addition to user charge revenues, the City collects revenue from several other operating and non-operating sources. These revenues have been grouped into categories: Interest Earnings; Penalties; Miscellaneous; and Water User Fees (user fees or “tap fees”). All miscellaneous revenues are projected to remain flat during the forecast period, using budgeted revenues in FY 2020 as the baseline.

REVENUE AT EXISTING RATES

The most important element of any rate study is ensuring that a utility generates revenues that are sufficient to operate the utility system and fund capital projects. Once the revenue requirements have been forecast, the next step is determining the ability of the anticipated revenues, calculated based on existing rates, to cover the anticipated costs.

Based on the assumptions identified in this report, the existing rates will not be sufficient to recover the system revenue requirements over the forecast period for both the water and sewer utilities. Assuming no future rate increases, the combined utility system would experience revenue deficits throughout the forecast period, as shown below in Figure 1 and Figure 2.

Figure 1: Revenue Sufficiency at Existing Rates – Cash Basis

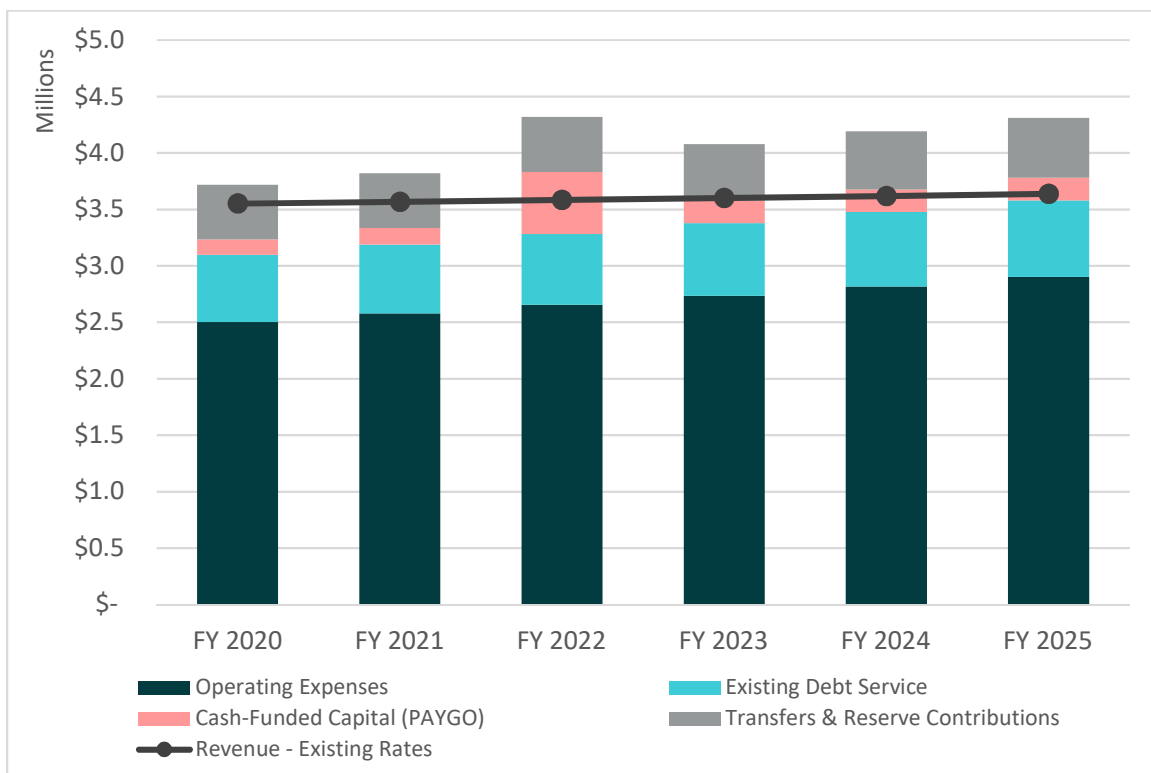
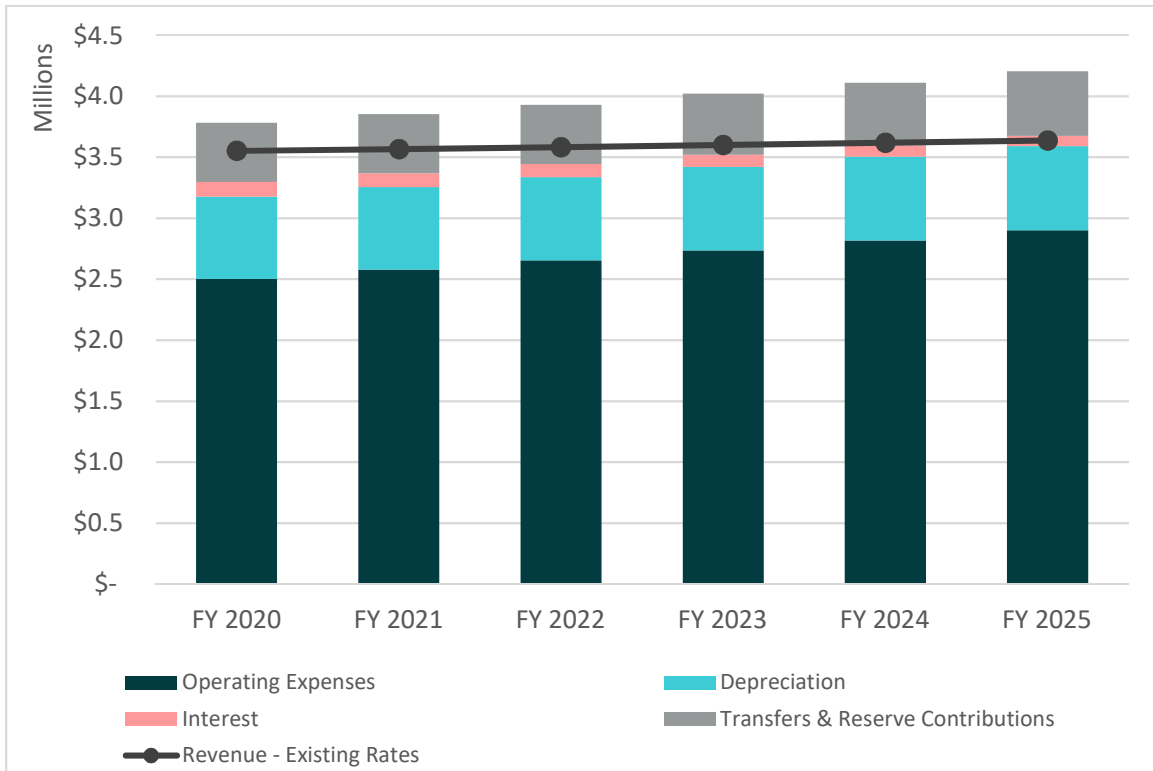


Figure 2: Revenue Sufficiency at Existing Rates – Accrual Basis



Revenue Sufficiency

To achieve revenue sufficiency, meet debt service coverage, and reach reserve fund balance targets, across-the-board increases will be needed for water and sewer rates for the duration of the forecast period (FY 2021 – FY 2025). With a focus on total fund revenue sufficiency, water and sewer rates will need to increase by 13.5% in FY 2021. Beginning in FY 2022, annual inflationary increases of 2% and 4% will be needed for water and sewer, respectively.

Based on the projected revenue requirements and the projected revenues, Figure 3 and Figure 4 show the projected results using the proposed rate increases. Figure 5 shows reserve levels with recommended rate increases. Implementing the recommended rate increases will allow the City to reach an operating reserve balance that exceeds an internal policy target level (180 days of O&M expense) by FY 2025.

A summary of the recommended rate plan is shown in Section 4.

Figure 3: Projected Financial Plan – Cash Basis

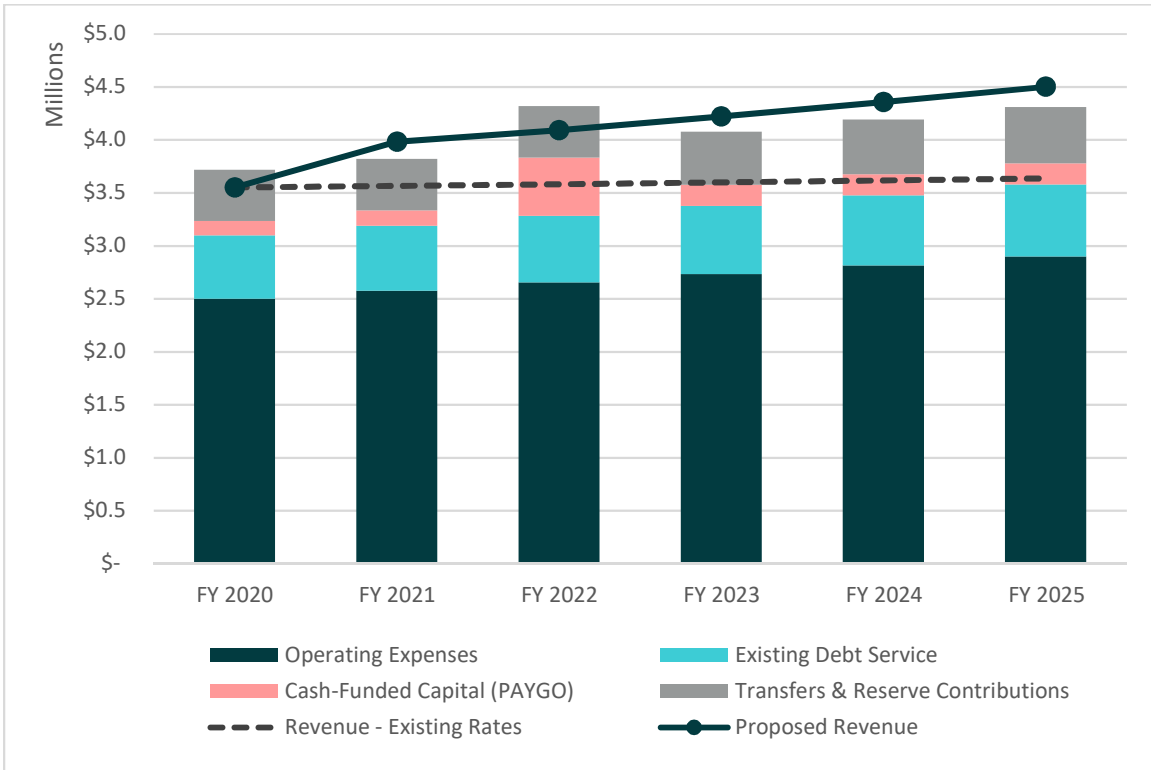


Figure 4: Projected Financial Plan – Accrual Basis

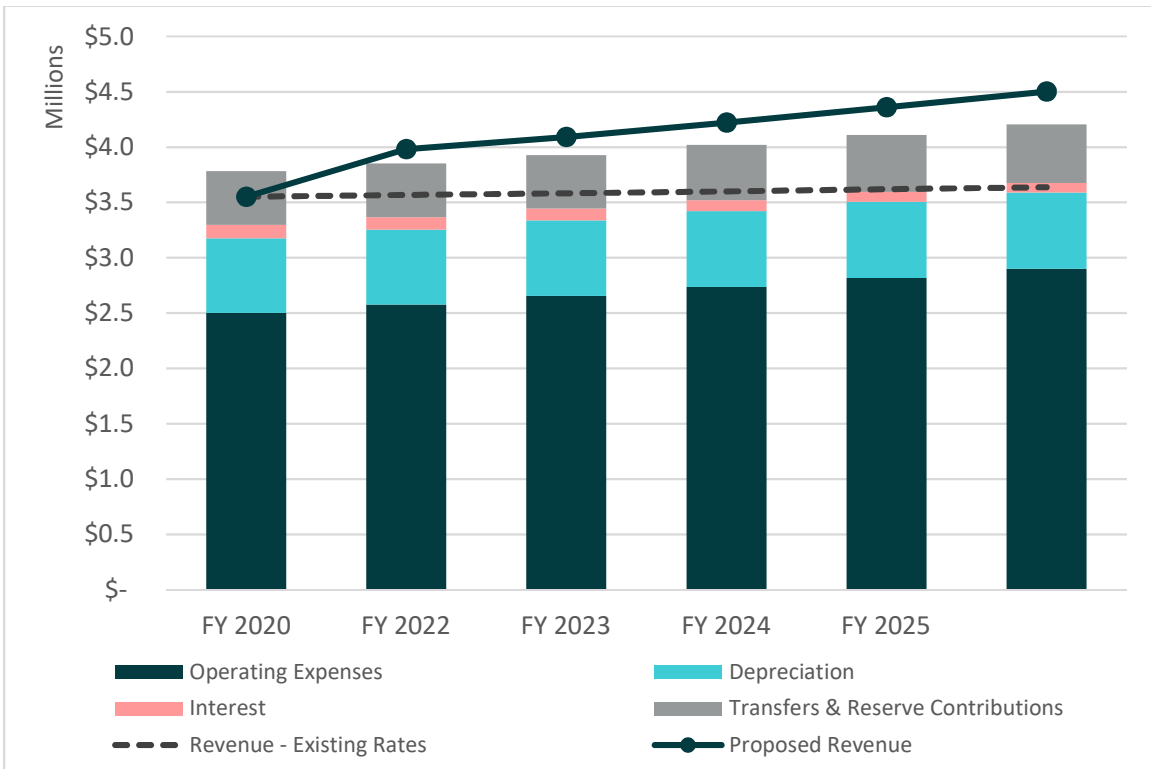
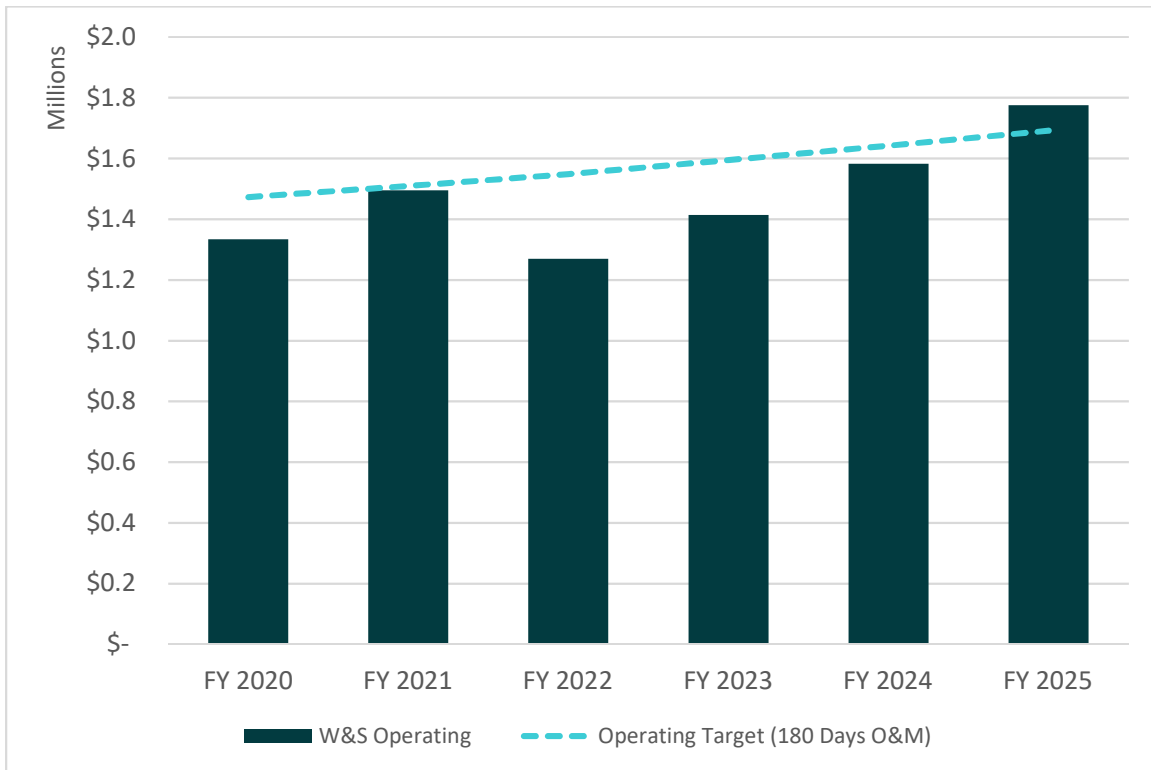


Figure 5: Reserve Fund Balances at Recommended Rates



3. Rate Analyses

Once the financial plan was established, Raftelis modelled various rate structure adjustments designed to enhance the equity between user charges and revenue recovery. Raftelis and City staff discussed various rate increase scenarios that would recover comparable revenues to meet expenses throughout the forecast period. Across-the-board rate increases were believed to best serve the City’s key pricing objective—revenue sufficiency—while also balancing other objectives, such as rate stability and ease of understanding and implementation.

In addition to forecasting future rate adjustments, as ordered by the WWFB, Raftelis also examined four key components of the City’s financial plan that interact with the proposed rate plan: capitalization and depreciation policies, personnel costs related to the financial administration of the water and sewer fund, the PILOT, and outside-City rate differential. These four elements are discussed below.

Capitalization and Depreciation Policies

Raftelis reviewed the Capitalization and Depreciation Policies that were submitted to the WWFB. In conferring with the City’s auditor, who maintains the water and sewer fixed asset records, the City does not simply depreciate all water and sewer capital assets over a 25-year useful life as stated in the policy documents. Useful lives have been determined for each asset that range from five to 50 years. Assets with shorter useful lives include vehicles and equipment while pipes, tanks, and other longer-lived core assets have useful lives of up to 50 years. In some cases, particularly with buried water and sewer lines, assets may last longer than their 50-year useful life. However, Raftelis does not recommend increasing accounting useful lives over 50 years as it can introduce additional risk

into the City’s financial position. Raftelis performed a detailed review of the fixed asset records and found in general useful lives are applied consistently among asset categories.

RECOMMENDATION

Raftelis recommends that no changes be made to the useful lives as specified in the fixed asset listing. However, the City should update its fixed asset policies and procedures to align closer with actual useful lives that are booked in the capital asset accounting records.

Financial Administration Personnel Costs

As ordered by the WWFB, Raftelis reviewed the financial administration costs paid by the water and sewer utility. Financial administration personnel costs are paid through two mediums: direct payment from the operating budget (GL Account 41990 – General Government) and payment from the PILOT which includes a reimbursement to the General Fund (GL Account 41500 – Financial Administration). Table 5: shows the breakdown of administrative personnel costs paid by the water and sewer fund.

Table 5: Administration Personnel Costs Payment Method

Title	Payment from Budget (GL 41990)	Payment from PILOT (GL 41500)	Payment from General Fund
City Manager / Water Department Director	50%	None	50%
Asst. to City Manager	None	50%	50%
Finance Director	None	50%	50%
Finance Staff	None	50%	50%
City Attorney	50%	None	50%
City Clerk / Billing Office Manager	100%	None	None
Utility Billing Clerk	100%	None	None
Part-time Staff	None	90% (1)	10%

(1) Allocation discussed in more detail in the following section. 90% allocation as proposed in PILOT determination.

As shown, the majority of these personnel costs are shared equally between the water and sewer fund and the General Fund. Raftelis held conversations with City staff who were specified noting that, in reality, more than 50% of their time is spent on water and sewer-related activities and projects.

There are two City staff that are paid 100% from the water and sewer fund: the City Clerk / Billing Office Manager and the Utility Billing Clerk. The City Clerk is relied upon heavily by the water and sewer fund due to her long-time employment with the City and her deep institutional knowledge of the water and sewer systems. She is a critical component of the utility systems and, as such, the City made the decision to compensate her directly from the water and sewer fund.

RECOMMENDATION

Based on conversation with City staff, who have specified that realistically more than 50% of their time is spent on water and sewer, Raftelis recommends that no changes be made to the level of financial administration costs borne by the water and sewer fund.

PILOT

The City's PILOT is paid from the water and sewer fund to the City's General Fund. The PILOT is a significant annual expense, budgeted at \$485,170 in FY 2020. The PILOT has two components: the reimbursement to the general fund for shared costs and the actual PILOT. The reimbursement portion is based on how much of the City's resources, such as buildings, office supplies, and shared salaries (discussed above), are utilized by the water and sewer utilities. The PILOT portion is determined using Tennessee state standards for PILOT determination. Raftelis reviewed and refined the City's PILOT calculation for FY 2020 to determine whether the budgeted level was cost-justified.

PILOT DETERMINATION

The City developed allocation factors to assign a portion of municipal expenses to the water and sewer utility system. Assuming these factors were outdated, Raftelis recalculated new allocation factors. Each expense was allocated based on one of several factors, determined through conversation with City staff. These factors include: the percent of City Hall Costs shared by the utilities (based on the number of employees working in City Hall); the Employee Costs, or the amount time shared employees spent on water and sewer utility tasks; the percent of the City's postage used for utility functions; and the percent of the City's computers and software used for utility functions. The shared expenses and their allocations are summarized in Table 6. More information, including the development of the allocation factors, is shown in Appendix B.

Table 6: Expenses Shared with the General Fund

W/S Reimbursement to the General Fund	2020 Budget	% Allocated to W&S	Cost Allocated to W&S	Allocation Method
Mortgage payment on City Hall	\$109,314	45.8%	\$50,102	City Hall Costs
Applicable Salaries	\$280,594	47.8%	\$134,212	Employee Costs
Applicable Health Insurance	\$36,700	47.8%	\$17,554	Employee Costs
Local Government Computer Maintenance	\$56,000	37.9%	\$21,201	Computer/Software
Local Government Software Support	\$24,000	37.9%	\$9,086	Computer/Software
Workers Comp. Insurance	\$880	47.8%	\$421	Employee Costs
Postage Costs	\$16,500	64.9%	\$10,703	Postage
Utilities for City Hall	\$37,400	45.8%	\$17,142	City Hall Costs
Property Insurance for City Hall	\$4,411	45.8%	\$2,022	City Hall Costs
Liability Insurance, Errors and Omissions	\$21,562	47.8%	\$10,313	Employee Costs
Applicable TCRS, OASI, etc.	\$41,934	47.8%	\$20,058	Employee Costs
Telephones	\$12,640	47.8%	\$6,046	Employee Costs
Office Supplies	\$18,000	45.8%	\$8,250	City Hall Costs
Cleaning Supplies	\$16,311	45.8%	\$7,476	City Hall Costs
Repair and Maintenance for City Hall	\$103,671	45.8%	\$47,516	City Hall Costs
Applicable Travel/Education Costs	\$18,750	47.8%	\$8,968	Employee Costs
Ads and Legal Notices	\$3,000	47.8%	\$1,435	Employee Costs
Total Expenses	\$801,669		\$372,506	

Based on the most recent cost data, the value of City resources used by the utility system totals \$372,506. The next step is to calculate the total PILOT. The City uses the calculation shown in Table 7 to determine the PILOT amount.

Table 7: PILOT Calculation

PILOT Calculation	Factors & Totals	Source
A. City Property Tax Rate	\$1.45	
B. Appraisal Ratio	1.00	Roane County 2020 Rate
C. Equalized Tax Rate (A*B)	\$1.45	
D. Net Plant Value of System	\$16,000,000	Estimate for Inside City Assets
E. Materials and Supplies	\$76,596	Per 2019 Audit
F. Calculated Value of Plant (D+E)	\$16,076,596	
G. Utilities Tax Ratio	0.55	Per State Law
H. Taxable Assessed Value (F*G)	\$8,842,128	
Total PILOT (C*H)/100	\$128,211	

The total reimbursement owed by the water and sewer utility system to the General Fund equals the sum of the shared expenses (\$372,506) and the PILOT (\$128,211), or \$500,717. This calculated PILOT transfer to the General Fund exceeds the existing transfer of \$485,170 by \$15,547, representing a 3.2% increase. Therefore, the current level of PILOT is cost-justified.

RECOMMENDATION

While a slight increase in the PILOT is cost-justified, in discussing with City Staff, it was agreed that leaving the PILOT flat for two years would help take pressure off of water and sewer rates. Raftelis agrees with this approach which has been reflected in the projected financial plan. The City will be able to use the Rate and Financial Planning Model (Model), developed as a part of this Study, to re-calculate a cost-justified PILOT in future years.

Outside-City Differential

The City currently maintains an outside-City differential on water and sewer user charges and fees for service provided to customers outside the city limits of Kingston. The current differentials are 2.0 for water, roughly 1.6 for sewer (although there are currently no outside-City sewer customers), and 2.0 for user fees. Raftelis performed a detailed outside-City differential analysis to determine whether these differential levels are cost-justified based upon guidance provided in the American Water Works Association (AWWA) M1 Manual *Principles of Water Rates, Fees and Charges* (M1 Manual), which specifies that the costs to be borne by outside-city customers are similar to those attributed to the customers of an investor-owned utility. Such costs include O&M expense, depreciation expense, and an appropriate return on the value of property devoted to serving the outside-city customers.¹

The process Raftelis used to determine the outside-City rate differential for water rates is described below.

METHODOLOGY

First, actual FY 2019 O&M costs are allocated between the water and sewer systems, which is performed in the financial plan. O&M costs allocated to water are reallocated between the customer classes, inside-City, outside-City, and contract (Watts Bar) customers. Each O&M category is allocated as prescribed in Schedule 1 of Appendix C.

Next, FY 2019 interest costs are allocated to inside- and outside-City customers. The only outstanding debt on the water system is for the Rockwood Interconnect. The interest for these loans is allocated based on staff estimates for the way that the asset benefits inside- and outside-City customers.

The next step involves a detailed allocation of fixed asset to inside- and outside-City customers. Raftelis worked with City staff to allocate FY 2019 fixed assets to inside- and outside-City customers. This analysis yields two key results for the differential calculation: depreciation expense and “rate base” allocated between inside- and outside-City service. Depreciation expense is included as revenue requirement for all customers. For outside-City customers, an additional cost component, a return on rate base, is included to account for the risks that the City incurs when investing in assets to serve customers located outside the City. The City’s Weighted Average Cost of Capital (WACC) of 6.44% is used for the return on outside-City rate base².

¹ M1 Manual, Seventh Edition, Chapter III.2 – Distributing Costs to Customer Classes.

² Weighted Average Cost of Capital analysis is the generally accepted method of determining the return component under the Utility Approach of determining Revenue Requirements. M1 Manual, Seventh Edition.

The total of these costs for each customer class (inside- and outside-City) are then divided by the total units of service for each class, measured in billable units of water flows, to calculate the unit cost of service. The ratio of these unit costs of service generates the appropriate outside-City differential. A summary of the calculation of the outside-City differential is shown in Table 8 and a detailed breakdown of the calculation is shown in Appendix C.

Table 8: Outside-City Differential Calculation

Revenue Requirements	Total	Inside-City	Outside-City	Contract
Operations & Maintenance Expense	\$1,623,597	\$980,135	\$433,814	\$209,648
Interest Expense (1)	75,534	67,981	7,553	0
Depreciation	272,506	153,717	100,643	18,146
Return on Investment (2)	189,226	0	166,368	22,858
A. Total Revenue Requirements for FY 2019	\$2,160,862	\$1,201,832	\$708,378	\$250,652
B. FY 2019 Billed Usage (Kgal)	269,729	141,676	44,024	84,029
C. Unit Cost per Kgal (A/B)	\$8.01	\$8.48	\$16.09	\$2.98
Outside-City Rate Differential	\$16.09 / \$8.48 =		1.90	

- 1) Interest on RDA loans for the Rockwood Interconnect. Allocation to inside- and outside-city align with booked assets.
- 2) Rate of return based on calculated Weighted Average Cost of Capital for the City's Water & Sewer Fund. More information is provided in Appendix C.

RECOMMENDATION

Water Rates

Raftelis recommends the City phase-down the outside-City water rate differential over three years to 1.90 to help mitigate immediate rate increase needs. Thereafter, although cost justified, the City may wish to consider further reducing the differential over time to decrease reliance on such revenues.

Sewer Rates

The City currently maintains a roughly 1.60 differential on outside-City sewer rates although there are currently no outside-City sewer customers. Raftelis recommends leaving this differential as-is since there is not sufficient information (i.e. no customers) to perform a similar calculation. However, the City has made investments to be able to provide service outside City limits, so a differential may be justified but it cannot be determined at this time.

User Fees

Since the cost of user or "tap" fees does not vary considerably when the City performs such service, a differential is not justified on these services. Raftelis recommends the removal of the outside-City differential on fees with the rollout of this rate plan.

4. Summary of Recommendations

Rate & Fee Increase Program

Based on discussion with City staff, Raftelis recommends across-the-board rate increases. Both water and sewer rates should increase by 13.5% in FY 2021. Beginning in FY 2022, water rates are projected to increase by 2% per year except for Watts Bar Utility rates, which will remain flat until FY 2023 (per contract). Beginning in FY 2022, sewer rates are projected to increase by 4% per year. In addition to user rates, Raftelis recommends that the City increase user fees in lockstep with rates and charges. A schedule of proposed rates and fees for the forecast period is shown in Table 9. Raftelis recommends that the City reevaluate these increases annually to ensure that they continue to adequately recover utility costs.

Table 9: Proposed Water and Sewer Rates

Water Rates

Customer Class	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Regular Inside-City						
Minimum (0-1,000 gal.)	\$10.42	\$11.83	\$12.07	\$12.32	\$12.57	\$12.83
Volumetric (per 1,000 gal. over 1,000 gal.)	\$7.22	\$8.20	\$8.37	\$8.54	\$8.72	\$8.90
Regular Outside-City						
Minimum (0-1,000 gal.)	\$16.33	\$18.54	\$18.92	\$19.30	\$19.69	\$20.09
Volumetric (per 1,000 gal. over 1,000 gal.)	\$14.42	\$15.99	\$15.99	\$16.23	\$16.57	\$16.91
Watts Bar Utility District (1)						
Volumetric (per 1,000 gal.)	\$2.68	\$2.68	\$2.68	\$2.74	\$2.80	\$2.86
Compound Meter/Hi-Flow Water						
Minimum (0-1,000 gal.)	\$7.22	\$8.20	\$8.37	\$8.54	\$8.72	\$8.90
Volumetric (per 1,000 gal. over 1,000 gal.)	\$7.22	\$8.20	\$8.37	\$8.54	\$8.72	\$8.90
Sprinklers						
Small Sprinklers	\$16.11	\$18.29	\$18.66	\$19.04	\$19.43	\$19.82
Large Sprinklers	\$40.27	\$45.71	\$46.63	\$47.57	\$48.53	\$49.51

(1) Contract Rate

Sewer Rates

Customer Class	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Regular Inside-City						
Minimum (0-1,000 gal.)	\$10.42	\$11.83	\$12.31	\$12.81	\$13.33	\$13.87
Volumetric (per 1,000 gal. over 1,000 gal.)	\$9.79	\$11.12	\$11.57	\$12.04	\$12.53	\$13.04
Regular Outside-City						
Minimum (0-1,000 gal.)	\$19.47	\$19.47	\$19.70	\$20.50	\$21.33	\$22.19
Volumetric (per 1,000 gal. over 1,000 gal.)	\$15.58	\$17.79	\$18.51	\$19.26	\$20.05	\$20.86
Carwash Sewer Inside-City						
Minimum (0-1,000 gal.)	\$7.29	\$8.28	\$8.62	\$8.97	\$9.33	\$9.71
Volumetric (per 1,000 gal. over 1,000 gal.)	\$6.77	\$7.69	\$8.00	\$8.32	\$8.66	\$9.01
Roane County Sewer (1)						
Minimum (0-3,000 gal.)	\$82.98	\$94.19	\$97.96	\$101.88	\$105.96	\$110.20
Volumetric (per 1,000 gal. over 3,000 gal.)	\$18.16	\$20.62	\$21.45	\$22.31	\$23.21	\$24.14
Flat Rate Sewer						
Flat Charge	\$44.69	\$50.73	\$52.76	\$54.88	\$57.08	\$59.37

(1) Contract rate.

In addition to the charges shown above, Raftelis recommends the following:

- Update capitalization and depreciation policies to align with current practices;
- Update PILOT calculation based on the methodology described in this report;
- Phase water rate differential from 2.00 to 1.90 over three years;
- Retain sewer rate differential at 1.60 until a formal analysis can be performed; and
- Remove differential on user fees.

Conclusion

It is important to note that there are often differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We recommend that the City continually monitor the five-year financial plan to maintain a proactive approach to financial planning and rate setting. In the near-term, particular emphasis should be placed on monitoring any potential impacts associated with the COVID-19 pandemic. Upon completion of the Study, Raftelis will provide City staff with the final Model. The Model was developed in Microsoft Excel, built and designed specifically for the City, and is designed for continued use by the City as a financial planning tool. The Model provides the flexibility to analyze various financial operating and capital scenarios and the impacts that these scenarios have on the utility rates.

APPENDIX A:
**KEY FINANCIAL PLANNING
MODEL SCHEDULES**

City of Kingston, TN
Financial Planning & Rate Model
 Schedule 1: System Financial Sufficiency

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Cash Basis						
<u>System Revenues</u>						
Water User Charge Revenues	\$ 2,068,896	\$ 2,316,497	\$ 2,359,192	\$ 2,417,986	\$ 2,482,004	\$ 2,547,130
Sewer User Charge Revenues	1,291,211	1,473,725	1,540,997	1,611,534	1,685,390	1,762,599
All Other Revenues	191,500	191,500	191,500	191,500	191,500	191,500
Total System Revenues	\$ 3,551,607	\$ 3,981,722	\$ 4,091,689	\$ 4,221,020	\$ 4,358,894	\$ 4,501,229
<u>System Expenditures</u>						
Operations & Maintenance	\$ 2,501,785	\$ 2,576,839	\$ 2,654,144	\$ 2,733,768	\$ 2,815,781	\$ 2,900,254
Existing Debt	596,054	610,978	627,662	643,082	660,250	678,142
Proposed Debt	-	-	-	-	-	-
Paygo	135,000	147,318	550,000	200,000	200,000	200,000
PILOT Transfers	485,170	485,170	485,170	499,725	514,717	530,158
Total System Expenditures	\$ 3,718,009	\$ 3,820,304	\$ 4,316,975	\$ 4,076,575	\$ 4,190,748	\$ 4,308,554
System Surplus / (Deficit)	\$ (166,401)	\$ 161,418	\$ (225,286)	\$ 144,445	\$ 168,147	\$ 192,674
Accrual Basis						
<u>System Revenues</u>						
Water User Charge Revenues	\$ 2,068,896	\$ 2,316,497	\$ 2,359,192	\$ 2,417,986	\$ 2,482,004	\$ 2,547,130
Sewer User Charge Revenues	1,291,211	1,473,725	1,540,997	1,611,534	1,685,390	1,762,599
All Other Revenues	191,500	191,500	191,500	191,500	191,500	191,500
Total System Revenues	\$ 3,551,607	\$ 3,981,722	\$ 4,091,689	\$ 4,221,020	\$ 4,358,894	\$ 4,501,229
<u>System Expenditures</u>						
Operations & Maintenance	\$ 2,501,785	\$ 2,576,839	\$ 2,654,144	\$ 2,733,768	\$ 2,815,781	\$ 2,900,254
Depreciation	673,914	676,631	681,789	686,103	687,608	689,177
Interest	119,949	113,358	106,482	99,295	91,809	83,998
PILOT Transfers	485,170	485,170	485,170	499,725	514,717	530,158
Total System Expenditures	\$ 3,780,818	\$ 3,851,997	\$ 3,927,584	\$ 4,018,891	\$ 4,109,915	\$ 4,203,588
System Surplus / (Deficit)	\$ (229,211)	\$ 129,725	\$ 164,105	\$ 202,129	\$ 248,979	\$ 297,640
Key Results						
<u>Proposed Rate Increases</u>						
Water		13.50%	2.00%	2.00%	2.00%	2.00%
Sewer		13.50%	4.00%	4.00%	4.00%	4.00%
<u>System Surplus/(Deficit)</u>						
Cash	\$ (166,401)	\$ 161,418	\$ (225,286)	\$ 144,445	\$ 168,147	\$ 192,674
Accrual	(229,211)	129,725	164,105	202,129	248,979	297,640
<u>Key Ratios</u>						
Debt Service Coverage (Target 1.2)	1.65	2.19	2.18	2.21	2.23	2.26
Days Cash on Hand (Target 180)	162.9	178.2	147.6	159.6	173.4	188.8
Debt Service Coverage						
Total Revenues	\$ 3,551,607	\$ 3,981,722	\$ 4,091,689	\$ 4,221,020	\$ 4,358,894	\$ 4,501,229
Less: Non-Operating Revenues	(68,000)	(68,000)	(68,000)	(68,000)	(68,000)	(68,000)
Less: O&M	(2,501,785)	(2,576,839)	(2,654,144)	(2,733,768)	(2,815,781)	(2,900,254)
Net Revenues Available for D/S	\$ 981,822	\$ 1,336,883	\$ 1,369,546	\$ 1,419,252	\$ 1,475,113	\$ 1,532,974
Total Debt Service	\$ 596,054	\$ 610,978	\$ 627,662	\$ 643,082	\$ 660,250	\$ 678,142
Total Debt Service Coverage	1.65	2.19	2.18	2.21	2.23	2.26

City of Kingston, TN

Financial Planning & Rate Model

Schedule 2: Water & Sewer Billing Data

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Water	269,256	270,182	271,113	272,889	274,678	276,480
<u>Bills</u>						
Regular Water Inside-City	33,864	34,033	34,203	34,375	34,546	34,719
Regular Water Outside-City	11,976	12,036	12,096	12,157	12,217	12,278
Watts Bar Utility	24	24	24	24	24	24
Compound Meter/Hi-Flow Water Inside	12	12	12	12	12	12
Small Sprinklers	12	12	12	12	12	12
Large Sprinklers	139	139	139	139	139	139
<i>Total Water Bills</i>	<u>46,027</u>	<u>46,256</u>	<u>46,487</u>	<u>46,718</u>	<u>46,951</u>	<u>47,185</u>
		0.5%	0.5%	0.5%	0.5%	0.5%
<u>Usage (Kgal)</u>						
Regular Water Inside-City						
Minimum (0-1,000 gal.)	28,968	29,113	29,258	29,405	29,552	29,699
Volumetric (per 1,000 gal. over 1,000 gal.)	112,235	112,796	113,360	113,927	114,497	115,069
<i>Subtotal: Regular Water Inside-City</i>	<u>141,203</u>	<u>141,909</u>	<u>142,619</u>	<u>143,332</u>	<u>144,048</u>	<u>144,769</u>
Regular Water Outside-City						
Minimum (0-1,000 gal.)	11,039	11,095	11,150	11,206	11,262	11,318
Volumetric (per 1,000 gal. over 1,000 gal.)	32,984	33,149	33,315	33,482	33,649	33,817
<i>Subtotal: Regular Water Outside-City</i>	<u>44,024</u>	<u>44,244</u>	<u>44,465</u>	<u>44,687</u>	<u>44,911</u>	<u>45,135</u>
Watts Bar Utility						
Volumetric (per 1,000 gal.)	84,029	84,029	84,029	84,870	85,718	86,576
Compound Meter/Hi-Flow Water Inside						
Volumetric (per 1,000 gal. over 1,000 gal.)	473	473	473	473	473	473
<i>Total Water Usage</i>	269,729	270,656	271,586	273,362	275,151	276,953
<i>% Change</i>		0.3%	0.3%	0.7%	0.7%	0.7%

City of Kingston, TN

Financial Planning & Rate Model

Schedule 2: Water & Sewer Billing Data

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Sewer Bills						
Regular Sewer Inside-City	29,856	30,005	30,155	30,306	30,458	30,610
Regular Sewer Outside-City	-	-	-	-	-	-
Carwash Sewer Inside-City	43	43	43	43	43	43
Roane County Sewer	14	14	14	14	14	14
Flat Rate Sewer	22	22	22	22	22	22
Total Bills	<u>29,935</u>	<u>30,084</u>	<u>30,234</u>	<u>30,385</u>	<u>30,537</u>	<u>30,689</u>
		0.5%	0.5%	0.5%	0.5%	0.5%
Usage (Kgal)						
Regular Sewer Inside-City						
Minimum (0-1,000 gal.)	26,540	26,672	26,806	26,940	27,074	27,210
Volumetric (per 1,000 gal. over 1,000 gal.)	<u>98,937</u>	<u>99,432</u>	<u>99,929</u>	<u>100,429</u>	<u>100,931</u>	<u>101,436</u>
<i>Subtotal: Regular Sewer Inside-City</i>	<u>125,477</u>	<u>126,104</u>	<u>126,735</u>	<u>127,369</u>	<u>128,005</u>	<u>128,645</u>
Carwash Sewer Inside-City						
Minimum (0-1,000 gal.)	43	43	43	43	43	43
Volumetric (per 1,000 gal. over 1,000 gal.)	<u>1,286</u>	<u>1,286</u>	<u>1,286</u>	<u>1,286</u>	<u>1,286</u>	<u>1,286</u>
<i>Subtotal: Carwash Sewer Inside-City</i>	<u>1,329</u>	<u>1,329</u>	<u>1,329</u>	<u>1,329</u>	<u>1,329</u>	<u>1,329</u>
Roane County Sewer						
Minimum (0-3,000 gal.)	18	18	18	18	18	18
Volumetric (per 1,000 gal. over 3,000 gal.)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Subtotal: Roane County Sewer</i>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>
Total Sewer Usage	126,824	127,452	128,082	128,716	129,353	129,993
% Change		0.5%	0.5%	0.5%	0.5%	0.5%

City of Kingston, TN
Financial Planning & Rate Model
 Schedule 3: Capital Improvements Plan

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Water					
Ladd Landing PS Generator					
Spring Pump House Generator					
Ladd Landing Tank 2		400,000			
Water Meters					
Misc. Water Projects					
<i>Total Water Treatment</i>	-	400,000	-	-	-
Distribution & Collection					
F-150 4x4 Super-Cab					
Bobcat E-85 Compact Excavator					
Bobcat T870 T4 Track Loader	67,318				
Line Replacements			200,000	200,000	200,000
Misc. D&C Projects					
<i>Total Distribution & Collection</i>	67,318	-	200,000	200,000	200,000
Sewer					
New Truck F-250/Service Truck					
Pump Room Repairs					
Generator for #7					
New Pump/Motor #1					
New Truck F-250/Service Truck					
Replace WAS pumps	80,000				
New generator for WWTP		150,000			
Misc. Sewer Projects					
<i>Total Sewer</i>	\$ 80,000	\$ 150,000	\$ -	\$ -	\$ -
Total Capital Improvements	\$ 147,318	\$ 550,000	\$ 200,000	\$ 200,000	\$ 200,000
<u>Water Funding Sources</u>					
Revenue Bond	\$ -	\$ -	\$ -	\$ -	\$ -
Reserves	-	-	-	-	-
Grants	-	-	-	-	-
Paygo Cash	40,761	400,000	121,099	121,099	121,099
	40,761	400,000	121,099	121,099	121,099
<u>Sewer Funding Sources</u>					
Revenue Bond	\$ -	\$ -	\$ -	\$ -	\$ -
Reserves	-	-	-	-	-
Grants	-	-	-	-	-
Paygo Cash	106,557	150,000	78,901	78,901	78,901
	\$ 106,557	\$ 150,000	\$ 78,901	\$ 78,901	\$ 78,901

City of Kingston, TN

Financial Planning & Rate Model

Schedule 4a: Revenue Requirements - Cash Basis

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Water Revenue Requirements						
<u>Water Operating Expenditures</u>						
Personnel	\$ 888,843	\$ 915,508	\$ 942,973	\$ 971,263	\$ 1,000,401	\$ 1,030,413
Insurance	61,033	62,864	64,750	66,692	68,693	70,754
Professional Fees	47,773	49,206	50,682	52,202	53,769	55,382
Office Supplies	11,815	12,170	12,535	12,911	13,298	13,697
Maintenance	135,063	139,115	143,288	147,587	152,015	156,575
Infrastructure	-	-	-	-	-	-
Utilities	138,517	142,673	146,953	151,361	155,902	160,579
Equipment	154,705	159,346	164,127	169,050	174,122	179,346
Miscellaneous	6,606	6,805	7,009	7,219	7,436	7,659
<i>Total Water O&M</i>	\$ 1,444,355	\$ 1,487,686	\$ 1,532,317	\$ 1,578,286	\$ 1,625,635	\$ 1,674,404
<u>Debt Service and Capital Expenditures</u>						
Existing Debt	\$ 76,706	\$ 76,706	\$ 76,706	\$ 76,706	\$ 76,706	\$ 76,706
Proposed Debt	-	-	-	-	-	-
Paygo	97,522	40,761	400,000	121,099	121,099	121,099
<i>Total Water Debt Service</i>	\$ 174,227	\$ 117,466	\$ 476,706	\$ 197,804	\$ 197,804	\$ 197,804
Transfers (PILOT)	\$ 298,730	\$ 298,730	\$ 298,730	\$ 307,692	\$ 316,923	\$ 326,431
<i>Total Water Revenue Requirements</i>	\$ 1,917,313	\$ 1,903,883	\$ 2,307,753	\$ 2,083,783	\$ 2,140,362	\$ 2,198,639
<u>Offsets</u>						
Interest Earnings	\$ 4,926	\$ 4,926	\$ 4,926	\$ 4,926	\$ 4,926	\$ 4,926
Penalties	21,550	21,550	21,550	21,550	21,550	21,550
Miscellaneous	54,492	54,492	54,492	54,492	54,492	54,492
Water Fees	40,000	40,000	40,000	40,000	40,000	40,000
<i>Total Water O&M</i>	\$ 120,968	\$ 120,968	\$ 120,968	\$ 120,968	\$ 120,968	\$ 120,968
Water Net Revenue Requirements	\$ 1,796,346	\$ 1,782,915	\$ 2,186,785	\$ 1,962,815	\$ 2,019,394	\$ 2,077,671

City of Kingston, TN

Financial Planning & Rate Model

Schedule 4a: Revenue Requirements - Cash Basis

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>Sewer Revenue Requirements</u>						
<u>Sewer Operating Expenditures</u>						
Personnel	\$ 615,146	\$ 633,600	\$ 652,608	\$ 672,187	\$ 692,352	\$ 713,123
Insurance	39,694	40,885	42,112	43,375	44,676	46,017
Professional Fees	31,070	32,002	32,963	33,951	34,970	36,019
Office Supplies	7,685	7,915	8,153	8,397	8,649	8,908
Maintenance	108,473	111,727	115,079	118,531	122,087	125,750
Infrastructure	-	-	-	-	-	-
Utilities	108,313	111,562	114,909	118,356	121,907	125,564
Equipment	102,795	105,879	109,055	112,327	115,697	119,168
Miscellaneous	44,254	45,581	46,949	48,357	49,808	51,302
<i>Total Sewer O&M</i>	<i>\$ 1,057,430</i>	<i>\$ 1,089,153</i>	<i>\$ 1,121,827</i>	<i>\$ 1,155,482</i>	<i>\$ 1,190,146</i>	<i>\$ 1,225,851</i>
<u>Debt Service and Capital Expenditures</u>						
Existing Debt	\$ 519,348	\$ 534,272	\$ 550,956	\$ 566,376	\$ 583,544	\$ 601,436
Proposed Debt	-	-	-	-	-	-
Paygo	37,478	106,557	150,000	78,901	78,901	78,901
<i>Total Sewer Debt Service</i>	<i>\$ 556,826</i>	<i>\$ 640,829</i>	<i>\$ 700,956</i>	<i>\$ 645,277</i>	<i>\$ 662,445</i>	<i>\$ 680,337</i>
Transfers (PILOT)	\$ 186,440	\$ 186,440	\$ 186,440	\$ 192,033	\$ 197,794	\$ 203,728
<i>Total Sewer Revenue Requirements</i>	<i>\$ 1,800,695</i>	<i>\$ 1,916,422</i>	<i>\$ 2,009,223</i>	<i>\$ 1,992,792</i>	<i>\$ 2,050,386</i>	<i>\$ 2,109,916</i>
<u>Offsets</u>						
Interest Earnings	3,074	3,074	3,074	3,074	3,074	3,074
Penalties	13,450	13,450	13,450	13,450	13,450	13,450
Miscellaneous	34,008	34,008	34,008	34,008	34,008	34,008
Sewer Fees	20,000	20,000	20,000	20,000	20,000	20,000
<i>Total Sewer O&M</i>	<i>\$ 70,532</i>	<i>\$ 70,532</i>	<i>\$ 70,532</i>	<i>\$ 70,532</i>	<i>\$ 70,532</i>	<i>\$ 70,532</i>
<i>Sewer Net Revenue Requirements</i>	<i>\$ 1,730,163</i>	<i>\$ 1,845,889</i>	<i>\$ 1,938,690</i>	<i>\$ 1,922,260</i>	<i>\$ 1,979,853</i>	<i>\$ 2,039,383</i>

City of Kingston, TN

Financial Planning & Rate Model

Schedule 4b: Revenue Requirements - Accrual Basis

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Water Revenue Requirements						
<u>Water Operating Expenditures</u>						
Personnel	\$ 888,843	\$ 915,508	\$ 942,973	\$ 971,263	\$ 1,000,401	\$ 1,030,413
Insurance	61,033	62,864	64,750	66,692	68,693	70,754
Professional Fees	47,773	49,206	50,682	52,202	53,769	55,382
Office Supplies	11,815	12,170	12,535	12,911	13,298	13,697
Maintenance	135,063	139,115	143,288	147,587	152,015	156,575
Infrastructure	-	-	-	-	-	-
Utilities	138,517	142,673	146,953	151,361	155,902	160,579
Equipment	154,705	159,346	164,127	169,050	174,122	179,346
Miscellaneous	6,606	6,805	7,009	7,219	7,436	7,659
<i>Total Water O&M</i>	<i>\$ 1,444,355</i>	<i>\$ 1,487,686</i>	<i>\$ 1,532,317</i>	<i>\$ 1,578,286</i>	<i>\$ 1,625,635</i>	<i>\$ 1,674,404</i>
<u>Capital</u>						
Depreciation (Principal & Paygo)	\$ 271,594	\$ 272,689	\$ 274,768	\$ 276,506	\$ 277,113	\$ 277,745
Interest (Existing & Proposed Debt)	47,769	46,866	45,933	44,969	43,974	42,947
<i>Total Water Debt Service</i>	<i>\$ 319,363</i>	<i>\$ 319,554</i>	<i>\$ 320,700</i>	<i>\$ 321,475</i>	<i>\$ 321,087</i>	<i>\$ 320,692</i>
Transfers (PILOT)	\$ 298,730	\$ 298,730	\$ 298,730	\$ 307,692	\$ 316,923	\$ 326,431
<i>Total Water Revenue Requirements</i>	<i>\$ 2,062,449</i>	<i>\$ 2,105,971</i>	<i>\$ 2,151,747</i>	<i>\$ 2,207,454</i>	<i>\$ 2,263,645</i>	<i>\$ 2,321,527</i>
<u>Offsets</u>						
Interest Earnings	4,926	4,926	4,926	4,926	4,926	4,926
Penalties	21,550	21,550	21,550	21,550	21,550	21,550
Miscellaneous	54,492	54,492	54,492	54,492	54,492	54,492
Water Fees	40,000	40,000	40,000	40,000	40,000	40,000
<i>Total Water O&M</i>	<i>\$ 120,968</i>	<i>\$ 120,968</i>	<i>\$ 120,968</i>	<i>\$ 120,968</i>	<i>\$ 120,968</i>	<i>\$ 120,968</i>
Water Net Revenue Requirements	\$ 1,941,482	\$ 1,985,003	\$ 2,030,780	\$ 2,086,486	\$ 2,142,677	\$ 2,200,559

City of Kingston, TN

Financial Planning & Rate Model

Schedule 4b: Revenue Requirements - Accrual Basis

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>Sewer Revenue Requirements</u>						
<u>Sewer Operating Expenditures</u>						
Personnel	\$ 615,146	\$ 633,600	\$ 652,608	\$ 672,187	\$ 692,352	\$ 713,123
Insurance	39,694	40,885	42,112	43,375	44,676	46,017
Professional Fees	31,070	32,002	32,963	33,951	34,970	36,019
Office Supplies	7,685	7,915	8,153	8,397	8,649	8,908
Maintenance	108,473	111,727	115,079	118,531	122,087	125,750
Infrastructure	-	-	-	-	-	-
Utilities	108,313	111,562	114,909	118,356	121,907	125,564
Equipment	102,795	105,879	109,055	112,327	115,697	119,168
Miscellaneous	44,254	45,581	46,949	48,357	49,808	51,302
<i>Total Sewer O&M</i>	<i>\$ 1,057,430</i>	<i>\$ 1,089,153</i>	<i>\$ 1,121,827</i>	<i>\$ 1,155,482</i>	<i>\$ 1,190,146</i>	<i>\$ 1,225,851</i>
<u>Capital</u>						
Depreciation (Principal & Paygo)	\$ 402,320	\$ 403,942	\$ 407,021	\$ 409,597	\$ 410,495	\$ 411,432
Interest (Existing & Proposed Debt)	72,180	66,492	60,549	54,326	47,835	41,051
<i>Total Sewer Debt Service</i>	<i>\$ 474,500</i>	<i>\$ 470,434</i>	<i>\$ 467,570</i>	<i>\$ 463,923</i>	<i>\$ 458,330</i>	<i>\$ 452,483</i>
Transfers (PILOT)	\$ 186,440	\$ 186,440	\$ 186,440	\$ 192,033	\$ 197,794	\$ 203,728
<i>Total Sewer Revenue Requirements</i>	<i>\$ 1,718,369</i>	<i>\$ 1,746,026</i>	<i>\$ 1,775,837</i>	<i>\$ 1,811,438</i>	<i>\$ 1,846,270</i>	<i>\$ 1,882,062</i>
<u>Offsets</u>						
Interest Earnings	3,074	3,074	3,074	3,074	3,074	3,074
Penalties	13,450	13,450	13,450	13,450	13,450	13,450
Miscellaneous	34,008	34,008	34,008	34,008	34,008	34,008
Sewer Fees	20,000	20,000	20,000	20,000	20,000	20,000
<i>Total Sewer O&M</i>	<i>\$ 70,532</i>	<i>\$ 70,532</i>	<i>\$ 70,532</i>	<i>\$ 70,532</i>	<i>\$ 70,532</i>	<i>\$ 70,532</i>
<i>Sewer Net Revenue Requirements</i>	<i>\$ 1,647,837</i>	<i>\$ 1,675,494</i>	<i>\$ 1,705,305</i>	<i>\$ 1,740,905</i>	<i>\$ 1,775,738</i>	<i>\$ 1,811,529</i>

City of Kingston, TN

Financial Planning & Rate Model

Schedule 5: Water & Sewer Revenues

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Water						
<u>Minimum Revenue</u>						
Regular Water Inside-City	\$ 352,863	\$ 402,614	\$ 412,836	\$ 423,494	\$ 434,248	\$ 445,446
Regular Water Outside-City	195,568	223,145	228,857	234,621	240,559	246,673
Compound Meter/Hi-Flow Water Inside	87	98	100	102	105	107
Small Sprinklers Flat Charge	193	219	224	228	233	238
Large Sprinklers Flat Charge	5,598	6,354	6,482	6,612	6,746	6,882
<i>Total Minimum Charge Revenue</i>	<i>\$ 554,308</i>	<i>\$ 632,431</i>	<i>\$ 648,499</i>	<i>\$ 665,058</i>	<i>\$ 681,891</i>	<i>\$ 699,346</i>
<u>Volumetric Revenue</u>						
Regular Water Inside-City						
Volumetric (per 1,000 gal. over 1,000 gal.)	\$ 810,338	\$ 924,930	\$ 948,826	\$ 972,938	\$ 998,412	\$ 1,024,116
Regular Water Outside-City						
Volumetric (per 1,000 gal. over 1,000 gal.)	\$ 475,634	\$ 530,056	\$ 532,706	\$ 543,406	\$ 557,563	\$ 571,849
Watts Bar Utility						
Volumetric (per 1,000 gal.)	\$ 225,199	\$ 225,199	\$ 225,199	\$ 232,543	\$ 240,011	\$ 247,606
Compound Meter/Hi-Flow Water Inside						
Volumetric (per 1,000 gal. over 1,000 gal.)	\$ 3,417	\$ 3,881	\$ 3,961	\$ 4,042	\$ 4,127	\$ 4,212
<i>Total Water Volumetric Revenue</i>	<i>\$ 1,514,588</i>	<i>\$ 1,684,066</i>	<i>\$ 1,710,693</i>	<i>\$ 1,752,928</i>	<i>\$ 1,800,114</i>	<i>\$ 1,847,784</i>
<i>Total Water Billing Revenue</i>	<i>\$ 2,068,896</i>	<i>\$ 2,316,497</i>	<i>\$ 2,359,192</i>	<i>\$ 2,417,986</i>	<i>\$ 2,482,004</i>	<i>\$ 2,547,130</i>

City of Kingston, TN

Financial Planning & Rate Model

Schedule 5: Water & Sewer Revenues

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Sewer						
<u>Minimum Revenue</u>						
Regular Sewer Inside-City	\$ 311,100	\$ 354,962	\$ 371,212	\$ 388,221	\$ 406,000	\$ 424,559
Regular Sewer Outside-City	-	-	-	-	-	-
Carwash Sewer Inside-City	313	356	371	386	401	418
Roane County Sewer	1,513	1,717	1,786	1,857	1,932	2,009
Flat Rate Sewer	983	1,116	1,161	1,207	1,256	1,306
<i>Total Minimum Charge Revenue</i>	\$ 313,909	\$ 358,152	\$ 374,529	\$ 391,671	\$ 409,589	\$ 428,292
<u>Volumetric Revenue</u>						
Regular Sewer Inside-City						
Volumetric (per 1,000 gal. over 1,000 gal.)	\$ 968,596	\$ 1,105,683	\$ 1,156,180	\$ 1,209,162	\$ 1,264,664	\$ 1,322,720
Carwash Sewer Inside-City						
Volumetric (per 1,000 gal. over 1,000 gal.)	\$ 8,707	\$ 9,890	\$ 10,288	\$ 10,700	\$ 11,137	\$ 11,587
<i>Total Sewer Volumetric Revenue</i>	\$ 977,302	\$ 1,115,573	\$ 1,166,468	\$ 1,219,862	\$ 1,275,801	\$ 1,334,307
Total Sewer Billing Revenue	\$ 1,291,211	\$ 1,473,725	\$ 1,540,997	\$ 1,611,534	\$ 1,685,390	\$ 1,762,599

City of Kingston, TN

Financial Planning & Rate Model

Schedule 6: Utility Financial Sufficiency

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Cash Sufficiency - Water System						
<u>Water Revenues</u>						
User Charge Revenues	\$ 2,068,896	\$ 2,316,497	\$ 2,359,192	\$ 2,417,986	\$ 2,482,004	\$ 2,547,130
Other Revenues	120,968	120,968	120,968	120,968	120,968	120,968
<i>Total Water Revenues</i>	<u>\$ 2,189,864</u>	<u>\$ 2,437,465</u>	<u>\$ 2,480,160</u>	<u>\$ 2,538,954</u>	<u>\$ 2,602,972</u>	<u>\$ 2,668,097</u>
<u>Water Expenditures</u>						
Operations & Maintenance	\$ 1,444,355	\$ 1,487,686	\$ 1,532,317	\$ 1,578,286	\$ 1,625,635	\$ 1,674,404
Existing Debt	76,706	76,706	76,706	76,706	76,706	76,706
Proposed Debt	-	-	-	-	-	-
Paygo	97,522	40,761	400,000	121,099	121,099	121,099
PILOT Transfers	298,730	298,730	298,730	307,692	316,923	326,431
<i>Total Water Expenditures</i>	<u>\$ 1,917,313</u>	<u>\$ 1,903,883</u>	<u>\$ 2,307,753</u>	<u>\$ 2,083,783</u>	<u>\$ 2,140,362</u>	<u>\$ 2,198,639</u>
Water Surplus / (Deficit)	<u>\$ 272,550</u>	<u>\$ 533,582</u>	<u>\$ 172,407</u>	<u>\$ 455,171</u>	<u>\$ 462,610</u>	<u>\$ 469,458</u>
Cash Sufficiency - Sewer System						
<u>Sewer Revenues</u>						
User Charge Revenues	\$ 1,291,211	\$ 1,473,725	\$ 1,540,997	\$ 1,611,534	\$ 1,685,390	\$ 1,762,599
Other Revenues	70,532	70,532	70,532	70,532	70,532	70,532
<i>Total Sewer Revenues</i>	<u>\$ 1,361,744</u>	<u>\$ 1,544,257</u>	<u>\$ 1,611,530</u>	<u>\$ 1,682,066</u>	<u>\$ 1,755,923</u>	<u>\$ 1,833,132</u>
<u>Sewer Expenditures</u>						
Operations & Maintenance	\$ 1,057,430	\$ 1,089,153	\$ 1,121,827	\$ 1,155,482	\$ 1,190,146	\$ 1,225,851
Existing Debt	519,348	534,272	550,956	566,376	583,544	601,436
Proposed Debt	-	-	-	-	-	-
Paygo	37,478	106,557	150,000	78,901	78,901	78,901
PILOT Transfers	186,440	186,440	186,440	192,033	197,794	203,728
<i>Total Sewer Expenditures</i>	<u>\$ 1,800,695</u>	<u>\$ 1,916,422</u>	<u>\$ 2,009,223</u>	<u>\$ 1,992,792</u>	<u>\$ 2,050,386</u>	<u>\$ 2,109,916</u>
Sewer Surplus / (Deficit)	<u>\$ (438,952)</u>	<u>\$ (372,164)</u>	<u>\$ (397,693)</u>	<u>\$ (310,726)</u>	<u>\$ (294,463)</u>	<u>\$ (276,784)</u>

City of Kingston, TN

Financial Planning & Rate Model

Schedule 6: Utility Financial Sufficiency

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Accrual Sufficiency - Water System						
<u>Water Revenues</u>						
User Charge Revenues	\$ 2,068,896	\$ 2,316,497	\$ 2,359,192	\$ 2,417,986	\$ 2,482,004	\$ 2,547,130
Other Revenues	120,968	120,968	120,968	120,968	120,968	120,968
Total Water Revenues	\$ 2,189,864	\$ 2,437,465	\$ 2,480,160	\$ 2,538,954	\$ 2,602,972	\$ 2,668,097
<u>Water Expenditures</u>						
Operations & Maintenance	\$ 1,444,355	\$ 1,487,686	\$ 1,532,317	\$ 1,578,286	\$ 1,625,635	\$ 1,674,404
Depreciation	271,594	272,689	274,768	276,506	277,113	277,745
Interest	47,769	46,866	45,933	44,969	43,974	42,947
PILOT Transfers	298,730	298,730	298,730	307,692	316,923	326,431
Total Water Expenditures	\$ 2,062,449	\$ 2,105,971	\$ 2,151,747	\$ 2,207,454	\$ 2,263,645	\$ 2,321,527
Water Surplus / (Deficit)	\$ 127,415	\$ 331,494	\$ 328,412	\$ 331,500	\$ 339,327	\$ 346,570
Accrual Sufficiency - Sewer System						
<u>Sewer Revenues</u>						
User Charge Revenues	\$ 1,291,211	\$ 1,473,725	\$ 1,540,997	\$ 1,611,534	\$ 1,685,390	\$ 1,762,599
Other Revenues	70,532	70,532	70,532	70,532	70,532	70,532
Total Sewer Revenues	\$ 1,361,744	\$ 1,544,257	\$ 1,611,530	\$ 1,682,066	\$ 1,755,923	\$ 1,833,132
<u>Sewer Expenditures</u>						
Operations & Maintenance	\$ 1,057,430	\$ 1,089,153	\$ 1,121,827	\$ 1,155,482	\$ 1,190,146	\$ 1,225,851
Depreciation	402,320	403,942	407,021	409,597	410,495	411,432
Interest	72,180	66,492	60,549	54,326	47,835	41,051
PILOT Transfers	186,440	186,440	186,440	192,033	197,794	203,728
Total Sewer Expenditures	\$ 1,718,369	\$ 1,746,026	\$ 1,775,837	\$ 1,811,438	\$ 1,846,270	\$ 1,882,062
Sewer Surplus / (Deficit)	\$ (356,625)	\$ (201,769)	\$ (164,307)	\$ (129,372)	\$ (90,348)	\$ (48,930)

City of Kingston, TN

Financial Planning & Rate Model

Schedule 7: Reserve Fund Balance

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Water & Sewer Fund						
Starting Balance	\$ 1,499,704	\$ 1,333,303	\$ 1,494,720	\$ 1,269,435	\$ 1,413,880	\$ 1,582,027
Surplus/Deficit	(166,401)	161,418	(225,286)	144,445	168,147	192,674
Transfers In - Capital Reimbursements	-	-	-	-	-	-
Transfers Out for CIP	-	-	-	-	-	-
Ending Balance	\$ 1,333,303	\$ 1,494,720	\$ 1,269,435	\$ 1,413,880	\$ 1,582,027	\$ 1,774,701
<i>Percent Change</i>	-11.1%	12.1%	-15.1%	11.4%	11.9%	12.2%
Days O&M						
Target: 180	\$ 1,473,019	\$ 1,510,032	\$ 1,548,155	\$ 1,594,599	\$ 1,642,437	\$ 1,691,710
<i>Delta to Target</i>	\$ (139,716)	\$ (15,311)	\$ (278,720)	\$ (180,720)	\$ (60,411)	\$ 82,990
Days Cash on Hand	162.9	178.2	147.6	159.6	173.4	188.8

City of Kingston, TN
Financial Planning & Rate Model
 Schedule 8: Water & Sewer Rates

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Water						
Regular Water Inside-City						
Minimum (0-1,000 gal.)	\$ 10.42	\$ 11.83	\$ 12.07	\$ 12.32	\$ 12.57	\$ 12.83
Volumetric (per 1,000 gal. over 1,000 gal.)	\$ 7.22	\$ 8.20	\$ 8.37	\$ 8.54	\$ 8.72	\$ 8.90
Regular Water Outside-City						
Minimum (0-1,000 gal.)	\$ 16.33	\$ 18.54	\$ 18.92	\$ 19.30	\$ 19.69	\$ 20.09
Volumetric (per 1,000 gal. over 1,000 gal.)	\$ 14.42	\$ 15.99	\$ 15.99	\$ 16.23	\$ 16.57	\$ 16.91
Outside-City Differential	2.00	1.95	1.90	1.90	1.90	1.90
Watts Bar Utility						
Volumetric (per 1,000 gal.)	\$ 2.68	\$ 2.68	\$ 2.68	\$ 2.74	\$ 2.80	\$ 2.86
Compound Meter/Hi-Flow Water Inside						
Minimum (0-1,000 gal.)	\$ 7.22	\$ 8.20	\$ 8.37	\$ 8.54	\$ 8.72	\$ 8.90
Volumetric (per 1,000 gal. over 1,000 gal.)	\$ 7.22	\$ 8.20	\$ 8.37	\$ 8.54	\$ 8.72	\$ 8.90
Sprinklers						
Small	\$ 16.11	\$ 18.29	\$ 18.66	\$ 19.04	\$ 19.43	\$ 19.82
Large	\$ 40.27	\$ 45.71	\$ 46.63	\$ 47.57	\$ 48.53	\$ 49.51
Sewer						
Regular Sewer Inside-City						
Minimum (0-1,000 gal.)	\$ 10.42	\$ 11.83	\$ 12.31	\$ 12.81	\$ 13.33	\$ 13.87
Volumetric (per 1,000 gal. over 1,000 gal.)	\$ 9.79	\$ 11.12	\$ 11.57	\$ 12.04	\$ 12.53	\$ 13.04
Regular Sewer Outside-City						
Minimum (0-1,000 gal.)	\$ 19.47	\$ 19.47	\$ 19.70	\$ 20.50	\$ 21.33	\$ 22.19
Volumetric (per 1,000 gal. over 1,000 gal.)	\$ 15.58	\$ 17.79	\$ 18.51	\$ 19.26	\$ 20.05	\$ 20.86
Outside-City Differential	1.59	1.60	1.60	1.60	1.60	1.60
Carwash Sewer Inside-City						
Minimum (0-1,000 gal.)	\$ 7.29	\$ 8.28	\$ 8.62	\$ 8.97	\$ 9.33	\$ 9.71
Volumetric (per 1,000 gal. over 1,000 gal.)	\$ 6.77	\$ 7.69	\$ 8.00	\$ 8.32	\$ 8.66	\$ 9.01
Roane County Sewer						
Minimum (0-3,000 gal.)	\$ 82.98	\$ 94.19	\$ 97.96	\$ 101.88	\$ 105.96	\$ 110.20
Volumetric (per 1,000 gal. over 3,000 gal.)	\$ 18.16	\$ 20.62	\$ 21.45	\$ 22.31	\$ 23.21	\$ 24.14
Flat Rate Sewer						
Flat Charge	\$ 44.69	\$ 50.73	\$ 52.76	\$ 54.88	\$ 57.08	\$ 59.37
Miscellaneous Fees						
<u>Water</u>						
Inside Rates/Residential	\$ 750.00	\$ 851.00	\$ 868.00	\$ 885.00	\$ 903.00	\$ 921.00
Outside Rates/Residential	1,470.00	851.00	868.00	885.00	903.00	921.00
Irrigation Meter Service	1,500.00	1,703.00	1,737.00	1,772.00	1,807.00	1,843.00
Mobile Homes Per Unit	735.00	834.00	851.00	868.00	885.00	903.00
Commercial, Hotels, Motels, Campgrounds, Assisted Living, Nursing Homes	7,350.00	8,342.00	8,509.00	8,679.00	8,853.00	9,030.00
Apartment complex (>3 Units) (per unit)	525.00	596.00	608.00	620.00	632.00	645.00
Commercial, Restaurants, Churches with Kitchens	1,550.00	1,759.00	1,794.00	1,830.00	1,867.00	1,904.00
Commercial, Physician Office, Car wash	1,550.00	1,759.00	1,794.00	1,830.00	1,867.00	1,904.00
Fire Tap for Sprinkler System	250.00	284.00	290.00	296.00	302.00	308.00
Application Fee/Service Charge	125.00	142.00	145.00	148.00	151.00	154.00
<u>Sewer</u>						
Inside Rates/Residential	\$ 1,050.00	\$ 1,192.00	\$ 1,240.00	\$ 1,290.00	\$ 1,342.00	\$ 1,396.00
Outside Rates/Residential	2,125.00	1,192.00	1,240.00	1,290.00	1,342.00	1,396.00
Commercial, Hotels, Motels, Campgrounds, Assisted Living, Nursing Homes	10,500.00	11,918.00	12,395.00	12,891.00	13,407.00	13,943.00
Commercial, Restaurants, Churches w/kitchen	2,100.00	2,384.00	2,479.00	2,578.00	2,681.00	2,788.00
Commercial/Physician Office	2,100.00	2,384.00	2,479.00	2,578.00	2,681.00	2,788.00

City of Kingston, TN

Financial Planning & Rate Model

Schedule 9: Water & Sewer Customer Impacts

Monthly Bill Amounts:	Usage (Gal)	2020	2021	2022	2023	2024	2025
Water							
Regular Water Inside-City - Low Volume							
Minimum (0-1,000 gal.)		\$ 10.42	\$ 11.83	\$ 12.07	\$ 12.32	\$ 12.57	\$ 12.83
Volumetric (per 1,000 gal. over 1,000 gal.)	2,000	7.22	8.20	8.37	8.54	8.72	8.90
<i>Total</i>		\$ 17.64	\$ 20.03	\$ 20.44	\$ 20.86	\$ 21.29	\$ 21.73
			13.5%	2.0%	2.1%	2.1%	2.1%
Regular Water Inside-City - Median							
Minimum (0-1,000 gal.)		\$ 10.42	\$ 11.83	\$ 12.07	\$ 12.32	\$ 12.57	\$ 12.83
Volumetric (per 1,000 gal. over 1,000 gal.)	4,000	21.66	24.60	25.11	25.62	26.16	26.70
<i>Total</i>		\$ 32.08	\$ 36.43	\$ 37.18	\$ 37.94	\$ 38.73	\$ 39.53
			13.6%	2.1%	2.0%	2.1%	2.1%
Regular Water Inside-City - High Volume							
Minimum (0-1,000 gal.)		\$ 10.42	\$ 11.83	\$ 12.07	\$ 12.32	\$ 12.57	\$ 12.83
Volumetric (per 1,000 gal. over 1,000 gal.)	10,000	64.98	73.80	75.33	76.86	78.48	80.10
<i>Total</i>		\$ 75.40	\$ 85.63	\$ 87.40	\$ 89.18	\$ 91.05	\$ 92.93
			13.6%	2.1%	2.0%	2.1%	2.1%
Regular Water Outside-City - Median							
Minimum (0-1,000 gal.)		\$ 16.33	\$ 18.54	\$ 18.92	\$ 19.30	\$ 19.69	\$ 20.09
Volumetric (per 1,000 gal. over 1,000 gal.)	4,000	43.26	47.97	47.97	48.69	49.71	50.73
<i>Total</i>		\$ 59.59	\$ 66.51	\$ 66.89	\$ 67.99	\$ 69.40	\$ 70.82
			11.6%	0.6%	1.6%	2.1%	2.0%
Sewer							
Regular Sewer Inside-City - Low Volume							
Minimum (0-1,000 gal.)		\$ 10.42	\$ 11.83	\$ 12.31	\$ 12.81	\$ 13.33	\$ 13.87
Volumetric (per 1,000 gal. over 1,000 gal.)	2,000	9.79	11.12	11.57	12.04	12.53	13.04
<i>Total</i>		\$ 20.21	\$ 22.95	\$ 23.88	\$ 24.85	\$ 25.86	\$ 26.91
			13.6%	4.1%	4.1%	4.1%	4.1%
Regular Sewer Inside-City - Median							
Minimum (0-1,000 gal.)		\$ 10.42	\$ 11.83	\$ 12.31	\$ 12.81	\$ 13.33	\$ 13.87
Volumetric (per 1,000 gal. over 1,000 gal.)	4,000	29.37	33.36	34.71	36.12	37.59	39.12
<i>Total</i>		\$ 39.79	\$ 45.19	\$ 47.02	\$ 48.93	\$ 50.92	\$ 52.99
			13.6%	4.0%	4.1%	4.1%	4.1%
Regular Sewer Inside-City - High Volume							
Minimum (0-1,000 gal.)		\$ 10.42	\$ 11.83	\$ 12.31	\$ 12.81	\$ 13.33	\$ 13.87
Volumetric (per 1,000 gal. over 1,000 gal.)	10,000	88.11	100.08	104.13	108.36	112.77	117.36
<i>Total</i>		\$ 98.53	\$ 111.91	\$ 116.44	\$ 121.17	\$ 126.10	\$ 131.23
			13.6%	4.0%	4.1%	4.1%	4.1%
Combined							
Inside-City Water/Sewer Customer - Median							
Minimum (0-1,000 gal.)		\$ 20.84	\$ 23.66	\$ 24.38	\$ 25.13	\$ 25.90	\$ 26.70
Volumetric (per 1,000 gal. over 1,000 gal.)	4,000	51.03	57.96	59.82	61.74	63.75	65.82
<i>Total</i>		\$ 71.87	\$ 81.62	\$ 84.20	\$ 86.87	\$ 89.65	\$ 92.52
			13.6%	3.2%	3.2%	3.2%	3.2%

APPENDIX B:
DETERMINATION OF PILOT

City of Kingston, TN
Financial Planning & Rate Model
 Schedule 1: PILOT Calculation

	Total Cost	% Allocated to W&S	Cost Allocated to W&S	Allocation Factor
W/S Reimbursements to the General Fund				
Mortgage payment on City Hall	\$ 109,314	45.8%	\$ 50,102	City Hall Costs
Applicable Salaries	280,594	47.8%	134,212	Employee Costs
Applicable Health Insurance	36,700	47.8%	17,554	Employee Costs
Local Government Computer Maintenance	56,000	37.9%	21,201	Computer/Software
Local Government Software Support	24,000	37.9%	9,086	Computer/Software
Workers Comp. Insurance	880	47.8%	421	Employee Costs
Postage Costs	16,500	64.9%	10,703	Postage
Utilities for City Hall	37,400	45.8%	17,142	City Hall Costs
Property Insurance for City Hall	4,411	45.8%	2,022	City Hall Costs
Liability Insurance, Errors and Omissions	21,562	47.8%	10,313	Employee Costs
Applicable TCRS, OASI, etc.	41,934	47.8%	20,058	Employee Costs
Telephones	12,640	47.8%	6,046	Employee Costs
Office Supplies	18,000	45.8%	8,250	City Hall Costs
Cleaning Supplies	16,311	45.8%	7,476	City Hall Costs
Repair and Maintenance for City Hall	103,671	45.8%	47,516	City Hall Costs
Applicable Travel/Education Costs	18,750	47.8%	8,968	Employee Costs
Ads and Legal Notices	3,000	47.8%	1,435	Employee Costs
Total	\$ 801,669		\$ 372,506	46.5%
PILOT Calculation				
City Property Tax Rate	\$ 1.45			
Appraisal Ratio	1.0000	Roane County 2020 Rate		
Equalized Tax Rate	\$ 1.45			
Net Plant Value of System	\$ 16,000,000	Estimate for Inside-City Assets		
Materials and Supplies	\$ 76,596	Per 2019 Audit		
Calculated Value of Plant	\$ 16,076,596			
Utilities Tax Ratio	0.55	Per State		
Taxable Assessed Value	\$ 8,842,128			
Total	\$ 128,211			
Total Cost Reimbursement	\$ 372,506	74.4%		
PILOT	128,211	25.6%		
Total Reimbursement & PILOT	\$ 500,717	100.0%		
EXISTING PILOT (2020 Budget)	\$ 485,170			
Change	\$ 15,547	3.2%		
% of Total Revenues		12.8%		

City of Kingston, TN

Financial Planning & Rate Model

Schedule 2: PILOT Allocation Factor Detail

	Allocation Factors	
	Water / Sewer	General Fund
City Hall Costs	45.8%	54.2%
Employee Costs	47.8%	52.2%
Postage	64.9%	35.1%
Computer/Software	37.9%	62.1%
Placeholder	0.0%	100.0%
Placeholder	0.0%	100.0%

City Hall Costs	Employees	Water / Sewer Equivalents	%
Full-Time Water/Sewer Employees	2.00	2.00	100.0%
Partial Water/Sewer Employees	7.00	3.50	50.0%
Police Officers	3.00	-	0.0%
Totals	12.00	5.50	
Water / Sewer Allocation	45.8%		

Employee Costs	Portion of Applicable Salaries	Time Spent on Water/Sewer	W/S Applicable Costs
City Manager / Utilities Director (1)	40,372	0%	-
Executive Assistant to City Manager	43,285	50%	21,643
Finance, Accounting, & HR Staff	166,608	50%	83,304
Part-Time Employees	35,000	90%	31,500
Totals	285,265		136,447
Water / Sewer Allocation	47.8%		

(1) Applicable portion of City Manager salary (50%) paid through O&M Budget.

Other Factors	Water / Sewer Allocation	Description
Postage	64.9%	Water, Sewer and Trash bills mailed monthly. Tax bills mailed once annually.
Computer/Software	37.9%	Composite Allocation, water/sewer revenues as % of total City

APPENDIX C:
**OUTSIDE-CITY DIFFERENTIAL
CALCULATION**

City of Kingston, TN

Financial Planning & Rate Model

Schedule 1: Outside-City Differential Calculation Summary

Water Allocations and Rate Differential Calculation

	<u>Total</u>	<u>Inside-City</u>	<u>Inside City %</u>	<u>Outside-City</u>	<u>Outside City %</u>	<u>Contract</u>	<u>Contract %</u>	<u>Allocation Factor</u>
Water O&M								
Financial Administration	\$ 298,729	\$ 220,589	74%	\$ 77,728	26%	\$ 412	0%	Accounts
General Government	244,230	180,346	74%	63,547	26%	337	0%	Accounts
Purification	590,208	310,009	53%	96,330	16%	183,869	31%	Flow
Transmission and Distribution	445,598	236,086	53%	184,543	41%	24,968	6%	Asset Composite
Utility Director	44,832	33,105	74%	11,665	26%	62	0%	Accounts
Total O&M	\$ 1,623,597	980,135		433,814		209,648		
Water Interest Expense (1)	\$ 75,534	\$ 67,981	90%	\$ 7,553	10%	\$ -	0%	Rockwood Interconnect
Water Annual Depreciation								
<u>Asset Class</u>	<u>Total</u>	<u>Inside-City</u>	<u>Inside City %</u>	<u>Outside-City</u>	<u>Outside City %</u>	<u>Contract</u>	<u>Contract %</u>	
Building and Improvements	\$ 1,095	\$ 575	53%	\$ 179	16%	\$ 341	31%	See Asset Detail
Machinery and Equipment	15,521	10,865	70%	3,880	25%	776	5%	See Asset Detail
Vehicles	11,417	7,992	70%	2,854	25%	571	5%	See Asset Detail
Water	244,473	134,285	55%	93,730	38%	16,458	7%	See Asset Detail
Total Depreciation	\$ 272,506	153,717	56%	100,643	37%	18,146	7%	
Proration of Net Book Value of Fixed Assets								
<u>Water Fixed Assets Net Book Value</u>	<u>Total</u>	<u>Inside-City</u>	<u>Inside City %</u>	<u>Outside-City</u>	<u>Outside City %</u>	<u>Contract</u>	<u>Contract %</u>	
Building and Improvements	\$ 10,202	\$ 5,359	53%	\$ 1,665	16%	\$ 3,178	31%	See Asset Detail
Land	55,955	29,391	53%	9,133	16%	17,432	31%	See Asset Detail
Machinery and Equipment	167,795	117,457	70%	41,949	25%	8,390	5%	See Asset Detail
Vehicles	70,103	49,072	70%	17,526	25%	3,505	5%	See Asset Detail
Water	6,030,386	3,154,830	52%	2,553,124	42%	322,433	5%	See Asset Detail
Less: Grant-Funded Assets (2)	(400,476)	(360,428)	90%	(40,048)	10%	-	0%	Rockwood Interconnect
Rate Base	\$ 5,933,966	\$ 2,995,679	50%	\$ 2,583,348	44%	\$ 354,938	6%	
Water Rate Differential Calculation								
	<u>Total</u>	<u>Inside-City</u>	<u>Inside City %</u>	<u>Outside-City</u>	<u>Outside City %</u>	<u>Contract</u>	<u>Contract %</u>	
Operations & Maintenance Expense	\$ 1,623,597	\$ 980,135	60%	\$ 433,814	27%	\$ 209,648	13%	
Interest Expense (1)	75,534	67,981	90%	7,553	11%	-	0%	
Depreciation	272,506	153,717	56%	100,643	37%	18,146	7%	
Return on Investment (3) 6.44%	189,226	-	0%	166,368	88%	22,858	12%	
	\$ 2,160,862	\$ 1,201,832		\$ 708,378		\$ 250,652		
FY 2019 Billed Usage (Kgal)	269,729	141,676	53%	44,024	16%	84,029	31%	
Unit Cost per Kgal	\$ 8.01	\$ 8.48		\$ 16.09		\$ 2.98		

Outside-City Rate Differential (Calculated as a ratio of Unit Costs)

1.90

(1) Interest on RDA loans for the Rockwood Interconnect. Allocation to inside- and outside-City align with booked asset.

(2) Grant-financing for Rockwood Interconnect. Allocation to inside- and outside-City align with booked asset.

(3) Rate of return based on calculated Weighted Average Cost of Capital for the City's Water & Sewer Fund. More information is provided in Schedule 2.

City of Kingston, TN

Financial Planning & Rate Model

Schedule 2: Rate of Return Calculation

Rate of Return

<u>Cost of Debt</u>		
A	City of Kingston Effective Interest Rate (1)	1.83%
<u>Cost of Equity (2)</u>		
	Assumed Bond Yield for Water & Wastewater Utilities (2)	6.05%
	Leverage Multiplier (2)	1.80
	Equity Ratio (C x 100)	66.7
	Equity Return Premium	2.70%
B	Total Cost of Equity (Maximum 10.55%)	8.75%
<u>Water & Sewer Fund Capital Structure (3)</u>		
C	Debt as % of Capital	33.3%
D	Equity as % of Capital	66.7%
	Weighted Average Cost of Capital (A x C + B x D)	6.44%

- (1) Effective FY 2020 interest rate on all outstanding principal.
- (2) Florida PSC formula for determining cost of equity for small water utilities.
www.floridapsc.com/library/filings/2019/05289-2019/05289-2019.pdf
- (3) Per the City's Fiscal Year 2019 CAFR.

City of Kingston, TN

Financial Planning & Rate Model

Schedule 3: Fixed Asset Allocation Factors

Utility Allocation Method	Water			Sewer	
	Water Only	100%			0%
Sewer Only	0%			100%	
Flow	68%			32%	
Accounts	61%			39%	
Asset Composite	33%			67%	
Placeholder	50%			50%	
Placeholder	50%			50%	
Placeholder	50%			50%	
Location Allocation Method	Inside City	Outside City	Contract	Inside-City	Outside-City
	Flow	52.5%	16.3%	31.2%	100%
Accounts	73.8%	26.0%	0.1%	100%	0%
Pipe	70.0%	25.0%	5.0%	100%	0%
Asset Composite	53.0%	41.4%	5.6%	50%	50%
Inside-Only	100.0%	0.0%	0.0%	100%	0%
Outside-Only	0.0%	100.0%	0.0%	0%	100%
Contract-Only	0.0%	0.0%	100.0%	100%	0%
Placeholder	50.0%	50.0%	0.0%	50%	50%

Note: Pipe allocation factor based on staff estimates of 45 miles of pipe outside City limits. Estimated 150 total miles of pipe in system.

Asset Summary	Water				Sewer			Grand Total
	Inside-City	Outside-City	Contract	Total	Inside-City	Outside-City	Total	
Original Cost	\$ 5,752,880	\$ 4,196,893	\$ 856,561	\$ 10,806,334	\$ 18,747,749	\$ -	\$ 18,747,749	\$ 29,554,083
Accumulated Depreciation	2,396,772	1,573,497	501,623	4,471,892	6,039,208	-	6,039,208	10,511,100
Net Book Value	3,356,108	2,623,396	354,938	6,334,442	12,708,542	-	12,708,542	19,042,984
Depreciation Expense	\$ 153,717	\$ 100,643	\$ 18,146	\$ 272,506	\$ 403,671	\$ -	\$ 403,671	\$ 676,176
<u>Inside vs. Outside City Allocation</u>								
Original Cost	53.2%	38.8%	7.9%	100.0%	100.0%	0.0%	100.0%	
Accumulated Depreciation	53.6%	35.2%	11.2%	100.0%	100.0%	0.0%	100.0%	
Net Book Value	53.0%	41.4%	5.6%	100.0%	100.0%	0.0%	100.0%	
Depreciation Expense	56.4%	36.9%	6.7%	100.0%	100.0%	0.0%	100.0%	
<u>Water vs. Sewer Allocation</u>								
Original Cost				36.6%			63.4%	100.0%
Accumulated Depreciation				42.5%			57.5%	100.0%
Net Book Value				33.3%			66.7%	100.0%
Depreciation Expense				40.3%			59.7%	100.0%

City of Kingston, TN
 Financial Planning & Rate Model
 Schedule 4: Allocation of Fixed Assets

Asset Number	Property Description	Category	Utility Allocation Method	Location Allocation Method	Allocation to Utilities		Allocation to Location			Date in Service	Purchase Price	Prior Depreciation	Current Depreciation	End Depreciation	Net Book Value	Useful Life
					Water	Sewer	Inside City	Outside City	Contract							
354	Structural Repair	Building and Improvements	Flow	Flow	68%	32%	53%	16%	31%	6/30/86	\$ 20,850	\$ 13,344	\$ 417	\$ 13,761	\$ 7,089	50.00
528	roof for water treatment plant	Building and Improvements	Flow	Flow	68%	32%	53%	16%	31%	12/13/00	16,800.00	11,816.00	672.00	12,488.00	4,312.00	25.00
650	2 TON RHEEM A/C UNIT	Building and Improvements	Flow	Flow	68%	32%	53%	16%	31%	6/14/16	5,202.00	1,083.75	520.20	1,603.95	3,598.05	10.00
297	1952 Balance Forward	Land	Flow	Flow	68%	32%	53%	16%	31%	1/01/52	11,302.44	0.00	0.00	0.00	11,302.44	0.00
298	Land 1980 Addition	Land	Flow	Flow	68%	32%	53%	16%	31%	1/01/80	1,500.00	0.00	0.00	0.00	1,500.00	0.00
299	Land	Land	Flow	Flow	68%	32%	53%	16%	31%	7/01/90	500.00	0.00	0.00	0.00	500.00	0.00
300	1951 Balance Forward	Land	Flow	Flow	68%	32%	53%	16%	31%	1/01/51	22,856.99	0.00	0.00	0.00	22,856.99	0.00
301	Land Additions	Land	Flow	Flow	68%	32%	53%	16%	31%	1/01/06	10,202.00	0.00	0.00	0.00	10,202.00	0.00
345	Easements- Gallaher Rd Sewer Line	Land	Sewer Only	Flow	0%	100%	53%	16%	31%	6/30/12	199,836.00	0.00	0.00	0.00	199,836.00	0.00
564	Easements- Interconnecting Waterli	Land	Water Only	Flow	100%	0%	53%	16%	31%	6/30/12	24,421.00	0.00	0.00	0.00	24,421.00	0.00
347	Jack Hammer	Machinery and Equipment	Accounts	Pipe	61%	39%	70%	25%	5%	3/12/13	7,389.12	5,629.81	1,055.59	6,685.40	703.72	7.00
348	Flow Meter	Machinery and Equipment	Accounts	Pipe	61%	39%	70%	25%	5%	6/26/13	17,039.57	2,129.95	425.99	2,555.94	14,483.63	40.00
628	GPS	Machinery and Equipment	Accounts	Pipe	61%	39%	70%	25%	5%	12/14/12	20,000.00	11,166.67	2,000.00	13,166.67	6,833.33	10.00
629	Aries Camera	Machinery and Equipment	Accounts	Pipe	61%	39%	70%	25%	5%	8/01/11	25,000.00	17,500.00	2,500.00	20,000.00	5,000.00	10.00
630	Husqvar mower	Machinery and Equipment	Accounts	Pipe	61%	39%	70%	25%	5%	8/01/11	5,500.00	3,850.00	550.00	4,400.00	1,100.00	10.00
631	cub cadet	Machinery and Equipment	Accounts	Pipe	61%	39%	70%	25%	5%	8/01/11	5,000.00	3,500.00	500.00	4,000.00	1,000.00	10.00
639	E-55 BOBCAT COMPACT EXCA	Machinery and Equipment	Accounts	Pipe	61%	39%	70%	25%	5%	6/24/14	55,638.63	22,255.44	5,563.86	27,819.30	27,819.33	10.00
649	GATOR CAM SEWER CAMERA	Machinery and Equipment	Sewer Only	Pipe	0%	100%	70%	25%	5%	12/07/15	9,605.75	4,962.97	1,921.15	6,884.12	2,721.63	5.00
651	GENERATOR - WATER PLANT	Machinery and Equipment	Water Only	Pipe	100%	0%	70%	25%	5%	2/10/16	73,141.00	8,837.87	3,657.05	12,494.92	60,646.08	20.00
652	GENERATOR - PUMP STATION	Machinery and Equipment	Accounts	Pipe	61%	39%	70%	25%	5%	2/10/16	41,598.00	5,026.43	2,079.90	7,106.33	34,491.67	20.00
658	2000 CASE 688 GXR FORKLIFT A	Machinery and Equipment	Accounts	Pipe	61%	39%	70%	25%	5%	9/14/16	18,000.00	2,200.00	1,200.00	3,400.00	14,600.00	15.00
660	2016 Caterpillar XQ60 Generator	Machinery and Equipment	Accounts	Pipe	61%	39%	70%	25%	5%	3/22/18	36,000.00	450.00	1,800.00	2,250.00	33,750.00	20.00
661	IBAK Sewer inspection camera	Machinery and Equipment	Sewer Only	Pipe	0%	100%	70%	25%	5%	8/03/17	77,000.00	7,058.33	7,700.00	14,758.33	62,241.67	10.00
670	Caterpillar D60 Generator Set	Machinery and Equipment	Accounts	Pipe	61%	39%	70%	25%	5%	5/23/19	28,196.00	0.00	469.93	469.93	27,726.07	5.00
671	Water treatment sampler	Machinery and Equipment	Water Only	Pipe	100%	0%	70%	25%	5%	11/06/18	6,522.00	0.00	869.60	869.60	5,652.40	5.00
303	Sewer Rehabilitation	Sewer	Sewer Only	Flow	0%	100%	53%	16%	31%	6/30/86	153,910.13	98,502.40	3,078.20	101,580.60	52,329.53	50.00
305	Green Acres Addition 1989	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	3/31/89	125,357.29	118,280.57	4,043.78	122,324.35	3,032.94	31.00
306	1990 Addition	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	7/01/90	36,991.68	33,411.84	1,193.28	34,605.12	2,386.56	31.00
308	98 Sewer Line Extension	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	7/01/98	180,731.48	90,365.80	4,518.29	94,884.09	85,847.39	40.00
311	1986 Additions	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	6/30/86	29,768.47	19,051.84	595.37	19,647.21	10,121.26	50.00
312	1987 Construction	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	6/30/87	1,501,785.34	832,266.70	30,035.71	862,302.41	639,482.93	50.00
313	201 Project	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	6/30/87	389,223.45	217,965.16	7,784.47	225,749.63	163,473.82	50.00
314	1988 Addition	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	6/30/88	1,942,351.10	1,057,505.39	38,847.02	1,096,352.41	845,998.69	50.00
315	1988 Addition	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	1/31/89	11,176	10,605	361	10,966	210	31.00
316	1994 Addition	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	7/01/94	1,496,852	718,489	29,937	748,426	748,426	50.00
333	solid waste building	Sewer	Sewer Only	Flow	0%	100%	53%	16%	31%	12/20/02	44,800	17,360	1,120	18,480	26,320	40.00
334	Insituform sewer rehab	Sewer	Sewer Only	Flow	0%	100%	53%	16%	31%	3/16/04	615,745	219,359	15,394	234,753	380,992	40.00
335	Spring St Sewer Rehab	Sewer	Sewer Only	Flow	0%	100%	53%	16%	31%	4/13/04	78,553	27,985	1,964	29,949	48,605	40.00
336	Sewer Lines	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	6/30/04	1,195,414	418,395	29,885	448,280	747,134	40.00
337	Sewer Lines	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	1/01/05	201,618	68,046	5,040	73,087	128,531	40.00
338	Gallaher Rd Sewer Ext	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	1/01/06	64,582	16,145	1,292	17,437	47,145	50.00
340	Lawville Sewer Project	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	4/25/07	2,064,817	431,143	41,296	472,439	1,592,378	50.00
342	Gallaher Rd Sewer Ext	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	1/01/08	86,760	18,220	1,735	19,955	66,805	50.00
343	Insituform Reline Sewer	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	4/08/08	101,551	26,022	2,539	28,561	72,989	40.00
344	Gallaher Rd Sewer	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	6/30/12	892,200	133,830	22,305	156,135	736,065	40.00
346	Gallaher Rd Sewer	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	6/30/13	52,060	6,508	1,302	7,809	44,251	40.00
636	#4 Sewer Pump Station	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	6/30/12	20,000	4,000	667	4,667	15,333	30.00
642	WASTEWATER TREATMENT PL	Sewer	Sewer Only	Flow	0%	100%	53%	16%	31%	6/25/15	5,104,944	306,297	102,099	408,395	4,696,548	50.00
643	GALLAHER ROAD SEWER EXT	Sewer	Sewer Only	Pipe	0%	100%	70%	25%	5%	11/26/14	467,057	33,472	9,341	42,814	424,243	50.00
644	SEWER PUMP - GRUNDFOX YC	Sewer	Sewer Only	Flow	0%	100%	53%	16%	31%	6/21/16	32,878	13,151	6,576	19,727	13,151	5.00
657	2017 CDBG SEWER SYSTEM IM	Sewer	Sewer Only	Flow	0%	100%	53%	16%	31%	6/30/17	739,252	14,785	14,785	29,570	709,682	50.00
664	Sewage Pump	Sewer	Sewer Only	Flow	0%	100%	53%	16%	31%	6/21/18	-	-	1,226	1,226	11,031	10.00
640	2009 NISSAN TITAN TRUCK	Vehicles	Accounts	Pipe	61%	39%	70%	25%	5%	8/27/14	8,000	3,067	800	3,867	4,133	10.00
641	2006 FORD F-150	Vehicles	Accounts	Pipe	61%	39%	70%	25%	5%	8/27/14	5,000	1,917	500	2,417	2,583	10.00
646	2016 FORD F450 4X4	Vehicles	Accounts	Pipe	61%	39%	70%	25%	5%	10/20/15	32,878	8,767	3,288	12,055	20,823	10.00
648	2005 FORD EXPLORER	Vehicles	Accounts	Pipe	61%	39%	70%	25%	5%	1/27/16	5,800	2,803	1,160	3,963	1,837	5.00
659	2005 CHEVROLET PICKUP	Vehicles	Accounts	Pipe	61%	39%	70%	25%	5%	9/01/16	6,300	2,310	1,260	3,570	2,730	5.00
665	2018 Ford F150	Vehicles	Accounts	Pipe	61%	39%	70%	25%	5%	10/16/17	24,256	1,617	2,426	4,043	20,213	10.00
666	2018 Ford F150	Vehicles	Accounts	Pipe	61%	39%	70%	25%	5%	10/16/17	24,256	1,617	2,426	4,043	20,213	10.00
667	2018 Ford F150	Vehicles	Accounts	Pipe	61%	39%	70%	25%	5%	6/05/18	24,256	202	2,426	2,628	21,628	10.00
669	2019 Ford F250 Super	Vehicles	Accounts	Pipe	61%	39%	70%	25%	5%	9/24/18	25,336	-	3,800	3,800	21,535	5.00
352	1981 Additions	Water	Water Only	Flow	100%	0%	53%	16%	31%	1/01/81	1,306,092	979,569	26,122	1,005,691	300,401	50.00
361	1981 Additions	Water	Water Only	Outside-Only	100%	0%	0%	100%	0%	1/01/81	31,358	23,518	627	24,145	7,212	50.00
372	1989 Pumping Station	Water	Water Only	Outside-Only	100%	0%	0%	100%	0%	9/30/88	53,500	51,343	1,726	53,069	431	31.00

City of Kingston, TN
 Financial Planning & Rate Model
 Schedule 4: Allocation of Fixed Assets

Asset Number	Property Description	Category	Utility Allocation Method	Location Allocation Method	Allocation to Utilities		Allocation to Location			Date in Service	Purchase Price	Prior Depreciation	Current Depreciation	End Depreciation	Net Book Value	Useful Life
					Water	Sewer	Inside City	Outside City	Contract							
386	1981 Additions	Water	Water Only	Outside-Only	100%	0%	0%	100%	0%	1/01/81	150,279	112,710	3,006	115,715	34,564	50.00
399	1978 Additions	Water	Water Only	Outside-Only	100%	0%	0%	100%	0%	1/01/78	364,543	291,634	7,291	298,925	65,618	50.00
402	1990 Additions	Water	Water Only	Outside-Only	100%	0%	0%	100%	0%	7/01/90	36,992	33,412	1,193	34,605	2,387	31.00
404	Water line extension	Water	Water Only	Pipe	100%	0%	70%	25%	5%	6/01/99	316,640	151,063	7,916	158,979	157,660	40.00
408	Swan Pond water line	Water	Water Only	Asset-Specific	100%	0%	75%	25%	0%	12/29/99	16,000	7,433	400	7,833	8,167	40.00
424	1988 Additions	Water	Water Only	Outside-Only	100%	0%	0%	100%	0%	6/30/88	29,768	17,861	595	18,456	11,312	50.00
531	meter	Water	Water Only	Accounts	100%	0%	74%	26%	0%	5/13/02	14,707	5,944	368	6,312	8,395	40.00
532	#2 ross pressure control valve	Water	Water Only	Flow	100%	0%	53%	16%	31%	7/03/01	6,540	2,780	164	2,943	3,597	40.00
533	2 pumps for Ridgecrest	Water	Water Only	Inside-Only	100%	0%	100%	0%	0%	10/17/01	12,943	5,393	324	5,717	7,226	40.00
534	Ridge Crest Tank	Water	Water Only	Inside-Only	100%	0%	100%	0%	0%	6/30/02	247,320	79,142	4,946	84,089	163,231	50.00
535	Morrison Water Tank	Water	Water Only	Asset-Specific	100%	0%	50%	50%	0%	6/30/02	386,440	123,661	7,729	131,390	255,050	50.00
536	Line A Waterline	Water	Water Only	Flow	100%	0%	53%	16%	31%	6/30/02	162,176	64,870	4,054	68,925	93,251	40.00
537	Line B Waterline	Water	Water Only	Flow	100%	0%	53%	16%	31%	6/30/02	156,521	62,608	3,913	66,521	89,999	40.00
538	Hwy 58 Waterline	Water	Water Only	Flow	100%	0%	53%	16%	31%	6/30/02	237,423	75,975	4,748	80,724	156,699	50.00
540	Meters	Water	Water Only	Accounts	100%	0%	74%	26%	0%	8/22/02	20,660	13,085	826	13,911	6,749	25.00
544	Line C Additions	Water	Water Only	Inside-Only	100%	0%	100%	0%	0%	10/15/03	295,944	109,129	7,399	116,528	179,416	40.00
545	Ladd Landing Water Tank	Water	Water Only	Asset-Specific	100%	0%	25%	23%	53%	2/16/04	248,640	71,277	4,973	76,250	172,390	50.00
546	Kingwood Water Tank Rehab	Water	Water Only	Inside-Only	100%	0%	100%	0%	0%	11/12/03	61,629	18,078	1,233	19,310	42,319	50.00
547	Gallaher Rd	Water	Water Only	Pipe	100%	0%	70%	25%	5%	7/01/03	316,813	118,805	7,920	126,725	190,088	40.00
548	Water Line - Gallaher Road	Water	Water Only	Pipe	100%	0%	70%	25%	5%	6/30/04	131,227	45,930	3,281	49,210	82,017	40.00
551	Engineering Services- Watt Rd	Water	Water Only	Pipe	100%	0%	70%	25%	5%	1/01/05	29,514	9,961	738	10,699	18,815	40.00
562	Rockwood Interconnect	Water	Water Only	Asset-Specific	100%	0%	90%	10%	0%	6/30/12	1,765,112	264,767	44,128	308,895	1,456,217	40.00
563	Auto Meters	Water	Water Only	Accounts	100%	0%	74%	26%	0%	6/30/12	787,178	188,923	31,487	220,410	566,768	25.00
565	Auto Meters	Water	Water Only	Accounts	100%	0%	74%	26%	0%	6/30/13	73,013	14,603	2,921	17,523	55,490	25.00
634	Kingston Heights water line	Water	Water Only	Outside-Only	100%	0%	0%	100%	0%	6/30/11	50,000	7,000	1,000	8,000	42,000	50.00
635	Swan Pond Pump Station	Water	Water Only	Outside-Only	100%	0%	0%	100%	0%	6/30/11	25,000	5,833	833	6,667	18,333	30.00
637	Swan Pond - Water line (TVA)	Water	Water Only	Outside-Only	100%	0%	0%	100%	0%	6/30/13	1,365,732	213,965	27,315	241,279	1,124,453	50.00
645	FENCING - SPRING PUMP STAT	Water	Water Only	Inside-Only	100%	0%	100%	0%	0%	4/12/16	7,217	1,083	481	1,564	5,653	15.00
647	PEERLESS VERTICAL TURBINE	Water	Water Only	Flow	100%	0%	53%	16%	31%	1/24/16	15,155	3,663	1,516	5,178	9,977	10.00
653	LAWNVILLE/GALLAHER ROAD	Water	Water Only	Asset-Specific	100%	0%	10%	90%	0%	7/01/16	544,446	27,222	13,611	40,833	503,613	40.00
654	GIS MAPPING	Water	Water Only	Accounts	100%	0%	74%	26%	0%	7/01/16	133,164	26,633	13,316	39,949	93,215	10.00
655	SPRING HOUSE PUMP STATION	Water	Water Only	Inside-Only	100%	0%	100%	0%	0%	3/29/17	18,379	2,297	1,838	4,135	14,244	10.00
656	KINGSTON HOUSE PUMP STAT	Water	Water Only	Outside-Only	100%	0%	0%	100%	0%	7/01/16	80,125	8,013	4,006	12,019	68,106	20.00
662	Pump Station Power Center	Water	Water Only	Flow	100%	0%	53%	16%	31%	6/05/18	7,556	21	252	273	7,283	30.00
663	Pump Station Power Station	Water	Water Only	Flow	100%	0%	53%	16%	31%	6/05/18	8,338	23	278	301	8,037	30.00

Lauderdale County Water System

	Water	County: Lauderdale		
	2016	2017	2018	2019
Unrestricted Net Position	\$2,412,223.00	\$2,732,583.00	\$2,935,408.00	\$2,992,417.00
Operating Revenues	\$1,311,870.00	\$1,866,503.00	\$1,379,735.00	\$1,312,055.00
Net Sales	\$1,289,356.00	\$1,340,222.00	\$1,361,556.00	\$1,293,732.00
Operating Expenses	\$1,290,367.00	\$1,368,778.00	\$1,380,672.00	\$356,569.00
Operating Income	\$21,503.00	\$497,725.00	(\$937.00)	\$955,486.00
Depreciation Expense	\$292,080.00	\$374,224.00	\$334,693.00	\$356,569.00
Non-Operating Rev. (Exp.)	\$2,943.00	\$7,870.00	\$9,662.00	\$9,032.00
Operating Profit	\$24,446.00	\$505,595.00	\$8,725.00	\$964,518.00
Grants and Capital Contribution	\$0.00	\$0.00	\$0.00	\$-00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	\$24,446.00	\$505,595.00	\$8,725.00	\$964,518.00
Statutory Change in NP (2017)	\$24,446.00	\$505,595.00	\$8,725.00	\$964,518.00
Pension and OPEB Asset	\$53,540.00	\$42,149.00	\$152,983.00	\$132,770.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		\$516,986.00	(\$102,109.00)	\$984,731.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Lauderdale County Water System**

Referral Reason: **Negative Change in Net Position**

Utility Type Referred: **Water**

Staff Summary:

On September 30, 2019, the Board ordered issued the attached order regarding the County's financial distress.

The County engaged TAUD to assist in completing the Board's directives, but it has not implemented TAUD's recommendations to set tap fees correctly or to get a rate study. The TAUD report and recommendations are attached.

TAUD submitted a training report on behalf of the County, which indicates that Board member Angie Allmand was required to complete the initial 12 hours of training by June 30, 2020, and Board member Jimmy Webber is required to complete the initial 12 hours of training by September 10, 2020. Staff has not received verification that the two board members have completed the required training.

Staff Recommendation:

Order the County to comply with the following:

1. The County shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, to complete a rate study.
2. By November 30, 2020, the County shall send Board staff a copy of the contract between the County and the qualified expert who is to perform the rate study in paragraph 1.
3. By November 30, 2020, the County shall adopt a tap fee of \$650 plus the cost of a bore if needed.
4. By November 30, 2020, the County shall ensure that its credit card fees comply with Tenn. Code Ann. § 9-1-108(c)(3).
5. By November 30, 2020, the County shall ensure that all members of the utility system's governing body have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).
6. By December 31, 2020, the County shall send Board staff proof that all members of the utility system's governing body have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).

7. By December 31, 2020, the County shall send Board staff proof that the County's credit card fees comply with Tenn. Code Ann. § 9-1-108 (c)(3).
8. By December 31, 2020, the County shall send Board staff proof of its implementation of a \$650 tap fee, plus the cost of a bore if required.
9. By February 28, 2021, the County shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
10. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the County.

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:

**LAUDERDALE COUNTY
WATER SYSTEM**

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**TENN. CODE ANN. § 68-221-1010
-FINANCIAL DISTRESS**


ORDER

On September 19, 2019, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the Lauderdale County Water System (“the County”) pursuant to Tenn. Code Ann. § 68-221-1010. Board staff indicated that County has raised rates in accordance with a Tennessee Association of Utility Districts (“the TAUD”) rate study, but other fees and policies need to be reviewed. The County has also indicated that its board members have not fully complied with the training requirements. Therefore, based on Staff’s statements, recommendations, and supporting documentation, the Board hereby orders the following:

1. The County shall have the TAUD, or another qualified expert as approved by Board staff, complete the following:
 - a. a review of the tap and customer fees, including any recommended modifications;
 - b. a review of the capitalization policy, including any recommended modifications;
 - c. the creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and

- d. a review of the leak adjustment policy, including any recommended modifications.
2. By October 31, 2019, the County shall send Board staff a copy of the contract between the County and the qualified expert who is to perform the tasks in paragraph 1.
 3. By December 31, 2019, the County shall send Board staff proof that all members of the utility system's governing body have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).
 4. By February 28, 2020, the County shall provide Board staff with proof of completion of the tasks in paragraph 1, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
 5. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the County.

ENTERED this 30th day of September, 2019.



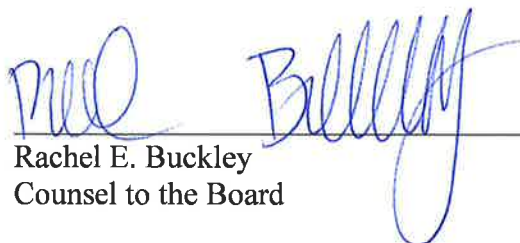
ANN V. BUTTERWORTH, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 30th day of September, 2019:

Mayor Maurice Gaines, Jr.
100 Court Square
Ripley, TN 38063

Randy Newman, Superintendent
Cathy Neal, Office Manager
P.O. Box 527
Ripley, TN 38063



Rachel E. Buckley
Counsel to the Board



Tennessee Utility Assistance, LLC
840 Commercial Court
Murfreesboro, TN 37129
Voice (615) 896-9022
Fax (615) 898-8283

REPORT FOR LAUDERDALE COUNTY WATER SYSTEM

WATER AND WASTEWATER FINANCING BOARD ORDER DATED SEPTEMBER 30, 2019

**April 29, 2020
Submitted by Mark Butler**

INTRODUCTION

Description of the Lauderdale County Water System

Lauderdale County Water System (LCWS or System) provides water service to approximately 3,800 customers in unincorporated areas of Lauderdale County. Pursuant to T.C.A. § 16-5-103, Lauderdale County created the Lauderdale County Board of Public Utilities (the Board) to supervise and control the acquisition, improvement, operation and maintenance of the water system. Under T.C.A. § 16-5-103, the LCWS Board is to be comprised of five members which serve three year terms. The board members are appointed by the Lauderdale County Mayor and are confirmed by the Lauderdale County Commission. The budget of the LCWS is approved by the Lauderdale County Commission.

The LCWS has two sources of water supply. The System has five wells which provide raw water which is treated at its water treatment plant which has a treatment capacity of 1 million gallons per day. The System also purchases water from the City of Ripley. For the fiscal year ending June 30, 2019, LCWS's water treatment plant produced 87% of the System's water supply and purchases from Ripley provided 13% of its water supply.

- LCWS has no outstanding debt.
- As of June 30, 2019, the LCWS had a balance of cash and cash equivalents of \$1,692,154 and investments (certificates of deposit) of \$1,400,039. None of these funds have been restricted by the Board.
- For its fiscal year ending June 30, 2019, the LCWS had a negative change in net position \$55,311, excluding grants and capital contributions.

WWFB Order

On September 30, 2019, the WWFB entered an order directing the LCWS to do the following:

- 1) The County shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by the Board staff, complete the following:
 - a) A review of the tap and customer fees, including any recommended modifications;
 - b) A review of capitalization policy, including any recommended modification;
 - c) Creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and
 - d) A review of the leak adjustment policy, including any recommended modifications.
- 2) By October 31, 2019, the County shall send Board staff a copy of the contract between the County and the qualified expert who is to perform the tasks in paragraph 1.

-
- 3) By December 31, 2019, the County shall send Board staff proof that all members of utility system's governing body have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115.
 - 4) By February 28, 2020, the County shall provide Board staff with proof of completion of the tasks in paragraph 1, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
 - 5) Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the County.

REPORT ON BOARD MEMBER TRAINING

The training received by the members of the LCWS Board was reported to the WWFB in a letter dated December 23, 2019, from Mark Butler to John Greer.

FIVE YEAR CAPITAL ASSET PLAN

Mark Butler met with the LCWS Board and the LCWS Superintendent, Randy Newman, to discuss potential capital improvements and the purchase of capital assets the LCWS wanted to make to its water system over the next five years. They discussed the options for funding these capital expenditures.

Based upon these discussions, the LCWS Board voted on February 11, 2020, to approve the Five-Year Capital Asset Plan attached to this Report as **Exhibit 1**. The LCWS plans to fund the water line upgrades for 2020 with a CDBG grant. The remaining capital asset improvements in the Plan will be funded with the System's cash reserves.

LCWS CAPITALIZATION POLICY

Lauderdale County has adopted a fixed asset accounting policy for County assets. When TUA reviewed the current fixed asset policy, it noted that the policy did not address water system assets. TUA suggested that the County amend its fixed asset policy to include water system assets using similar capitalization thresholds for water system assets as the County has for other County assets and using the service lives adopted by the WWFB for municipal and county water systems. TUA prepared a resolution for Lauderdale County to adopt to amend its current capitalization policy to incorporate these suggested changes which resolution is attached as **Exhibit 2** to this Report. This resolution was adopted by the Lauderdale County Commission at its February 2020 monthly meeting.

LEAK ADJUSTMENT POLICY

TUA reviewed the LCWS leak adjustment policy. During its discussions on leak adjustments, TUA and Mr. Newman discussed the LCWS purchasing customer leak insurance coverage from ServLine. On April 14, 2020, the LCWS Board adopted a Leak Coverage Program for its residential customers through ServLine to become effective July 1, 2020. Non-residential customers will not have leak protection coverage under the ServLine Program and will not be eligible for leak adjustments. A copy of the Leak Protection Program is attached as **Exhibit 3** to this Report.

TAP FEE AND CUSTOMER FEES

On August 8, 2017, the LCWS reduced its tap fee from \$450 to \$250. Mr. Butler requested that Mr. Newman provide him a breakdown of the actual costs he believed the System incurs when it installed a new water tap. Mr. Newman provided Mr. Butler with the following cost breakdown and total.

Lauderdale County Water System - Tap Costs

Cost to Set a Tap from System

¾ Meter Set Cost (6" Main) - Year 2020

6"x ¾" Saddle	\$ 55.34
¾" Corp Stop	\$ 39.37
¾" Plastic Meter Box	\$ 11.25
¾" Meter Spud	\$ 11.72
¾" Check Valve	\$ 47.27
¾" Curb Stop	\$ 55.47
¾" Water Meter	\$198.00
30 Ft ¾" Blue Tubing	\$ 9.00
¾" Inserts	\$ 0.90
¾" washers	\$ 0.22
Total material costs	\$428.54
Labor Estimated	\$190.45
Gas Estimated	\$ 20.00
Total estimated cost to set a tap	\$638.99

At a minimum, a tap fee should be established to cover the costs of setting a new tap for a customer. To the extent a tap fee does not cover the cost of setting a new tap, the water utility's existing customers must subsidize the cost the tap for a new customer. Therefore, TUA recommended that the LCWS set a new tap fee of \$650 plus the cost of a bore when needed to make a water tap for a new connection.

This recommendation was discussed with the LCWS Board. The Board took the position that the tap fee should remain low to encourage unserved homes in Lauderdale County to hook onto the System which would increase water revenues. Therefore, the Board decided to make no change to the current tap fee of \$250.00

LCWS Customer Fees.

TUA reviewed the following fees of LCWS:

Customer deposit	\$75.00
Reconnection fee	\$30.00

Trip fee for meter reading or to unlock meter	\$20.00
On-site collection of customer bill fee	\$20.00
Returned check charge	\$30.00
Water usage report fee (customer requested)	\$30.00
Credit card processing fees	\$2.95 on bills up to \$150.00 and fee of 2.95% of bill amount over \$150.00

T.C.A. § 9-1-108(c)(3) provides, “Any municipal or county entity or officer collecting payment by credit card or debit card pursuant to this subsection (c) shall set and collect a processing fee in an amount that is equal to the amount paid the third party processor for processing the payment.

LCWS needs to verify that the above credit card processing fees are equal to the actual processing fees the System is charged by its card processing vendor. If they are not, LCWS needs to adjust its card processing fees to equal the fees actually charged.

TUA does not recommend any changes to any of the other customer fees charged by the LCWS.

REVENUE SHORTFALL NEEDS TO BE ADDRESSED

Although the WWFB did not order the LCWS to perform a rate study, the System had a negative change in net position for its year ending June 30, 2019, of \$55,311. TUA projects the System will have a negative change in net position for its year ending June 30, 2020 of \$131,322. Therefore, the System does need to implement rate changes to address its revenue deficiency for its next fiscal year.

Mr. Butler discussed the need for rate modifications with the LCWS Board on February 11, 2020. The LCWS Board expressed a preference for reducing expenses rather than raising rates to achieve a positive change in net position. If the LCWS decides to reduce expenses to address its revenue deficiency for its fiscal year beginning July 1, 2020, it will need to reduce expenses in the range of \$156,000 to do so. See **Exhibit 4** attached.

Lauderdale County Water System
Five Year Capital Asset Plan

	<u>Estimated Cost</u>				
	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>
1/2 Ton Service Truck	24,000	-	-	-	-
1/2 Ton Service Truck	-	-	24,000	-	-
1/2 Ton Service Truck	-	-	-	24,000	-
1 Ton Service Truck	-	30,000	-	-	-
Paint, Pressure, Fitting & Floors	30,000	-	-	-	-
Replace Pipping at Plant	25,000	-	-	-	-
Computers	-	-	-	-	15,000
Ditcher/Trencher	-	-	80,000	-	-
Tank - Blue Bird Hill	-	80,000	-	-	-
Tank - Ashport	-	-	-	-	60,000
SCADA	-	-	96,000	-	-
Office Upgrade Water Plant	-	-	-	45,000	-
Water Line Upgrades	389,326	-	-	-	-
Electrical Upgrades	84,000	-	-	-	-
Total	552,326	110,000	200,000	69,000	75,000
Cumulative Depreciation	20,858	29,525	61,525	67,825	72,825
Total Capital Outlay & Depreciation	573,184	139,525	261,525	136,825	147,825
<u>Source of Funds</u>					
Loans	-	-	-	-	-
Grant (CDBG)	525,000	-	-	-	-
Cash	27,326	110,000	200,000	69,000	75,000
Total Funding Sources	552,326	110,000	200,000	69,000	75,000

AMENDMENT TO THE RESOLUTION ADOPTING THE FIXED ASSET ACCOUNTING POLICY FOR LAUDERDALE COUNTY, TENNESSEE

WHEREAS, the Fixed Asset Accounting Policy for Lauderdale County needs to be amended and modified to include appropriate capitalization thresholds and class lives for certain fixed assets of the Lauderdale County Water System; and

WHEREAS, Under Section I, Item 2 there shall be added to the policy the following:

<u>Classes</u>	<u>Thresholds</u>	<u>Class Lives</u>
Water System		
a. Pumps and Treatment Equipment	\$15,000	15-20 year life
b. Water Lines and Storage Tanks	\$15,000	40-50 year lfie
c. Machinery, Equipment and Vehicles	\$15,000	5-15
d. Equipment and Tools	\$ 5,000	10-15
e. Transportation Equipment	\$15,000	5-10
f. Furniture and Fixtures	\$ 5,000	5-10
g. Well/Dam	\$15,000	Engineer's Estimate

WHEREAS, all other sections of this policy shall remain in force, and

BE IT FURTHER RESOLVED, that this amendment/modification be made a part of the Lauderdale County Fixed Asset Accounting Policy, and

BE IT FURTHER RESOLVED, that this amendment/modification be made a part of and be the same as Lauderdale County's Fixed Asset Accounting Policy as if passed originally.

Passed this _____ day of _____, 2020 with the following vote:

LEAK PROTECTION PROGRAM

Leak Protection Program

Lauderdale County Water System provides a program for its residential customers to assist them in paying water bills with unexpectedly high water usage caused by a customer service line leak through its ServLine Leak Protection Program (the ServLine Program).

All customers of occupied residences/homes are included in the ServLine Program. A residential customer may elect to opt-out of the ServLine Program by contacting Lauderdale County Water System (LCWS) or a ServLine customer service representative and requesting that the customer's leak protection under the ServLine Program be cancelled.

When a customer opts-out of the ServLine Program, the LCWS will not cover any high water charges in the customer's monthly water bill caused by a customer service line leak past LCWS's meter. The customer will be responsible for paying for all metered water usage on the customer's monthly water bill.

The ServLine Program does not provide leak protection for LCWS's non-residential customers.

Qualifications for Leak Protection

To qualify for leak coverage under LCWS's ServLine Program, a customer leak must meet the following requirements.

- (1) The leak must cause the residential customer's water usage in its monthly water bill to be more than **two times** greater than the customer's average monthly water usage for the prior twelve months. When the customer does not have twelve full months of prior water usage with LCWS at the service address, the customer's average water usage will be based upon the customer's average water usage for the number of full months the customer has actually received water service at the service address.
- (2) The leak occurs in the customer's underground service line past LCWS's meter, or the leak occurs in the customer's plumbing in a location where the leak is concealed and not readily detectable such as within walls or under the floors of the residence.
- (3) Only one (1) leak occurrence is covered during each twelve month year leak protection period.
- (4) The maximum amount which will be paid for each qualifying leak occurrence is **\$1,000.00**.
- (5) The customer must have repaired the leak causing the high water usage and must provide proof of the repair upon request.

(6) Leak coverage is not provided for high water usage caused by:

- (a) leaking faucets and toilets;
- (b) faucets, hoses, and other water outlets left running;
- (c) filling swimming pools or other recreational uses;
- (d) washing cars;
- (e) irrigating lawns and gardens;
- (f) leaks from irrigation systems, swimming pool systems, fire sprinkler systems and from any other water lines coming off the primary customer service line which provides domestic water service to the residence served; or
- (g) failure to exercise reasonable care for the customer's plumbing.

(7) The customer must make a claim with ServLine for leak protection coverage on a high water bill within **30** days of receiving the water bill with high water usage caused by a qualifying leak.

(8) The customer complies with all other terms and conditions for leak coverage set forth in LCWS's agreement with the ServLine leak coverage insurance provider.

(9) When a customer leak does not meet the qualifications set forth in this section, the customer is responsible for paying for all metered water usage on the customer's monthly water bill.

Leak Protection Benefit Amount

When a qualifying leak occurs, the customer will pay an amount equal to the customer's average water bill based upon its average water usage for the prior twelve months at the service address. ServLine will pay up to **\$1,000.00** of the remaining balance of the monthly water bill with the high water usage caused by the qualifying leak.

When the customer does not have twelve full months of prior water usage with LCWS at the service address, the customer's average water usage will be based upon the customer's average water usage for the number of full months the customer has actually received water service at the service address.

Leak Protection Fee

LCWS has adopted a monthly leak protection fee to cover the cost of its ServLine Leak Protection Program. The leak protection fee is billed as a separate line item on the customer's monthly water bill.

Optional Water Line Protection Coverage

A residential customer has the option of purchasing water line protection insurance coverage directly from ServLine. Water line protection covers the cost of damages related to the cracking or breaking of a customer's water service line past the water meter to the foundation of your home up a maximum amount of \$10,000. LCWS will include the monthly premium for water line protection coverage provided by ServLine as a separate line item on the customer's bill when this coverage is purchased. Water line protection coverage is not a service offered by

LCWS but is optional insurance coverage available to LCWS's residential customers offered by ServLine. The terms and conditions for water line protection coverage are set forth in insurance policy between by ServLine and LCWS.

Adopted this 14th day of April, 2020.

Effective July 1, 2020

Lauderdale County Water System - Statements of Revenues and Expenses and Changes in Net Position

	Actual 6/30/2019	Projected 6/30/2020	Projected 6/30/2021
Operating Revenues:			
Water Revenue	1,293,732	1,363,205	1,363,205
Other Revenue	15,987	40,000	40,000
Sale of Material	2,336	3,000	3,000
Total Operating Revenues	<u>1,312,055</u>	<u>1,406,205</u>	<u>1,406,205</u>
Operating Expenses:			
Backhoe Repairs	996	2,000	2,060
Bad Debts	-	3,000	3,090
Collection Fees	-	300	309
Bank Service Charges	285	600	618
Chemical Expense	22,278	20,000	20,600
City Water Purchased	127,878	143,000	147,290
Commissioner's Compensation	4,177	4,400	4,400
Depreciation	356,569	377,427	386,094
Ditcher Repairs	1,798	3,000	3,090
Electrical	87,891	95,000	97,850
Employee Training	380	1,000	1,030
Engineering Expense	-	3,000	3,090
Fuel Expense	17,125	20,000	20,600
Gas	2,245	2,000	2,060
Insurance Expense	122,195	115,000	118,450
Lab Test & Lab Equipment	7,508	7,000	7,210
Licenses	100	500	515
Line Repairs & Maintenance	10,034	10,000	10,300
Membership Fees	2,783	3,500	3,605
Office Expense	36,476	12,000	12,360
Payroll Tax Expense	42,297	45,000	46,350
Plant Repairs & Maintenance	23,954	25,000	25,750
Postage	11,641	12,000	12,360
Professional Fees	7,400	8,400	8,652
Public Relations Expense	637	1,000	1,030
Radio Repairs	3,980	4,000	4,120
Retirement Expense	(1,051)	23,000	23,690
Salaries	420,045	450,000	463,500
State Fees	5,361	5,400	5,562
Supplies - Lab	1,346	3,000	3,090
Supplies - Miscellaneous	1,691	3,000	3,090
Supplies - Repair	38,736	40,000	41,200
Tech Support Expense	-	27,000	27,810
Telephone	5,329	5,300	5,459
Tires & Tire Repair	4,386	5,000	5,150
Travel	-	1,100	1,133
Truck Repairs	3,272	5,000	5,150
Uniform & Clothing	6,656	6,500	6,695
Well Repairs/Maintenance	-	10,000	10,300
Tank Repairs/Maintenance	-	20,000	20,600
Water Loss / Meter Replacement	-	5,000	5,000
Total Operating Expenses	<u>1,376,398</u>	<u>1,527,427</u>	<u>1,570,312</u>

Operating Income (Loss)	<u>(64,343)</u>	<u>(121,222)</u>	<u>(164,107)</u>
Nonoperating Revenues (Expenses)			
Interest Income	9,032	7,500	7,500
Pension Revenue	-	400	400
Total Nonoperating Revenues (Expenses)	<u>9,032</u>	<u>7,900</u>	<u>7,900</u>
Change in Net Position before Contributed Capi	(55,311)	(113,322)	(156,207)
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>(55,311)</u>	<u>(113,322)</u>	<u>(156,207)</u>

Linden

	Water and Sewer	County: Overton		
	2016	2017	2018	2019
Unrestricted Net Position	\$87,336.00	\$694,988.00	\$718,694.00	
Operating Revenues	\$1,172,094.00	\$1,276,345.00	\$1,174,836.00	
Net Sales	\$1,116,845.00	\$1,209,075.00	\$1,119,321.00	
Operating Expenses	\$1,142,504.00	\$981,611.00	\$1,164,150.00	
Operating Income	\$29,590.00	\$294,734.00	\$10,686.00	
Depreciation Expense	\$225,551.00	\$230,816.00	\$237,417.00	
Non-Operating Rev. (Exp.)	(\$10,375.00)	(\$14,311.00)	(\$10,566.00)	
Operating Profit	\$19,215.00	\$280,423.00	\$120.00	
Grants and Capital Contribution	\$0.00	\$150,000.00	\$238,800.00	
Transfers In	\$0.00	\$0.00	\$0.00	
Transfers Out	\$0.00	\$0.00	\$0.00	
GAAP Change in Net Position	\$19,215.00	\$430,423.00	\$238,920.00	
Statutory Change in NP (2017)	\$19,215.00	\$280,423.00	\$120.00	
Pension and OPEB Asset	\$0.00	\$41,974.00	\$51,181.00	
Pension and OPEB Liability	\$29,999.00	\$0.00	\$0.00	
Statutory Change in NP (2018)		\$208,450.00	(\$9,087.00)	





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Town of Linden**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

Board staff sent a financial distress questionnaire to the Town on February 10, 2020, and requested it be returned by April 10, 2020. Board staff has not received the questionnaire.

Staff Recommendation:

Order the Town to comply with the following:

1. The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, assist in completing the financial questionnaire previously sent by Board staff.
2. By October 31, 2020, the Town shall send Board Staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.
3. The Town shall send the completed financial questionnaire and all supporting documentation to Board staff by December 31, 2020.
4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town.



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

MEMORANDUM

TO: Water and Wastewater Financing Board
FROM: Division of Local Government Audit - Municipalities and Utility Districts
SUBJECT: Division of Local Government Audit Referral Pursuant to TCA 68-221-1010(a)

In accordance with the requirements of Tennessee Code Annotated, we are hereby filing the following vendor with the board(s) noted above.

Record Number: 1752
Vendor Name: Linden

Report Year: 6/30/2019
Utility Type: Water and Sewer
Date Received: 12/31/2019
Date Referred: 1/2/2020
Reviewer: SAP

FINANCIAL DISTRESS

A Has deficit net position for the fiscal year ended. []

B Statutory Decrease in net position for two consecutive years.

Fiscal Year End	Statutory Decrease in NP
6/30/2019	(\$53,066.00)
6/30/2018	(\$9,087.00)

C Is in default on certain outstanding debt.

Holder of the Bonds, etc.	Principal	Interest
[]	[]	[]
[]	[]	[]
[]	[]	[]

WATER LOSS

D Water Loss Referral

AWWA water audit info

Water Loss Schedule - Status

[]

Validity score below the amount established by the board

Validity Score: 82

Excessive non-revenue water % as established by the board
(Non-Revenue Water as Percent by Cost of Operating System)

Non-Rev Water %: 12.9

Comments:

[]

Mount Juliet

	Sewer	County: Wilson		
	2016	2017	2018	2019
Unrestricted Net Position	\$5,948,887.00	\$6,813,202.00	\$7,568,918.00	\$7,990,835.00
Operating Revenues	\$5,762,521.00	\$6,281,451.00	\$6,366,595.00	\$6,772,059.00
Net Sales	\$5,322,581.00	\$5,657,620.00	\$5,941,979.00	\$6,299,905.00
Operating Expenses	\$5,940,697.00	\$5,933,926.00	\$6,606,103.00	\$6,950,514.00
Operating Income	(\$178,176.00)	\$347,525.00	(\$239,508.00)	(\$178,455.00)
Depreciation Expense	\$1,370,593.00	\$1,490,359.00	\$1,685,859.00	\$1,836,205.00
Non-Operating Rev. (Exp.)	\$96,678.00	\$79,663.00	\$86,568.00	\$121,433.00
Operating Profit	(\$81,498.00)	\$427,188.00	(\$152,940.00)	(\$57,022.00)
Grants and Capital Contribution	\$3,282,996.00	\$4,031,087.00	\$3,282,210.00	\$4,377,715.00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	\$3,201,498.00	\$4,458,275.00	\$3,129,270.00	\$4,320,693.00
Statutory Change in NP (2017)	(\$81,498.00)	\$427,188.00	(\$152,940.00)	(\$57,022.00)
Pension and OPEB Asset	\$46,079.00	\$17,136.00	\$49,253.00	\$154,337.00
Pension and OPEB Liability	\$519,168.00	\$137,113.00	\$135,516.00	\$112,866.00
Statutory Change in NP (2018)		\$74,076.00	(\$186,654.00)	(\$184,756.00)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **City of Mount Juliet**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Sewer**

Staff Summary:

Mount Juliet was referred for financial distress and has submitted its questionnaire, which is attached. .

On March 3, 2020, an F-3 tornado hit the City, damaging over 400 homes. The COVID-19 pandemic has caused a revenue loss of approximately \$100,000, according to the City's estimation.

The City last had a rate study in 2015 and has raised rates by a minimum of 3% over the past three years. Staff believes the City needs an updated rate study to determine appropriate steps moving forward.

Staff Recommendations:

Order the City to comply with the following:

1. The City shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - i. creation of a formal capitalization policy;
 - ii. a review of the City's leak adjustment policy, including any recommended modifications;
 - iii. a justification for the differing rate classes, or if no justification is possible, recommendations for an appropriate rate structure; and
 - iv. a justification for the differing tap fees, or if no justification is possible, recommendations for an appropriate fee structure.
2. By October 31, 2020, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.
3. By December 31, 2020, the County shall send Board staff proof that all members of the utility system's governing body have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).

4. By February 28, 2021, the City shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
5. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the City.

Section B: Wastewater Utility Information

1. Does your utility offer wastewater? **Yes**

a. If yes, please complete the following section.

2. Have you had any rate changes in the previous five years?

Yes or No (Circle your answer)

a. Please provide a copy of your current rate ordinance/structure and the justification for why the rates are set this way- including any recent rate studies performed for the utility.

b. Please provide a copy of previous rate ordinances/structures from the previous five years if you answered yes to Question #2.

c. If you have differing rate classes (inside/outside city limits, residential / commercial / industrial, new developments, etc.), please provide justification as to why these rates are set the way they are.

3. Do you have any current plans for a rate change?

Yes or No (Circle your answer)

a. If yes, please provide a written answer to the following questions:

i. Are you planning for a rate increase or decrease? **Increase by 3%.**

ii. Are you planning this change across all customer classes or only on a certain customer class? **All customer classes.**

iii. Has your Board voted on this rate change yet? **Yes**

iv. If your Board has discussed a rate change at recent meetings, please attach a copy of the relevant minutes at which this meeting took place. **The rate change was part of the budget. No specific discussion was noted in the minutes of the budget workshop or the BOC meetings where the budget was passed.**

4. Have you had any utility fee changes in the previous five years?

Yes or No (Circle your answer)

a. Please provide a copy of your current utility fee schedule.

b. Please provide a copy of previous utility fee schedules if you answered yes to Question #3.

c. Please provide a written rationale for the charges for tap fees, reconnect fees, etc. **See Attachment 6 – 2015 Rate Study**

5. Has your debt management policy been reviewed in the last 5 years?

Yes or No (Circle your answer)

a. Please provide a copy of your debt management policy. If you do not have a debt management policy, please provide a written rationale for why a debt management policy has not been adopted.

6. Has your capitalization policy been reviewed in the last 5 years?

Yes or **No** (Circle your answer)

a. Please provide a copy of your capitalization policy. If you do not have a capitalization policy, please provide a written rationale for why a capitalization policy has not been

adopted. **The City does not have a formal capitalization policy however the guidelines set by the Governmental Accounting Standards Board and the Governmental Accounting, Auditing, and Financial Reporting (Blue Book) are used and routinely reviewed by the Finance Director to determine capitalization thresholds.**

7. Please provide the most recent 3 months of balance sheets and income statements for your utility. **See Attachment #9 for April - June**

a. If you are a water and wastewater utility and are having difficulty breaking out the accounts, please use percentages or estimate for accounts for the most accurate depiction of the financial status of the utility.

8. Do you have a plan to remedy your financially distressed position for your wastewater fund? **Yes** or No (Circle your answer)

- a. If yes, please provide a detailed copy.
- b. If no, please provide a justification for why not.

9. Who has the authority to set rates and fees?

Answer: **The Mt. Juliet Board of Commissioners**

a. Is this a board or committee separate from your local legislative body? (City Council, Board of Mayor and Alderman, etc.)

Yes or **No** (Circle your answer)

b. Please provide a list containing the following information for the aforementioned individuals:

- i. Name
- ii. Title
- iii. Mailing Address
- iv. Phone Number
- v. Date of Initial Election or Appointment
- vi. Have they fulfilled their initial 12 hour training requirement within the first year of service, if applicable? Yes or No
- vii. If so, please provide proof that the training requirement has been satisfied.

10. How many total customers do you currently have?

Answer: **11,974**

a. Please provide a numerical break-down of the totals for each type of customer:

- i. Billed **11,974**
- ii. Unbilled **0**
- iii. Metered **11,962**
- iv. Unmetered **12**

v. Breakdown by Rate Class (inside, outside, inside residential, inside commercial, outside residential, outside commercial, etc.)

- Inside Residential – 10,715**
- Outside Residential – 673**
- Inside Commercial – 579**
- Outside Commercial – 7**

11. What percentage of your sales do your largest 10 customers account for annually?
(Largest 10 Customer Revenues Total / Total Annual Wastewater Revenue)

Answer: **13%**

12. What percentage of your volume do your largest 10 customers account for annually?
(Wastewater Revenue for Largest 10 Customers / Total Wastewater Revenue)

Answer: **11%**

13. Do you adjust wastewater bills for customers with water leaks?

Yes or No (Circle your answer)

a. If yes, how many leak adjustments were performed based on your leak adjustment policy in the last 12 months? What is the cost associated with these leaks?

Answer: **929 adjustments from Mar 2019 to Feb 2020 at a cost of \$61,091.20**

a. If yes, please attach a copy of your adjustment policy. **See below.**

Sewer Code Sec 30-44

If a sewer user can prove to the satisfaction of the public works director that a specific amount of water is not going to the system, and is not adjusted, the public works director is authorized, subject to approval of the city manager, to adjust the bill. If such adjustments are recurring the public works director may require the user to obtain a separate meter and system, for measuring water not going to the sewer system, as a requirement to consideration of further adjustments. (Amended by Ordinance 98-46 dated 12-7-98).

b. If no, please move on to the next question.

14. Have you incurred any new debt during the current fiscal year for your wastewater utility, or do you plan on incurring any debt during the current fiscal year for your water utility?

Yes or **No** (Circle your answer)

a. If yes, please provide a detailed explanation regarding the debt.

b. If no, please move on to the next question.

15. Have you received any grants or capital contributions during the current fiscal year for your wastewater utility, or do you plan on receiving any grants or capital contributions during the current fiscal year for your water utility?

Yes or No (Circle your answer)

a. If yes, please provide a detailed explanation regarding these grants or capital contributions. **The City receives contributed sewer lines from developments. No grants have been received.**

b. If no, please move on to the following question.

16. Have you applied for any grants that will be received over the next two years?

Yes or No (Circle your answer)

a. If yes, please provide a detailed explanation regarding these potential grants.

The 2020 Governor's Local Support Grant will be used to install new HVAC unit and Air Purification System in one of the buildings. The Cost is \$9,480.

b. If no, please move on to the following question.

17. Are your customers made aware of the rates and fees you have in place annually?

Yes or No (Circle your answer)

- a. If yes, how is this accomplished? **The Sewer Rates are published in the City Budget Ordinance and listed on City website. A message is also posted on the July bills.**
- b. If no, please provide a written justification as to why not.

18. Do you review your capital asset list?

Yes or No (Circle your answer)

- a. If yes, how often is this list reviewed and by whom? **The Finance Director reviews the list annually in conjunction with the City audit.**
- b. If no, please provide a written justification as to why not.

19. Do you keep a copy of your capital asset list on file?

Yes or No (Circle your answer)

20. Excluding any customers on wells, are **all** of your customers billed based on water usage?

Yes or No (Circle your answer)

- a. If yes, who supplies the usage data, and are there multiple water suppliers for your customers?

Answer: **West Wilson Utility is the sole provider of meter readings to the City.**

- b. If no, but **some** of your customers are billed based on water usage, then answer the above question regarding usage data, but also provide a written explanation on how these customers are billed that are not billed based on water usage.
- c. If no, and **none** of your customers are based on water usage, then provide a written explanation on how these customers are billed.

21. Do you have any customers on wells?

Yes or **No** (Circle your answer)

- a. If yes, how are these customers billed?

Answer:

- b. If no, please move on to the following question.

22. Do you have any wastewater customers you classify as wholesale?

Yes or **No** (Circle your answer)

- a. If yes, please provide the contract(s) with these customer(s) or a detailed explanation as to why a contract does not exist and the rate at which wastewater is treated for this customer?
- b. If no, please move on to the following question.

23. Do you treat your own wastewater?

Yes or **No** (Circle your answer)

- a. If yes, please provide the following:
 - i. Cost to treat per thousand gallons.
 - ii. The design capacity of your treatment facility and the percentage of the design capacity currently being used.
 - iii. The average operating capacity of your treatment facility.

- b. If no, please provide the following:
 - i. List of entities wastewater is treated by – **Metro Water Services**
 - ii. Rates at which wastewater is treated by entity
 - iii. Wastewater treatment contract with these entities, if no contract exists please give an explanation as to why there is no contract.

24. Do you have a plan to improve your infiltration and inflow (I&I)?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation as to how this will be improved along with your current I&I data.
- b. If no, please provide a detailed justification as to why the current I&I does not need to be improved along with your current I&I data.

We have identified the areas of the Mt Juliet Sewer system through data collected from flow meters located at lift stations. The data retrieved shows that during a heavy rain event GPMs spike at a rate that would indicate surface water is the major cause of I & I. Three areas of the system (Royal Oaks Basin/ Chandler Point Subdivision/ Belinda City) have been closely monitored over the past quarter providing data that shows rapid spikes of GPMs. Some obvious issues have been detected and repaired; missing service line caps, disturbed manhole castings, and failing pipe structures. The proven plan of action is to aggressively conduct daily smoke testing in the three key areas of concern along with making the necessary repairs as they are located. Smoke testing is scheduled to begin in late May 2020 or early June 2020 depending on the amounts of rainfall in the month of May. See below for an example of the reporting received to monitor daily flows and how GPMs are determined.

Sewer Meter Site - Flow Meter translation missing: en.dailystats

Datetime	gpm	Min	Max
2020-03-01	2877.52	1446.28	3810.89
2020-03-02	3255.69	1648.96	4210.11
2020-03-03	103.48	0	3552.93
2020-03-04	3031.03	0	4363.66
2020-03-05	3442.12	2293.85	4130.27
2020-03-06	2929.35	0	3835.46
2020-03-07	2976.24	1771.79	3964.44
2020-03-08	2921.31	1667.38	3933.73
2020-03-09	2706.83	1587.54	3442.38
2020-03-10	2642.85	1550.69	3540.65
2020-03-11	2607.47	1378.71	3276.55
2020-03-12	2545.92	1360.29	3307.26
2020-03-13	2527.05	1378.71	3239.7
2020-03-14	2570.49	1231.31	3516.08
2020-03-15	2697.29	1397.14	3792.46
2020-03-16	2547.52	1335.72	3368.68
2020-03-17	3202.72	1354.15	4406.65
2020-03-18	3663.87	2183.3	5014.69
2020-03-19	4037.82	3037.02	4818.15
2020-03-20	4275.69	2410.55	5014.69
2020-03-21	4591.48	3638.92	5014.69
2020-03-22	3910.12	2631.65	4983.99
2020-03-23	4462.24	2717.64	5014.69
2020-03-24	4385.66	2987.88	5014.69
2020-03-25	4998.95	4529.49	5014.69
2020-03-26	4132.83	3184.42	4910.28
2020-03-27	3588.25	2478.11	4824.3
2020-03-28	3291.26	2066.6	4148.69
2020-03-29	3387.68	2275.43	4535.63
2020-03-30	3129.66	1968.33	3933.73
2020-03-31	2277.41	1722.66	3049.3
total	3216.703226	0	5014.69

25. Are there any environmental concerns currently or forthcoming that will put a financial burden on the system?

Yes or **No** (Circle your answer)

- a. If yes, please provide a detailed explanation as to what the concern or issue is and the extent of the financial burden that will be incurred.
- b. If no, please move on to the next question.

26. In regard to your governing body, how frequently do you meet and what is your practice of providing notice of your meetings?

Answer: **The Board of Commissioners meets every 2nd and 4th Monday of the month. The meetings are noticed in the paper and meeting information and agendas are posted on the City website.**

27. Do you have a sewer use ordinance?

Yes or No (Circle your answer)

- a. If yes, please provide a copy and description of how this is enforced.
- b. If no, please provide a justification for the lack thereof



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Town of Newbern**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

Board staff sent a financial distress questionnaire to the Town on February 10, 2020 and asked that it be returned by April 10, 2020. The Town has not returned the questionnaire.

Staff Recommendation:

Order the Town to comply with the following:

1. The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, assist in completing the financial questionnaire previously sent by Board staff.
2. By October 31, 2020, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.
3. The Town shall send the completed financial questionnaire and all supporting documentation to Board staff by December 31, 2020.
4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town.

CITY OF NEWBERN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Electric	Gas	Water and Sewer	Rural Water	Total Enterprise Funds
ASSETS					
Current assets					
Cash and cash equivalents	\$ 4,255,052	\$ 3,219,131	\$ 911,837	\$ 1,213,419	\$ 9,599,439
Accounts receivable (net of allowance for uncollectibles)	714,546	32,527	160,854	67,066	974,993
Interest receivable	--	--	--	34	34
Other receivables	83,270	13,470	30,646	13,470	140,856
Due from other funds	52,606	10,784	67,255	8,131	138,776
Inventories	164,969	694,843	99,640	--	959,452
Prepayments	4,505	1,268	4,380	4,335	14,488
Total current assets	<u>5,274,948</u>	<u>3,972,023</u>	<u>1,274,612</u>	<u>1,306,455</u>	<u>11,828,038</u>
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	--	--	40,773	--	40,773
Invested funds	--	--	26,131	41,000	67,131
Total restricted assets	<u>--</u>	<u>--</u>	<u>66,904</u>	<u>41,000</u>	<u>107,904</u>
Other Assets					
Conservation loans receivable	<u>184,652</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>184,652</u>
Capital assets					
Land	39,340	8,680	105,671	350	154,041
Buildings and systems	484,816	197,989	9,079,071	21,041	9,782,917
Improvements other than buildings	9,863,658	2,164,386	6,909,099	2,541,961	21,479,104
Machinery and equipment	943,657	414,360	399,527	280,000	2,037,544
Construction-in-progress	429,749	73,738	108,107	28,616	640,210
Less accumulated depreciation	<u>(5,628,577)</u>	<u>(1,900,661)</u>	<u>(7,401,876)</u>	<u>(2,046,328)</u>	<u>(16,977,442)</u>
Total capital assets	<u>6,132,643</u>	<u>958,492</u>	<u>9,199,599</u>	<u>825,640</u>	<u>17,116,374</u>
Total noncurrent assets	<u>6,317,295</u>	<u>958,492</u>	<u>9,266,503</u>	<u>866,640</u>	<u>17,408,930</u>
Total assets	\$ 11,592,243	\$ 4,930,515	\$ 10,541,115	\$ 2,173,095	\$ 29,236,968

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBERN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Electric	Gas	Water and Sewer	Rural Water	Total Enterprise Funds
LIABILITIES					
Current liabilities					
Accounts payable	\$ 796,204	\$ 6,419	\$ 8,306	\$ 27,461	\$ 838,390
Accrued interest payable	--	--	4,681	1,828	6,509
Due to other funds	679	--	44,983	60,591	106,253
Compensated absences payable	27,891	21,429	7,060	14,674	71,054
Other payables	--	583	2,763	--	3,346
Customer deposits	225,459	13,027	1,142	5,476	245,104
Unearned revenues	--	--	121,573	--	121,573
Other current liabilities	9,622	--	--	7,323	16,945
Bonds payable - current	--	--	73,907	18,777	92,684
Total current liabilities	1,059,855	41,458	264,415	136,130	1,501,858
Noncurrent liabilities					
Bonds payable	--	--	2,737,182	401,316	3,138,498
Conservation loans payable	186,271	--	--	--	186,271
Total noncurrent liabilities	186,271	--	2,737,182	401,316	3,324,769
Total liabilities	1,246,126	41,458	3,001,597	537,446	4,826,627
NET POSITION					
Net investment in capital assets	6,132,643	958,492	6,388,510	405,547	13,885,192
Restricted for debt service	--	--	66,904	41,000	107,904
Unrestricted	4,213,474	3,930,565	1,084,104	1,189,102	10,417,245
Total net position	\$ 10,346,117	\$ 4,889,057	\$ 7,539,518	\$ 1,635,649	\$ 24,410,341

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBERN, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2016

	Electric	Gas	Water and Sewer	Rural Water	Total Enterprise Funds
Operating revenues					
Water revenue	\$ --	\$ --	\$ 2,237,702	\$ 766,911	\$ 3,004,613
Electric revenue	9,068,510	--	--	--	9,068,510
Gas revenue	--	1,356,020	--	--	1,356,020
Rental income	152,238	5,508	--	--	157,746
Forfeited discounts	20,216	4,062	8,330	5,454	38,062
Connection fees	--	--	3,150	10,680	13,830
Other revenue	15,384	8,856	7,423	12,840	44,503
Total operating revenues	<u>9,256,348</u>	<u>1,374,446</u>	<u>2,256,605</u>	<u>795,885</u>	<u>13,683,284</u>
Operating expenses					
Purchases	7,852,409	754,374	--	214,071	8,820,854
Outside services	--	107,230	528,013	11,309	646,552
Meter reading expense	26,640	54,151	22,107	35,914	138,812
Customer records and collections	26,778	25,500	26,436	25,570	104,284
Operating expenses	133,590	194,156	65,765	94,538	488,049
Maintenance expenses	228,566	202,842	640,611	150,904	1,222,923
Insurance	70,605	81,060	74,450	75,370	301,485
Administrative and general salaries	67,006	59,841	59,416	54,892	241,155
Office expense	39,906	22,416	22,931	22,580	107,833
Retirement	13,277	11,490	--	8,711	33,478
Payroll taxes	25,443	25,524	17,642	18,630	87,239
Rent expense	4,628	2,674	12,679	11,695	31,676
Other expense	30,809	14,515	14,954	8,412	68,690
Property tax equivalent - other government	44,585	--	--	--	44,585
Depreciation	291,202	54,274	359,216	36,901	741,593
Total operating expenses	<u>8,855,444</u>	<u>1,610,047</u>	<u>1,844,220</u>	<u>769,497</u>	<u>13,079,208</u>
Operating income (loss)	<u>400,904</u>	<u>(235,601)</u>	<u>412,385</u>	<u>26,388</u>	<u>604,076</u>
Non-operating revenues (expense)					
Interest revenue	9,486	13,892	2,350	3,522	29,250
Interest expense	--	--	(126,433)	(22,578)	(149,011)
Net non-operating revenues (expense)	<u>9,486</u>	<u>13,892</u>	<u>(124,083)</u>	<u>(19,056)</u>	<u>(119,761)</u>
Net income (loss) before contributions and transfers	410,390	(221,709)	288,302	7,332	484,315
Grant proceeds	21,601	21,601	21,601	21,601	86,404
Transfers out - property tax equivalent	(153,571)	--	--	--	(153,571)
Change in net position	<u>278,420</u>	<u>(200,108)</u>	<u>309,903</u>	<u>28,933</u>	<u>417,148</u>
Net position - July 1, 2015	<u>10,435,281</u>	<u>5,089,165</u>	<u>7,229,615</u>	<u>1,606,716</u>	<u>24,360,777</u>
Prior period adjustment	<u>(367,584)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(367,584)</u>
Net position - July 1, 2015, restated	<u>10,067,697</u>	<u>5,089,165</u>	<u>7,229,615</u>	<u>1,606,716</u>	<u>23,993,193</u>
Net position - June 30, 2016	<u>\$ 10,346,117</u>	<u>\$ 4,889,057</u>	<u>\$ 7,539,518</u>	<u>\$ 1,635,649</u>	<u>\$ 24,410,341</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBERN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Electric	Gas	Water and Sewer	Rural Water	Total Enterprise Funds
ASSETS					
Current assets					
Cash and cash equivalents	\$ 4,185,385	\$ 2,784,601	\$ 899,673	\$ 903,764	\$ 8,773,423
Accounts receivable (net of allowance for uncollectibles)	638,443	52,433	141,158	66,306	898,340
Interest receivable	4	--	--	219	223
Other receivables	112,921	24,090	39,458	24,090	200,559
Due from other funds	253,492	247,038	260,957	247,038	1,008,525
Inventories	187,566	638,197	104,329	--	930,092
Prepayments	4,165	3,011	3,058	3,013	13,247
Total current assets	<u>5,381,976</u>	<u>3,749,370</u>	<u>1,448,633</u>	<u>1,244,430</u>	<u>11,824,409</u>
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	--	--	23,948	--	23,948
Invested funds	--	--	22,531	41,000	63,531
Total restricted assets	<u>--</u>	<u>--</u>	<u>46,479</u>	<u>41,000</u>	<u>87,479</u>
Other Assets					
Conservation loans receivable	<u>170,448</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>170,448</u>
Capital assets					
Land	39,340	8,680	105,671	350	154,041
Buildings and systems	484,816	197,989	9,079,071	67,472	9,829,348
Improvements other than buildings	10,112,187	2,164,386	6,909,099	2,541,961	21,727,633
Machinery and equipment	1,068,657	423,359	408,526	288,999	2,189,541
Construction-in-progress	342,769	392,140	468,497	310,819	1,514,225
Less accumulated depreciation	<u>(5,923,137)</u>	<u>(1,956,363)</u>	<u>(7,761,386)</u>	<u>(2,083,550)</u>	<u>(17,724,436)</u>
Total capital assets	<u>6,124,632</u>	<u>1,230,191</u>	<u>9,209,478</u>	<u>1,126,051</u>	<u>17,690,352</u>
Total noncurrent assets	<u>6,295,080</u>	<u>1,230,191</u>	<u>9,255,957</u>	<u>1,167,051</u>	<u>17,948,279</u>
Total assets	\$ 11,677,056	\$ 4,979,561	\$ 10,704,590	\$ 2,411,481	\$ 29,772,688

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBERN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Electric	Gas	Water and Sewer	Rural Water	Total Enterprise Funds
LIABILITIES					
Current liabilities					
Accounts payable	\$ 719,433	\$ 6,479	\$ 24,859	\$ 23,415	\$ 774,186
Accrued interest payable	--	--	7,569	1,672	9,241
Due to other funds	--	--	6,454	13,919	20,373
Compensated absences payable	27,891	21,429	7,060	14,674	71,054
Other payables	--	995	2,803	--	3,798
Customer deposits	258,247	10,383	1,142	5,476	275,248
Unearned revenues	--	--	95,283	--	95,283
Other current liabilities	12,120	--	--	7,212	19,332
Bonds payable - current	--	--	77,425	19,787	97,212
Notes payable - current	17,817	17,817	17,817	17,817	71,268
Total current liabilities	1,035,508	57,103	240,412	103,972	1,436,995
Noncurrent liabilities					
Bonds payable	--	--	2,664,492	381,142	3,045,634
Notes payable	229,237	229,237	229,237	229,237	916,948
Conservation loans payable	171,622	--	--	--	171,622
Total noncurrent liabilities	400,859	229,237	2,893,729	610,379	4,134,204
Total liabilities	1,436,367	286,340	3,134,141	714,351	5,571,199
NET POSITION					
Net investment in capital assets	5,877,578	983,137	6,220,507	478,068	13,559,290
Restricted for debt service	--	--	46,479	41,000	87,479
Unrestricted	4,363,111	3,710,084	1,303,463	1,178,062	10,554,720
Total net position	\$ 10,240,689	\$ 4,693,221	\$ 7,570,449	\$ 1,697,130	\$ 24,201,489

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBERN, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2017

	Electric	Gas	Water and Sewer	Rural Water	Total Enterprise Funds
Operating revenues					
Water revenue	\$ --	\$ --	\$ 2,031,854	\$ 767,200	\$ 2,799,054
Electric revenue	9,131,474	--	--	--	9,131,474
Gas revenue	--	1,300,359	--	--	1,300,359
Rental income	152,775	5,508	--	--	158,283
Forfeited discounts	20,389	3,919	6,604	7,359	38,271
Connection fees	--	--	950	7,275	8,225
Other revenue	18,550	3,400	7,781	14,045	43,776
Total operating revenues	<u>9,323,188</u>	<u>1,313,186</u>	<u>2,047,189</u>	<u>795,879</u>	<u>13,479,442</u>
Operating expenses					
Purchases	7,951,842	695,057	--	231,279	8,878,178
Outside services	--	32,988	546,956	12,464	592,408
Meter reading expense	28,428	59,121	22,327	50,998	160,874
Customer records and collections	36,464	30,704	32,096	32,118	131,382
Operating expenses	121,159	234,146	74,972	61,317	491,594
Maintenance expenses	282,844	238,165	714,265	165,886	1,401,160
Insurance	68,033	85,604	71,180	66,888	291,705
Administrative and general salaries	78,716	72,606	62,893	60,442	274,657
Office expense	44,212	29,078	27,126	27,103	127,519
Retirement	14,763	13,261	--	8,691	36,715
Payroll taxes	28,974	29,275	19,790	19,528	97,567
Rent expense	4,628	2,674	10,918	9,934	28,154
Other expense	36,132	24,590	21,480	12,295	94,497
Property tax equivalent - other government	44,585	--	--	--	44,585
Depreciation	294,560	55,702	359,510	37,221	746,993
Total operating expenses	<u>9,035,340</u>	<u>1,602,971</u>	<u>1,963,513</u>	<u>796,164</u>	<u>13,397,988</u>
Operating income (loss)	<u>287,848</u>	<u>(289,785)</u>	<u>83,676</u>	<u>(285)</u>	<u>81,454</u>
Non-operating revenues (expense)					
Interest revenue	23,787	17,278	5,811	6,539	53,415
Interest expense	--	--	(135,227)	(21,444)	(156,671)
Net non-operating revenues (expense)	<u>23,787</u>	<u>17,278</u>	<u>(129,416)</u>	<u>(14,905)</u>	<u>(103,256)</u>
Net income (loss) before contributions and transfers	311,635	(272,507)	(45,740)	(15,190)	(21,802)
Grant proceeds	-	76,671	76,671	76,671	230,013
Transfers out - property tax equivalent	<u>(153,572)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(153,572)</u>
Change in net position	<u>158,063</u>	<u>(195,836)</u>	<u>30,931</u>	<u>61,481</u>	<u>54,639</u>
Net position - July 1, 2016	10,346,117	4,889,057	7,539,518	1,635,649	24,410,341
Prior period adjustment	<u>(263,491)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(263,491)</u>
Net position - July 1, 2016, restated	<u>10,082,626</u>	<u>4,889,057</u>	<u>7,539,518</u>	<u>1,635,649</u>	<u>24,146,850</u>
Net position - June 30, 2017	<u>\$ 10,240,689</u>	<u>\$ 4,693,221</u>	<u>\$ 7,570,449</u>	<u>\$ 1,697,130</u>	<u>\$ 24,201,489</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBERN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Electric	Gas	Water and Sewer	Rural Water	Total Enterprise Funds
ASSETS					
Current assets					
Cash and cash equivalents	\$ 4,654,886	\$ 3,401,529	\$ 1,187,747	\$ 1,198,907	\$ 10,443,069
Accounts receivable (net of allowance for uncollectibles)	700,359	42,426	143,906	66,146	952,837
Interest receivable	4	--	--	403	407
Other receivables	98,222	24,090	17,035	--	139,347
Due from other funds	6,686	--	13,919	--	20,605
Inventories	188,284	393,204	109,522	-	691,010
Prepayments	6,098	5,279	5,150	5,093	21,620
Total current assets	<u>5,654,539</u>	<u>3,866,528</u>	<u>1,477,279</u>	<u>1,270,549</u>	<u>12,268,895</u>
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	--	--	24,092	--	24,092
Invested funds	--	--	22,531	41,000	63,531
Total restricted assets	<u>--</u>	<u>--</u>	<u>46,623</u>	<u>41,000</u>	<u>87,623</u>
Other Assets					
Conservation loans receivable	<u>125,517</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>125,517</u>
Capital assets					
Land	39,340	8,680	105,671	350	154,041
Buildings and systems	850,945	547,153	2,850,152	433,601	4,681,851
Improvements other than buildings	10,181,149	2,164,041	13,460,015	2,518,964	28,324,169
Machinery and equipment	1,150,339	399,836	543,891	303,241	2,397,307
Construction-in-progress	209,843	-	-	-	209,843
Less accumulated depreciation	<u>(6,228,128)</u>	<u>(2,003,558)</u>	<u>(8,085,087)</u>	<u>(2,123,639)</u>	<u>(18,440,412)</u>
Total capital assets	<u>6,203,488</u>	<u>1,116,152</u>	<u>8,874,642</u>	<u>1,132,517</u>	<u>17,326,799</u>
Total noncurrent assets	<u>6,329,005</u>	<u>1,116,152</u>	<u>8,921,265</u>	<u>1,173,517</u>	<u>17,539,939</u>
Total assets	\$ 11,983,544	\$ 4,982,680	\$ 10,398,544	\$ 2,444,066	\$ 29,808,834

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBERN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Electric	Gas	Water and Sewer	Rural Water	Total Enterprise Funds
LIABILITIES					
Current liabilities					
Accounts payable	\$ 724,646	\$ 8,731	\$ 21,341	\$ 23,545	\$ 778,263
Accrued interest payable	6,454	6,454	10,456	8,126	31,490
Due to other funds	--	--	6,686	13,919	20,605
Other payables	--	(9,345)	(7,645)	--	(16,990)
Customer deposits	288,549	10,383	1,142	5,476	305,550
Unearned revenues	--	--	70,072	--	70,072
Other current liabilities	(818)	--	--	(3,348)	(4,166)
Bonds payable - current	--	--	81,111	20,851	101,962
Notes payable - current	36,096	36,096	36,096	36,096	144,384
Total current liabilities	<u>1,054,927</u>	<u>52,319</u>	<u>219,259</u>	<u>104,665</u>	<u>1,431,170</u>
Noncurrent liabilities					
Bonds payable	--	--	2,589,431	359,883	2,949,314
Notes payable	210,958	210,958	210,958	210,958	843,832
Compensated absences payable	27,891	21,429	7,060	14,674	71,054
Conservation loans payable	124,942	--	--	--	124,942
Total noncurrent liabilities	<u>363,791</u>	<u>232,387</u>	<u>2,807,449</u>	<u>585,515</u>	<u>3,989,142</u>
Total liabilities	<u>1,418,718</u>	<u>284,706</u>	<u>3,026,708</u>	<u>690,180</u>	<u>5,420,312</u>
NET POSITION					
Net investment in capital assets	5,956,434	869,098	5,957,046	504,729	13,287,307
Restricted for debt service	--	--	46,623	41,000	87,623
Unrestricted	4,608,392	3,828,876	1,368,167	1,208,157	11,013,592
Total net position	<u>\$ 10,564,826</u>	<u>\$ 4,697,974</u>	<u>\$ 7,371,836</u>	<u>\$ 1,753,886</u>	<u>\$ 24,388,522</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBERN, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018

	Electric	Gas	Water and Sewer	Rural Water	Total Enterprise Funds
Operating revenues					
Water revenue	\$ --	\$ --	\$ 1,992,682	\$ 773,717	\$ 2,766,399
Electric revenue	8,722,440	--	--	--	8,722,440
Gas revenue	--	1,711,898	--	--	1,711,898
Rental income	153,308	5,508	--	--	158,816
Forfeited discounts	24,209	5,462	8,850	6,025	44,546
Connection fees	--	--	6,150	6,250	12,400
Other revenue	27,931	6,664	6,662	21,841	63,098
Total operating revenues	<u>8,927,888</u>	<u>1,729,532</u>	<u>2,014,344</u>	<u>807,833</u>	<u>13,479,597</u>
Operating expenses					
Purchases	7,491,636	914,145	--	214,959	8,620,740
Outside services	--	30,093	571,186	19,795	621,074
Meter reading expense	29,351	56,044	23,203	40,787	149,385
Customer records and collections	28,006	24,658	24,734	24,402	101,800
Operating expenses	121,836	185,607	89,908	63,431	460,782
Maintenance expenses	142,905	126,571	723,505	138,761	1,131,742
Insurance	63,385	74,948	66,393	57,323	262,049
Administrative and general salaries	82,892	76,562	73,355	59,171	291,980
Office expense	47,076	26,788	26,578	26,250	126,692
Retirement	23,665	24,788	--	19,179	67,632
Payroll taxes	31,060	29,996	26,411	22,571	110,038
Rent expense	4,688	2,451	10,424	9,663	27,226
Other expense	50,851	13,687	24,336	11,610	100,484
Property tax equivalent - other government	42,943	--	--	--	42,943
Depreciation	315,206	47,196	351,160	40,089	753,651
Total operating expenses	<u>8,475,500</u>	<u>1,633,534</u>	<u>2,011,193</u>	<u>747,991</u>	<u>12,868,218</u>
Operating income (loss)	<u>452,388</u>	<u>95,998</u>	<u>3,151</u>	<u>59,842</u>	<u>611,379</u>
Non-operating revenues (expense)					
Interest revenue	26,014	18,192	7,244	7,208	58,658
Interest expense	(6,454)	(6,454)	(133,025)	(27,023)	(172,956)
Net non-operating revenues (expense)	<u>19,560</u>	<u>11,738</u>	<u>(125,781)</u>	<u>(19,815)</u>	<u>(114,298)</u>
Net income (loss) before contributions and transfers	471,948	107,736	(122,630)	40,027	497,081
Grant proceeds	-	5,535	5,535	5,535	16,605
Transfers out - property tax equivalent	(147,811)	--	--	--	(147,811)
Change in net position	<u>324,137</u>	<u>113,271</u>	<u>(117,095)</u>	<u>45,562</u>	<u>365,875</u>
Net position - July 1, 2017	10,240,689	4,693,221	7,570,449	1,697,130	24,201,489
Prior period adjustment	--	(108,518)	(81,518)	11,194	(178,842)
Net position - July 1, 2017, restated	<u>10,240,689</u>	<u>4,584,703</u>	<u>7,488,931</u>	<u>1,708,324</u>	<u>24,022,647</u>
Net position - June 30, 2018	<u>\$ 10,564,826</u>	<u>\$ 4,697,974</u>	<u>\$ 7,371,836</u>	<u>\$ 1,753,886</u>	<u>\$ 24,388,522</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBERN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Electric	Gas	Water and Sewer	Rural Water	Total Enterprise Funds
ASSETS					
Current assets					
Cash and cash equivalents	\$ 5,194,717	\$ 3,439,655	\$ 1,376,167	\$ 1,252,089	\$ 11,262,628
Invested funds	--				-
Accounts receivable (net of allowance for uncollectibles)	477,461	114,213	159,590	67,107	818,371
Interest receivable	4	--	--	588	592
Other receivables	122,716	24,090	12,863	--	159,669
Due from other funds	21,486	14,800	28,346	14,800	79,432
Inventories	190,574	443,476	113,755	-	747,805
Prepayments	7,974	8,618	8,489	8,433	33,514
Total current assets	6,014,932	4,044,852	1,699,210	1,343,017	13,102,011
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	--	--	24,237	--	24,237
Invested funds	--	--	22,531	41,000	63,531
Total restricted assets	--	--	46,768	41,000	87,768
Other Assets					
Conservation loans receivable	124,766	--	--	--	124,766
Capital assets					
Land	39,340	8,680	105,671	350	154,041
Buildings and systems	850,945	547,153	2,850,152	433,601	4,681,851
Improvements other than buildings	10,435,443	2,164,041	13,460,015	2,518,964	28,578,463
Machinery and equipment	1,150,340	410,503	554,557	313,907	2,429,307
Construction-in-progress	83,884	55,500	-	-	139,384
Less accumulated depreciation	(6,525,812)	(2,049,025)	(8,414,564)	(2,164,616)	(19,154,017)
Total capital assets	6,034,140	1,136,852	8,555,831	1,102,206	16,829,029
Total noncurrent assets	6,158,906	1,136,852	8,602,599	1,143,206	17,041,563
Total assets	\$ 12,173,838	\$ 5,181,704	\$ 10,301,809	\$ 2,486,223	\$ 30,143,574

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBERN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Electric	Gas	Water and Sewer	Rural Water	Total Enterprise Funds
LIABILITIES					
Current liabilities					
Accounts payable	\$ 694,363	\$ 96,958	\$ 20,066	\$ 23,789	\$ 835,176
Accrued interest payable	6,021	6,021	11,928	7,693	31,663
Due to other funds	--	--	6,686	13,546	20,232
Other payables	--	29	2,331	--	2,360
Customer deposits	315,926	10,311	932	5,476	332,645
Unearned revenues	--	--	43,709	--	43,709
Other current liabilities	12,372	--	--	6,693	19,065
Bonds payable - current	--	--	81,007	21,972	102,979
Notes payable - current	37,154	37,154	37,154	37,154	148,616
Total current liabilities	<u>1,065,836</u>	<u>150,473</u>	<u>203,813</u>	<u>116,323</u>	<u>1,536,445</u>
Noncurrent liabilities					
Bonds payable	--	--	2,496,863	337,481	2,834,344
Notes payable	192,206	192,206	192,206	192,206	768,824
Compensated absences payable	27,891	21,429	7,060	14,674	71,054
Conservation loans payable	127,381	--	--	--	127,381
Total noncurrent liabilities	<u>347,478</u>	<u>213,635</u>	<u>2,696,129</u>	<u>544,361</u>	<u>3,801,603</u>
Total liabilities	<u>1,413,314</u>	<u>364,108</u>	<u>2,899,942</u>	<u>660,684</u>	<u>5,338,048</u>
NET POSITION					
Net investment in capital assets	5,804,780	907,492	5,748,601	513,393	12,974,266
Restricted for debt service	--	--	46,768	41,000	87,768
Unrestricted	4,955,744	3,910,104	1,606,498	1,271,146	11,743,492
Total net position	<u>\$ 10,760,524</u>	<u>\$ 4,817,596</u>	<u>\$ 7,401,867</u>	<u>\$ 1,825,539</u>	<u>\$ 24,805,526</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWBERN, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2019

	Electric	Gas	Water and Sewer	Rural Water	Total Enterprise Funds
Operating revenues					
Electric revenue	\$ 8,706,683	\$ --	\$ --	\$ --	\$ 8,706,683
Gas revenue	--	1,732,882	--	--	1,732,882
Water revenue	--	--	2,100,821	783,415	2,884,236
Rental income	151,096	5,508	--	--	156,604
Forfeited discounts	34,864	6,133	9,923	5,496	56,416
Connection fees	--	--	6,250	7,481	13,731
Other revenue	38,505	18,382	21,611	27,900	106,398
Total operating revenues	<u>8,931,148</u>	<u>1,762,905</u>	<u>2,138,605</u>	<u>824,292</u>	<u>13,656,950</u>
Operating expenses					
Purchases	7,480,419	921,310	--	219,599	8,621,328
Outside services	--	61,420	587,993	20,908	670,321
Meter reading expense	27,430	56,634	21,814	42,901	148,779
Customer records and collections	40,620	31,060	31,230	30,882	133,792
Operating expenses	183,933	250,777	117,560	89,386	641,656
Maintenance expenses	242,831	58,853	715,727	113,831	1,131,242
Insurance	67,198	75,636	61,197	53,087	257,118
Administrative and general salaries	77,408	73,493	58,075	55,077	264,053
Office expense	39,797	22,928	23,365	23,131	109,221
Retirement	15,032	14,893	--	7,993	37,918
Payroll taxes	28,574	27,986	20,706	17,018	94,284
Rent expense	4,568	2,674	10,424	9,440	27,106
Other expense	46,384	15,145	22,036	10,635	94,200
Property tax equivalent - other government	44,180	--	--	--	44,180
Depreciation	311,642	45,467	329,476	40,978	727,563
Total operating expenses	<u>8,610,016</u>	<u>1,658,276</u>	<u>1,999,603</u>	<u>734,866</u>	<u>13,002,761</u>
Operating income (loss)	<u>321,132</u>	<u>104,629</u>	<u>139,002</u>	<u>89,426</u>	<u>654,189</u>
Non-operating revenues (expense)					
Interest revenue	29,111	21,136	7,916	7,853	66,016
Interest expense	(6,143)	(6,143)	(116,887)	(25,626)	(154,799)
Net non-operating revenues (expense)	<u>22,968</u>	<u>14,993</u>	<u>(108,971)</u>	<u>(17,773)</u>	<u>(88,783)</u>
Net income (loss) before contributions and transfers	344,100	119,622	30,031	71,653	565,406
Transfers out - property tax equivalent	(148,402)	--	--	--	(148,402)
Change in net position	195,698	119,622	30,031	71,653	417,004
Net position - July 1, 2018	<u>10,564,826</u>	<u>4,697,974</u>	<u>7,371,836</u>	<u>1,753,886</u>	<u>24,388,522</u>
Net position - June 30, 2019	<u>\$ 10,760,524</u>	<u>\$ 4,817,596</u>	<u>\$ 7,401,867</u>	<u>\$ 1,825,539</u>	<u>\$ 24,805,526</u>

The accompanying notes are an integral part of these financial statements.



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Monday, February 10, 2020

Mayor Pam Mabry
P.O. Box 460
Newbern, TN 38059

Dear Mayor Mabry,

The Tennessee Comptroller of the Treasury has referred the Town of Newbern to the Water & Wastewater Financing Board (hereinafter "Board") for financial distress pursuant to Tennessee Code Annotated § 68-221-1010(a).

Please fill out the enclosed questionnaire and return it and all supporting documentation to our office no later than April 10, 2020. Please submit this to either utilities@cot.tn.gov and/or the following mailing address:

TN Comptroller of the Treasury
Attention: John Greer/Ross Colona
Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243

If you wish to submit this information via mail, **do not send stapled documents.**

While we recognize that this questionnaire may be difficult to fill out, it is necessary to determine how we can help you achieve long-term financial success. If you are having trouble filling this out, please contact our office for additional assistance. After we receive your information, we will decide whether it is necessary for the Town to meet with our staff or go directly before the Board.

If you need further assistance or have any questions, please feel free to contact us at (615) 747-5260 or utilities@cot.tn.gov.

Sincerely,

A handwritten signature in cursive script that reads "John Greer".

John Greer
Technical Secretary

Ross Colona
Utilities Specialist

Parrottsville

	Sewer	County: Cocke		
	2016	2017	2018	2019
Unrestricted Net Position	\$45,862.00	\$62,328.00		
Operating Revenues	\$28,938.00	\$44,839.00		
Net Sales	\$28,814.00	\$44,666.00		
Operating Expenses	\$32,352.00	\$46,239.00		
Operating Income	(\$3,414.00)	(\$1,400.00)		
Depreciation Expense	\$17,866.00	\$17,866.00		
Non-Operating Rev. (Exp.)	\$0.00	\$0.00		
Operating Profit	(\$3,414.00)	(\$1,400.00)		
Grants and Capital Contribution	\$0.00	\$0.00		
Transfers In	\$0.00	\$0.00		
Transfers Out	\$0.00	\$0.00		
GAAP Change in Net Position	(\$3,414.00)	(\$1,400.00)		
Statutory Change in NP (2017)	(\$3,414.00)	(\$1,400.00)		
Pension and OPEB Asset	\$0.00	\$0.00		
Pension and OPEB Liability	\$0.00	\$0.00		
Statutory Change in NP (2018)		(\$1,400.00)		





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Town of Parrottsville**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Sewer**

Staff Summary:

On September 30, 2019, the Board issued the attached order regarding the Town's financial distress.

The Town engaged the law firm of McSween, McSween, & Greene, PLLC, to complete the financial questionnaire which is attached. .

The Town does not charge based on usage, but rather assesses a flat \$35.00 monthly fee to each customer. The Town has used a dye test to attempt to determine who is connected to the sewer system, but it may not have an accurate count.

Staff Recommendations:

Order the Town to comply with the following:

1. The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - i. creation of a capitalization policy;
 - ii. a review of the Town's capital asset list, including any recommended modifications;
 - iii. creation of a debt management policy;
 - iv. a review of the Town's purchasing policy, including any recommended modifications;
 - v. creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;
 - vi. an evaluation to determine the number of customers connected to the sewer system;
 - vii. negotiation of a cut-off agreement with the local water provider;
 - viii. a justification for charging a flat fee rather than billing by usage, or if no justification is possible, recommendations for an appropriate rate structure; and

- ix. a review of connection fees, tap fees and required deposit amounts, including any recommended modifications.
2. By October 31, 2020, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.
3. By December 31, 2020, the County shall send Board staff proof that all members of the utility system's governing body have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).
4. By February 28, 2021, the Town shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
5. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town.

Section B: Wastewater Utility Information

1. Does your utility offer wastewater? Yes
a. If yes, please complete the following section.
2. Have you had any rate changes in the previous five years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your current rate ordinance/structure and the justification for why the rates are set this way- including any recent rate studies performed for the utility.
 - b. Please provide a copy of previous rate ordinances/structures from the previous five years if you answered yes to Question #2.
 - c. If you have differing rate classes (inside/outside city limits, residential/commercial/industrial, new developments, etc.), please provide justification as to why these rates are set the way they are.
3. Do you have any current plans for a rate change?
Yes or No (Circle your answer)
 - a. If yes, please provide a written answer to the following questions:
 - i. Are you planning for a rate increase or decrease?
 - ii. Are you planning this change across all customer classes or only on a certain customer class?
 - iii. Has your Board voted on this rate change yet?
 - iv. If your Board has discussed a rate change at recent meetings, please attach a copy of the relevant minutes at which this meeting took place.
4. Have you had any utility fee changes in the previous five years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your current utility fee schedule.
 - b. Please provide a copy of previous utility fee schedules if you answered yes to Question #3.
 - c. Please provide a written rationale for the charges for tap fees, reconnect fees, etc.
5. Has your debt management policy been reviewed in the last 5 years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your debt management policy. If you do not have a debt management policy, please provide a written rationale for why a debt management policy has not been adopted.
6. Has your capitalization policy been reviewed in the last 5 years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your capitalization policy. If you do not have a capitalization policy, please provide a written rationale for why a capitalization policy has not been adopted.

7. Please provide the most recent 3 months of balance sheets and income statements for your utility.
- If you are a water and wastewater utility and are having difficulty breaking out the accounts, please use percentages or estimate for accounts for the most accurate depiction of the financial status of the utility.
8. Do you have a plan to remedy your financially distressed position for your wastewater fund?
- Yes or No (Circle your answer)
- If yes, please provide a detailed copy.
 - If no, please provide a justification for why not.
9. Who has the authority to set rates and fees?

Answer:

-
- Is this a board or committee separate from your local legislative body? (City Council, Board of Mayor and Alderman, etc.)
Yes or No (Circle your answer)
 - Please provide a list containing the following information for the aforementioned individuals:
 - Name
 - Title
 - Mailing Address
 - Phone Number
 - Date of Initial Election or Appointment
 - Have they fulfilled their initial 12 hour training requirement within the first year of service, if applicable? Yes or No
 - If so, please provide proof that the training requirement has been satisfied.

10. How many total customers do you currently have?

Answer:

-
- Please provide a numerical break-down of the totals for each type of customer:
 - Billed
 - Unbilled
 - Metered
 - Unmetered
 - Breakdown by Rate Class (inside, outside, inside residential, inside commercial, outside residential, outside commercial, etc.)

11. What percentage of your sales do your largest 10 customers account for annually?
(Largest 10 Customer Revenues Total / Total Annual Wastewater Revenue)

Answer:

12. What percentage of your volume do you largest 10 customers account for annually?
(Wastewater Revenue for Largest 10 Customers / Total Wastewater Revenue)

Answer:

13. Do you adjust wastewater bills for customers with water leaks?

Yes or No (Circle your answer)

- a. If yes, how many leak adjustments were performed based on your leak adjustment policy in the last 12 months? What is the cost associated with these leaks?

Answer:

a. If yes, please attach a copy of your adjustment policy.

b. If no, please move on to the next question.

14. Have you incurred any new debt during the current fiscal year for your wastewater utility, or do you plan on incurring any debt during the current fiscal year for your water utility?

Yes or No (Circle your answer)

a. If yes, please provide a detailed explanation regarding the debt.

b. If no, please move on to the next question.

15. Have you received any grants or capital contributions during the current fiscal year for your wastewater utility, or do you plan on receiving any grants or capital contributions during the current fiscal year for your water utility?

Yes or No (Circle your answer)

a. If yes, please provide a detailed explanation regarding these grants or capital contributions.

b. If no, please move on to the following question.

16. Have you applied for any grants that will be received over the next two years?

Yes or No (Circle your answer)

a. If yes, please provide a detailed explanation regarding these potential grants.

b. If no, please move on to the following question.

17. Are your customers made aware of the rates and fees you have in place annually?

Yes or No (Circle your answer)

a. If yes, how is this accomplished?

b. If no, please provide a written justification as to why not.

18. Do you review your capital asset list?

Yes or No (Circle your answer)

a. If yes, how often is this list reviewed and by whom?

b. If no, please provide a written justification as to why not.

19. Do you keep a copy of your capital asset list on file?

Yes or No (Circle your answer)

20. Excluding any customers on wells, are **all** of your customers billed based on water usage?

Yes or No (Circle your answer)

- a. If yes, who supplies the usage data, and are there multiple water suppliers for your customers?

Answer:

- b. If no, but **some** of your customers are billed based on water usage, then answer the above question regarding usage data, but also provide a written explanation on how these customers are billed that are not billed based on water usage.
- c. If no, and **none** of your customers are based on water usage, then provide a written explanation on how these customers are billed.

21. Do you have any customers on wells?

Yes or No (Circle your answer)

- a. If yes, how are these customers billed?

Answer:

- b. If no, please move on to the following question.

22. Do you have any wastewater customers you classify as wholesale?

Yes or No (Circle your answer)

- a. If yes, please provide the contract(s) with these customer(s) or a detailed explanation as to why a contract does not exist and the rate at which wastewater is treated for this customer?
- b. If no, please move on to the following question.

23. Do you treat your own wastewater?

Yes or No (Circle your answer)

- a. If yes, please provide the following:
 - i. Cost to treat per thousand gallons.
 - ii. The design capacity of your treatment facility and the percentage of the design capacity currently being used.
 - iii. The average operating capacity of your treatment facility.
- b. If no, please provide the following:
 - i. List of entities wastewater is treated by
 - ii. Rates at which wastewater is treated by entity
 - iii. Wastewater treatment contract with these entities, if no contract exists please give an explanation as to why there is no contract.

24. Do you have a plan to improve your infiltration and inflow (I&I)?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation as to how this will be improved along with your current I&I data.
- b. If no, please provide a detailed justification as to why the current I&I does not need to be improved along with your current I&I data.

25. Are there any environmental concerns currently or forthcoming that will put a financial burden on the system?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation as to what the concern or issue is and the extent of the financial burden that will be incurred.
- b. If no, please move on to the next question.

26. In regard to your governing body, how frequently do you meet and what is your practice of providing notice of your meetings?

Answer:

Quarterly

27. Do you have a sewer use ordinance?

Yes or No (Circle your answer)

- a. If yes, please provide a copy and description of how this is enforced.
- b. If no, please provide a justification for the lack thereof.

Petersburg

	Water	County: Lincoln		
	2016	2017	2018	2019
Unrestricted Net Position	\$160,025.00	\$158,010.00	\$181,806.00	\$216,749.00
Operating Revenues	\$201,958.00	\$198,777.00	\$222,823.00	\$208,160.00
Net Sales	\$194,857.00	\$196,098.00	\$214,019.00	\$199,521.00
Operating Expenses	\$196,081.00	\$245,584.00	\$244,048.00	\$215,488.00
Operating Income	\$5,877.00	(\$46,807.00)	(\$21,225.00)	(\$7,328.00)
Depreciation Expense	\$44,478.00	\$44,478.00	\$44,478.00	\$45,078.00
Non-Operating Rev. (Exp.)	(\$1,876.00)	\$314.00	\$543.00	\$193.00
Operating Profit	\$4,001.00	(\$46,493.00)	(\$20,682.00)	(\$7,135.00)
Grants and Capital Contribution	\$0.00	\$0.00	\$0.00	\$-00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	\$4,001.00	(\$46,493.00)	(\$20,682.00)	(\$7,135.00)
Statutory Change in NP (2017)	\$4,001.00	(\$46,493.00)	(\$20,682.00)	(\$7,135.00)
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		(\$46,493.00)	(\$20,682.00)	(\$7,135.00)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Petersburg**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water**

Staff Summary:

On September 30, 2019, the Board issued the attached order.

The Town hired TAUD to assist with completing the directives of the Board's order. The TAUD report and recommendations can be found on the accompanying pages.

Staff Recommendations:

1. By November 30, 2020, the Town shall implement all TAUD recommendations.
2. By December 31, 2020, the Town shall send staff proof of implementation of the directives in paragraph 1 of this order.
3. The Town shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2021, until the Board releases the Town from its oversight.



Tennessee Utility Assistance, LLC
840 Commercial Court
Murfreesboro, TN 37129
Voice (615) 896-9022
Fax (615) 898-8283

REPORT FOR TOWN OF PETERSBURG, TENNESSEE

WATER AND WASTEWATER FINANCING BOARD ORDER DATED SEPTEMBER 30, 2019

June 30, 2020

INTRODUCTION

Description of the Petersburg Water System

The Town of Petersburg, Tennessee (“the Town”) provides water service to approximately 350 customers inside and outside the town limits of Petersburg, Tennessee. The Town purchases all of its water supply from Fayetteville Public Utilities.

- As of February 2020, the Town had 221 inside-town customers and 132 outside-town customers.
- The Town’s water fund has no outstanding debt.
- The Town’s water fund had a balance of cash and cash equivalents of \$237,228 as of June 30, 2019.

The Town was referred to the Water and Wastewater Financing Board (WWFB) upon the submission of its audit for its fiscal year ending June 30, 2018, because it met the statutory definition for a financially distressed Town water system. The system had a negative change in net position for two consecutive years without regard to any grants or capital contributions for its fiscal years ending June 30, 2017 and June 30, 2018.

For its fiscal year ending June 30, 2019, the Town’s water fund had a negative change in net position for \$7,135, excluding grants and capital contributions.

WWFB Order

On September 30, 2019, the WWFB entered an order directing the Town to do the following:

- 1) The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by the Board staff, perform a rate study that includes the following:
 - a) A justification of the discrepancy between rates for customers inside the Town as opposed to outside the Town, or if no justification is possible, a recommendation involving one rate;
 - b) The creation of a debt management policy;
 - c) The creation of a capitalization policy;
 - d) A review of the financial viability of the Town’s personnel costs being paid out of the utility fund, including any recommended modifications;
 - e) The creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs;
 - f) A review of the new customer contract, including any recommended modifications;
 - g) A plan to reduce non-revenue water.

-
- 2) By October 31, 2019, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.
 - 3) By December 31, 2019, the Town shall send Board staff proof that all members of the utility's governing body have complied with the training requirements set out in Tenn. Code Ann. 7-34-115(j).
 - 4) By February 28, 2020, the Town shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

RECOMMENDATIONS

Recommendation # 1

The Town approve the Five-Year Capital Asset Plan attached as **Exhibit 1** to this Report.

Recommendation # 2

To meet its revenue requirements for its fiscal year ending June 30, 2021, TUA recommends the Town increase its minimum bill for both inside-town and outside-town customers by \$1.00 and increase its usage rate for both inside-town and outside-town customers by \$1.50 to become effective October 1, 2020.

Recommendation # 3

To meet its revenue requirements for its fiscal year ending June 30, 2022, TUA recommends the Town go ahead and approve an increase its minimum bill for both inside-town and outside-town customers by \$0.20 and increase its usage rate for both inside-town and outside-town customers by \$0.20 to become effective July 1, 2021.

Recommendation # 4

TUA recommended that the Town adopt a resolution to establish a capitalization policy for the Town which incorporates the service lives the Town currently uses for all capital assets except its water system assets. The Town's capitalization policy should adopt the service lives for its water system using the recommended service lives adopted by the WWFB for water systems.

Recommendation # 5

As soon as it can, the Town should use the \$45,000 from the ECD Infrastructure Planning Grant to hire an engineer or consultant to assist it in assessing its water losses and in developing a plan to improve its current level of water loss.

Recommendation # 6

TUA has prepared a suggested customer contract for the Town to review should it decide to develop a new one which is attached as Exhibit 8 to this Report.

RELEVANT HISTORY OF THE TOWN'S WATER RATES

Rates in Effect on July 1, 2018

On July 1, 2018, the Town's rates for water service were as follows:

Inside City

First 1,000 gallons	\$ 16.33
Over 1,000 gallons	\$ 7.98 per 1,000 gallons

Outside City

First 1,000 gallons	\$ 23.94
Over 1,000 gallons	\$11.96 per 1,000 gallons

These rates had been in effect for several years.

Rate Changes Adopted February 12, 2019

Inside City

First 1,000 gallons	\$21.33
Over 1,000 gallons	\$ 7.98 per 1,000 gallons

Outside City

First 1,000 gallons	\$28.94
Over 1,000 gallons	\$11.96 per 1,000 gallons

Customer Impact of Rate Changes Adopted February 12, 2019

Before the rate increases adopted February 12, 2019, the monthly water for a residential customer using 4,000 gallons was:

<u>Inside City</u>	<u>Outside City</u>
\$40.27	\$59.82

After these rate changes, the monthly water for a residential customer using 4,000 gallons of water was:

<u>Inside City</u>	<u>Outside City</u>
\$45.27	\$64.82

This represents a percentage increase in the monthly water bill of the Town's residential customers using 4,000 gallons as follows:

Inside City	12%
Outside City	8%

FIVE YEAR CAPITAL ASSET PLAN

TUA discussed potential capital improvements and the purchase of other capital assets the Town wanted to make to its water system over the next five years and the options for funding these capital expenditures.

The Town needs to approve the Five-Year Capital Asset Plan attached to this Report as **Exhibit 1**. TUA understands that the Town plans to fund the purchase and installation of the capital assets on the Plan with the cash reserves of the water fund.

JUSTIFICATION OF OUTSIDE RATE

For the fiscal year ending June 30, 2019, the rates paid by the inside-town customers produced 53.5 % of the water fund's revenue, and the rates paid by outside-town customers produced 46.5% of the water fund's revenue.

TUA allocated the operating expenses of the water fund for the year ending June 30, 2019 using three different methods of allocation.

- Water purchases were allocated based upon the percentage of revenue the water fund received from inside-town and outside-town customers referenced above.
- The Town's water system has a total of 16.4 miles of water line. Of that amount, 6.4 miles are located inside the town and 10 miles are located outside the town. TUA allocated the depreciation expense based upon the percentage of water lines inside the Town, 39%, and outside the Town, 61%.
- The remaining expenses of the water fund were allocated based upon the percentage of inside-town to outside-town customers. Inside-town customers are 62.6%; outside-town customers are 37.4%

After allocating the operating expenses, the allocated percentage of the operating expenses for the inside-town customers was 54% and for the outside-town customers was 46%.

The percentages of revenues from inside-town and outside-town customers was less than 1% different than the allocated percentages of expenses for inside-town and outside-town customers. Therefore, the current rate differential for inside-town and outside-town customers is appropriate. See **Exhibit 2** attached to this Report.

RATE STUDY AND PROPOSED PLAN OF ACTION

To determine whether existing rates will produce sufficient revenues to make the Town's water system self-supporting, TUA first projected a Statement of Revenues and Expenses and Changes in Net Position for the Town's water fund for its current fiscal year ending June 30, 2020. TUA projected the revenues for the system using existing rates which were adopted on February 12, 2019. TUA projected operation and maintenance expenses for the current fiscal year by reviewing historical information from the five previous years, reviewing the Town's budget for the water fund for the current fiscal year, and taking into account any known and anticipated changes for this fiscal year. The Town's water system has no debt.

Then, TUA projected Statements of Revenues and Expenses and Changes in Net Position for the City's water fund for its fiscal years ending June 30 of 2021, 2022, 2023, 2024, and 2025. See **Exhibit 3** attached to this Report.

Revenue Projections:

- Water sales for the fiscal year ending June 30, 2020, were projected based upon the gallons sold for the fiscal year ending June 30, 2019 and the water rates adopted on February 12, 2019.
- Since 2015 the City has experienced minimal annual customer growth and does not plan to expand its existing water system in the near future. Therefore, the water sales for the fiscal years ending June 30th of 2021, 2022, 2023, 2024, and 2025 do not include any revenue increases based annual customer growth.
- Installation and tap fees were projected using a five-year average.

Expense Projections:

- Personnel costs for the current fiscal year were projected based upon interviews with the Town employees who work with the water system and a review of the Town's payroll records. TUA obtained the number of hours two Town employees devote to working with the water system and projected the annual personnel costs based upon the wages and benefits of these two Town employees. The Town's certified operator is an independent contractor who is paid \$500 a month. See **Exhibit 4** attached to this Report.

- The following operating expenses for the current fiscal year were projected based upon an average of the last two fiscal years: water purchases, repairs and maintenance, vehicle expense, dues, professional services, supplies, office expense, insurance, utilities and miscellaneous.
- Depreciation for the current fiscal year was projected using the depreciation for the fiscal year ending June 30, 2019, plus depreciation on new capital assets acquired during that fiscal year.
- Water purchases for the five-year projection period were increased to account for an 8% increase by Fayetteville Utilities effective July 1, 2020, and 3% annual increases for the next four fiscal years.
- For the remaining fiscal years, all other operating expenses were increased by 3% annually over the projected amount for the current fiscal year except for depreciation.
- Annual depreciation expenses are projected based upon the Town’s existing fixed asset schedule and the useful service lives used on the schedule for depreciation and upon the depreciation of new capital assets in the capital asset plan which are based upon the new capitalization policy recommended by TUA.

Revenue Sufficiency and Rate Modifications Required

Based upon the projected Statements, the Town’s water fund will have a negative change in net position each year at current rates for the next five fiscal years. To meet its revenue requirements for its fiscal year ending June 30, 2021, TUA recommends the Town increase its minimum bill for both inside-town and outside-town customers by \$1.00 and increase its usage rate for both inside-town and outside-town customers by \$1.50 to become effective October 1, 2020. After these rate increases, the Towns’ water rates will be as follows:

Inside-Town

First 1,000 gallons	\$22.33
Over 1,000 gallons	\$ 9.48 per 1,000 gallons

Outside-Town

First 1,000 gallons	\$29.94
Over 1,000 gallons	\$13.46 per 1,000 gallons

To meet its revenue requirements for its fiscal year ending June 30, 2021, TUA recommends the Town go ahead and approve an increase its minimum bill for both inside-town and outside-town customers by \$0.20 and increase its usage rate for both inside-town and outside-town customers by \$0.20 to become effective July 1, 2021.

To meet its revenue requirements for its fiscal years ending June 30, 2023 - 2025, TUA recommends the following rate changes to become effective at the beginning of each fiscal year, July 1.

July 1, 2022	Minimum bill	\$0.30
	Usage rate	\$0.30 per 1,000 gallons
July 1, 2023	Minimum bill	\$0.40
	Usage rate	\$0.40 per 1,000 gallons
July 1, 2024	Minimum bill	\$0.50
	Usage rate	\$0.50 per 1,000 gallons

The rate recommendations for the fiscal years beginning after July 1, 2022 are based upon revenue and expense projections which are subject to change. Therefore, the rate recommendations should be reviewed annually as a part of the budgetary process each year to ensure that rates recommended will continue to produce sufficient revenues to give the water fund a positive change in net position in future fiscal years.

If the Town adopts the rate increases recommended by TUA, the Water Fund should have a cash balance of \$509,090 as of June 30, 2025. The Water Fund - Projected Cash Balance Schedule is attached as **Exhibit 5**.

TOWN’S CAPITALIZATION POLICY

The Town should adopt a resolution to establish a capitalization policy which incorporates the capitalization cost thresholds and service lives the Town currently uses for all capital assets except its water system assets. The City’s capitalization policy should adopt the service lives for its water system using the recommended service lives adopted by the WWFB for municipal water systems. TUA prepared a resolution for the City to adopt this capitalization policy. This resolution is attached as **Exhibit 6** to this Report.

DEBT MANAGEMENT POLICY

The Town adopted a debt management policy on August 8, 2016 which is attached as **Exhibit 7** to this Report. Therefore, no action needs to be taken on this directive in the WWFB’s Order.

PLAN TO REDUCE NON-REVENUE WATER

The Town applied for and has received a \$45,000 infrastructure planning grant from the Department of Economic and Community Development which will be used to assess water loss in

the Town's water system and to identify improvements the Town can make to improve its current level of water loss. The Town has not yet hired a company or consultant to perform the water system assessment. Because the assessment has not been made, no capital projects have yet been identified to assist with water loss. Therefore, the rate study does not include any capital improvements which the Town may decide to make based upon this assessment.

NEW CUSTOMER CONTRACT

TUA has prepared a suggested customer contract for the Town to review should it decide to develop a new one which is attached as **Exhibit 8** to this Report.

Petersburg, Tennessee - Water Fund
Five Year Capital Asset Plan

Estimated Cost

	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2025</u>
Roof on Storage Tank	-	10,000	-	-	-	-
New Service Truck	-	-	-	16,000	-	-
Upgrade Meters - New Radio Reads	-	-	-	-	10,000	-
Total	-	10,000	-	16,000	10,000	-
Cumulative Depreciation	#REF!	500	500	3,700	4,533	4,533
Total Capital Outlay & Depreciation	#REF!	10,500	500	19,700	14,533	4,533
<u>Source of Funds</u>						
Loans	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Cash	-	10,000	-	16,000	10,000	-
Total Funding Sources	-	10,000	-	16,000	10,000	-

Petersburg, Tennessee - Operating Expenses Allocated by Inside and Outside Water Fund

	Actual 6/30/2019	Allocated Expenses	
		Inside	Outside
Operating Expenses:			
Personnel Costs	49,426	30,946	18,480
Water Purchases	85,958	45,945	40,013
Repairs & Maintenance	10,181	6,374	3,807
Supplies	8,056	5,044	3,012
Office Expense	2,428	1,520	908
Insurance	4,780	2,993	1,787
Vehicle Expense	2,189	1,371	818
Utilities	1,800	1,127	673
Dues	1,221	764	457
Professional Services	4,110	2,573	1,537
Depreciation	45,078	17,589	27,489
Miscellaneous	261	163	98
Total Operating Expenses	215,488	116,409	99,079
		54.02%	45.98%
		8.04% difference	

Allocations Based on % of Revenue Estimated for FY 19-20		
Inside Revenue	\$ 113,756	53.66%
Outside Revenue	\$ 98,236	46.34%
	\$ 211,992	100.00%

Allocations Based on Length of Lines		
The Town has 16.4 miles of water lines based on the AWWA Report		
	<u>Miles</u>	<u>%</u>
Inside City	6.4	39.02%
Outside City	10	60.98%
	<u>16.4</u>	<u>100.00%</u>

Allocations based on # of Customers		
# of Customers Inside	221	62.61%
# of Customers Outside	132	37.39%
	<u>353</u>	<u>100.00%</u>

Petersburg, Tennessee - Projected Statements of Revenues and Expenses and Changes in Net Position

Water Fund

	Projected 6/30/2020	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023	Projected 6/20/2024	Projected 6/20/2025
Operating Revenues:						
Metered Sales	211,992	211,992	211,992	211,992	211,992	211,992
Penalties	-	-	-	-	-	-
Installation & Tap Fees	8,722	8,722	8,722	8,722	8,722	8,722
Total Operating Revenues	220,714	220,714	220,714	220,714	220,714	220,714
Operating Expenses:						
Personnel Costs	58,108	59,851	61,647	63,496	65,401	67,363
Water Purchases	86,764	93,705	96,516	99,412	102,394	105,466
Repairs & Maintenance	9,981	10,280	10,589	10,907	11,234	11,571
Supplies	5,391	5,553	5,719	5,891	6,068	6,250
Office Expense	2,350	2,421	2,493	2,568	2,645	2,724
Insurance	3,490	3,595	3,703	3,814	3,928	4,046
Vehicle Expense	2,210	2,276	2,345	2,415	2,487	2,562
Utilities	1,696	1,747	1,799	1,853	1,909	1,966
Dues	1,216	1,252	1,290	1,329	1,369	1,410
Professional Services	5,314	5,473	5,638	5,807	5,981	6,160
Depreciation	45,078	45,578	45,578	48,778	49,611	49,611
Miscellaneous	161	166	171	176	181	187
Storage Tank - Cleaning	-	-	2,500	-	-	-
Total Operating Expenses	221,759	231,898	239,987	246,444	253,208	259,316
Operating Income (Loss)	(1,045)	(11,184)	(19,273)	(25,730)	(32,494)	(38,602)
Nonoperating Revenues (Expenses)						
Interest Income	368	368	368	368	368	368
Interest Expense	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	368	368	368	368	368	368

Change in Net Position before Contributed Capital	(677)	(10,816)	(18,905)	(25,362)	(32,126)	(38,234)
Capital Contributions & Grants	-	-	-	-	-	-
Change in Net Position	(677)	(10,816)	(18,905)	(25,362)	(32,126)	(38,234)
Revenue Generated from Suggested Rate Increase	N/A	16,168	24,714	29,449	35,762	43,654
Change in Net Position after Suggested Rate Increase	(677)	5,352	5,809	4,086	3,636	5,420

Petersburg, Tennessee - Water Fund

Per City - Personnel Costs paid out of the Water Fund

<u>Employee</u>	<u>Title</u>	<u>Hourly Wage</u>	<u>Hours per Week</u>	<u>Annual Expense</u>
Tommy Watson	water operator	\$11.00	32	\$ 18,304.00
Carly Stovall	office water clerk	\$11.00	32	\$ 18,304.00
Jack Atchely	certified water operator	\$500 per month		\$ 6,000.00
Insurance - Watson	\$680 / month			\$ 8,160.00
Insurance - Stovall	\$340 / month			\$ 4,080.00
Estimated payroll taxes	7.65 % SS & Medicare of total wages of \$42,608			\$ 3,259.51
TOTAL				\$ 58,107.51

Petersburg, Tennessee - Water Fund - Projected Cash Balance Schedule

	Projected 6/30/2020	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023	Projected 6/30/2024	Projected 6/30/2025
Beginning Balance	237,228	281,629	322,559	373,946	410,810	454,058
Sources of Funds						
Charge for Services ***	211,992	228,160	236,706	241,441	247,754	255,646
Miscellaneous	8,722	8,722	8,722	8,722	8,722	8,722
Interest Revenue	368	368	368	368	368	368
Loans	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Total Sources of Funds	221,082	237,250	245,796	250,531	256,844	264,736
Uses of Funds						
Operating Expenses	221,759	231,898	239,987	246,444	253,208	259,316
Depreciation	(45,078)	(45,578)	(45,578)	(48,778)	(49,611)	(49,611)
Capital Outlay	-	10,000	-	16,000	10,000	-
Total Uses of Funds	176,681	196,320	194,409	213,666	213,596	209,704
Ending Balance	281,629	322,559	373,946	410,810	454,058	509,090

NOTE: This synopsis from beginning funds to ending funds does not include accounts receivable, accounts payable, fixed asset or any other adjustments made to the balance sheet. This is a "cash basis" summary.

*** Includes revenue from recommended rate increases

RESOLUTION NO. 2020-_____

A RESOLUTION TO ESTABLISH CAPITALIZATION THRESHOLDS FOR ASSETS TO BE RECORDED AS CAPITAL ASSETS IN THE TOWN’S FINANCIAL STATEMENTS

WHEREAS, the Town of Petersburg, Tennessee (the Town) desires to formally adopt the capitalization thresholds at which its assets have historically been capitalized and recorded as capital assets in the Town’s financial statements; and

WHEREAS, the Town desires to establish appropriate capitalization thresholds and service lives for its water system assets which are consistent with the directives of the Water and Wastewater Financing Board for municipal water systems.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Board of Aldermen that:

(a) **Capitalization Thresholds.** The capitalization thresholds for the Town’s assets are a cost of \$2,500.00 and an estimated useful life of three years. Land and Construction in Progress are capitalized but not depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

(b) **Asset Cost Basis.** Capital assets shall be recorded at historical cost when the cost is reasonably determinable. If historical cost data is not determinable, an estimated historical cost will be used.

- (1) Actual Cost – This cost will include the purchase or construction cost (which can be obtained through invoice, purchase order, and paid check files) and charges necessary to place the asset into service at its intended location. Such necessary costs may include costs such as freight and transportation, site preparation expenditures, interest costs, professional fees, and legal claims directly attributable to asset acquisition.
- (2) Estimated Cost – This cost will be based on as much documentary evidence as can be found to support the cost, such as interviews with vendors selling such assets engineers, or other personnel and price level adjustments based on the Consumer Price Index for each asset.
- (3) Donated Cost – These assets will be based on their estimated fair market value at time of acquisition. A determination as to the fair market value basis will be included with property records.
- (4) Interest on Debt Issued – Interest on debt issued for the construction of an asset will be capitalized as part of the asset’s cost to the extent of the interest that was incurred during the construction period only.

(c) **Depreciation.**

- (1) Depreciation is a method for allocating the cost of capital assets over their useful lives. Generally accepted accounting principles dictate that the value of the capital asset must be written off as an expense over the useful life of the asset.
- (2) Annual depreciation expense will be calculated using the straight-line method.
- (3) When the asset is disposed of, the actual date of disposal is disregarded, and the disposal date is the end of the month prior to the month of disposal (i.e. no depreciation is taken for the month of disposal).
- (4) The salvage value of an asset is an estimate made by management of what the value of an asset will be at the end of its useful life. If the Town intends to utilize a capital asset until it is literally worthless, a salvage value of zero (0) will be assigned.

(d) **Useful Lives of Capital Assets**

<u>Asset Type</u>	<u>Useful Life in Years</u>
Land and Easements	No depreciation
Infrastructure (Other than Water Plant in Service)	40 - 50
Buildings	10 - 50
Furniture and Fixtures	5 - 10
Water Plant in Service:	
Buildings (Office and Plant)	30 - 50
Equipment and Tools	10 - 15
Furniture and Fixtures	5 - 10
Machinery, Equipment and Service Vehicles	5 - 15
Pumps and Treatment Equipment	15 - 20
Transportation Equipment	5 - 10
Water Lines and Storage	40 - 50
Well / Dam	Engineer's Estimate

Adopted this ____ day of _____, 2020

Mayor

Attest: _____
Town Recorder

Resolution No. 2016-05

RESOLUTION ADOPTING A DEBT MANAGEMENT POLICY FOR THE TOWN OF
PETERSBURG, TENNESSEE

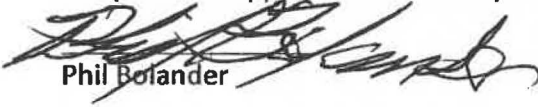
WHEREAS, the Tennessee State Funding Board (the "Funding Board") requires that each local government in the State of Tennessee adopt a debt management policy consistent with the Funding Board requirements; and

WHEREAS, the Board of Mayor and Aldermen (the "Governing Body") of the Town of Petersburg, Tennessee (the "Local Government") has determined that debt management policy tailored to the needs of the Governing Body of the Local Government can improve the quality of decisions, identify and disclose parameters relating to the structure and issuance of debt, identify policy goals, and provide a foundation for long-term financial planning, all of which are in the public interest of the Local Government;

NOW, THEREFORE, BE IT RESOLVED by the Governing Body of the Local Government that the debt management policy attached hereto as Exhibit A is hereby approved.

BE IT FURTHER RESOLVED that this Resolution and the debt management policy hereby approved shall take effect immediately from and after the adoption of this resolution, the welfare of the Local Government requiring it.

Adopted and approved this 8th day of August, 2016.


Phil Bolander

Mayor


H. Chris Sparks

Recorder

**TOWN OF PETERSBURG, TENNESSEE
CUSTOMER APPLICATION AND CONTRACT FOR WATER SERVICE**

Date: _____ Account # _____

Customer Name or Names: _____

I hereby make application for water service at the following Service Address:

Property owner: _____ Tenant: _____

Billing Address if different than Service Address:

Date for service to begin: _____

Home Phone Number: _____

Work Phone Number: _____

Cell Phone Number: _____

Email address: _____

Social Security or Federal ID Number: _____

Driver's License Number: _____ *State:* _____

Employer: _____

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. The Town of Petersburg (the Town) will provide water service to the Service Address through a in accordance with the Town's ordinances and resolutions governing water service. The Town's ordinances and resolutions governing water service are incorporated by reference into this Customer Application and Contract for Water Service and may be amended by the Town at any time.
2. The Customer will pay for water service at the rates approved by the Town set forth in the Town's most current Schedule of Rates and Fees. The Customer will pay for all water which passes through the Town's meter at the Service Address.
3. The Customer agrees that the water purchased is for domestic use and will not be used for an irrigation system without the written consent of the Town.

4. Water purchased will be used only for the benefit of the persons residing or business operating at the designated premises at the Service Address. The Town will not allow water service to more than one residence or business or structure with a single meter without the written consent of the District.
5. The Town may experience water system breakdowns, drought, the interruption of water supply, sudden or unanticipated changes of pressure within its water system and other operational problems which can cause the temporary reduction or interruption of water service, changes in water pressure, changes in water quality and water rationing. Therefore, the Town cannot and does not guarantee the pressure, flow or quality of water to the Customer at all times.
6. At its sole expense the Customer is responsible to install, operate and maintain all water service lines located on the customer's premises past the Town's water meter. The Customer will provide the Town with a location for its water meter which is suitable to the Town when the meter cannot be installed within public road right-of-way.
7. The Customer hereby authorizes the Town's employees to enter onto the Customer's premises at all reasonable times for the purpose of inspecting the Town's water meter and other water service components to confirm compliance with this Contract.
8. Meters will be read and bills rendered monthly unless the Town in its sole discretion decides to read the meter or render bills at another interval. The Town reserves the right to render a bill based on prior consumption in any given month and later adjust the charges based on a subsequent actual meter reading.
9. Bills must be paid on or before _____ day of each month. If water service is terminated for non-payment, the Customer must pay all outstanding fees and charges, including any reconnection fee, before water service will be reinstated.
10. If water service is terminated for non-payment, the customer must pay the delinquent bill within 60 days of the service termination. If payment in full is not made within 60 days, the customer's account will be closed, the customer's deposit will be credited against the amount owed. The Customer agrees to pay all expenses for the collection of unpaid bills and charges, including the Town's reasonable attorneys' fee and court costs when legal action is commenced to collect the Customer's delinquent account.
11. Failure to receive a bill will not release the Customer from his or her payment obligation to pay the Customer's monthly water bill.
12. The Town is authorized to terminate water service for the following reasons:
 - (a) Nonpayment of the Town's fees and charges for water service;
 - (b) Violations of the Town's rules and regulations governing water service;
 - (c) Breach of any provision of this this Customer Application and Contract for Water Service;
 - (d) Tampering and unauthorized use of the Town's water facilities;
 - (e) Illegal or unsafe use of the Town's water or water facilities; or
 - (f) Making any cross-connection, auxiliary intakes, bypass or inter-connections between the Town's water source and any other water source.

13. The Customer hereby authorizes the Town’s agents and employees to enter the Customer’s premises at all reasonable times for the purpose of reading its water meter and inspecting the Town’s meter, water lines and other property located on the Customer’s premises.

14. PLEASE BE SURE TO READ BEFORE YOU SIGN. I hereby certify that I do not owe the Petersburg Water Department for prior service. I further certify that this is my application for service and is not submitted with or on the behalf of another person who has had water service terminated by Petersburg Water Department for nonpayment. If the statements made in this Section 14 are not true, I agree that water service may be terminated by the Petersburg Water Department for providing false information in this Customer Application and Contract for Water Service. I understand service fees paid to obtain service will not be refunded, and I will be responsible for pay for water used.

Customer Signature _____

Print Customer Name _____

Date _____

Water Tap Fee Paid: _____

Deposit Paid: _____

Service Fee Paid: _____

Connection/Unlock Fee Paid: _____

Town Representative Signature: _____

Date _____

Puryear

	Water and Sewer	County: Henry		
	2016	2017	2018	2019
Unrestricted Net Position	\$321,218.00	\$355,825.00	\$396,511.00	\$395,015.00
Operating Revenues	\$189,988.00	\$187,392.00	\$161,076.00	\$188,537.00
Net Sales	\$189,298.00	\$186,905.00	\$161,076.00	\$188,537.00
Operating Expenses	\$182,990.00	\$186,672.00	\$201,158.00	\$258,100.00
Operating Income	\$6,998.00	\$720.00	(\$40,082.00)	(\$69,563.00)
Depreciation Expense	\$71,123.00	\$80,346.00	\$80,346.00	\$81,573.00
Non-Operating Rev. (Exp.)	\$738.00	\$789.00	\$422.00	\$3,783.00
Operating Profit	\$7,736.00	\$1,509.00	(\$39,660.00)	(\$65,780.00)
Grants and Capital Contribution	\$110,637.00	\$0.00	\$0.00	\$-00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	\$118,373.00	\$1,509.00	(\$39,660.00)	(\$65,780.00)
Statutory Change in NP (2017)	\$7,736.00	\$1,509.00	(\$39,660.00)	(\$65,780.00)
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		\$1,509.00	(\$39,660.00)	(\$65,780.00)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **City of Puryear**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

The City of Puryear was referred for financial distress. Attached is the City's completed financial distress questionnaire, wherein the City proposes to raise rates by \$10 monthly per customer. However, Staff is unable to determine whether this increase would be sufficient to cure the City's financial distress.

Staff Recommendations:

Order the City to comply with the following:

1. The City shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - i. a justification for the differing rates for customers outside the City as opposed to those inside the City, or if no justification is possible, a recommendation involving a singular rate for the two types of customers;
 - ii. the creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs;
 - iii. a determination of the cost of producing 1,000 gallons of water, and of treating 1,000 gallons of wastewater;
 - iv. a review of the new customer contract to include recommended modifications if needed;
 - v. a review of tap fees to include recommended modifications if needed; and
 - vi. a plan to reduce non-revenue water.
2. By October 31, 2020, the City or qualified expert shall send Board Staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.
3. By December 31, 2020, the City or qualified expert shall send Board staff proof that all board members have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).

4. By October 31, 2020, the Town shall send Board staff a letter of representation between the Town and counsel who is to perform the tasks in paragraph 2.
5. By December 31, 2020, the Town shall send Board staff proof that all members of the utility system's governing body have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).
6. By February 28, 2021, the Town shall provide Board staff with the completed cost of service study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
7. By February 28, 2021, the Town shall provide Board staff a report on the legal justification of the wholesale rate to Persia Utility District.
8. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town.

Section B: Water Utility Information

1. Does your utility offer water?
 - a. If yes, please complete the following section. If no, please proceed to Section C: Wastewater Utility Information.
2. Have you had any rate changes in the previous five years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your current rate ordinance/structure and the justification for why the rates are set this way- including any recent rate studies performed for the utility.
 - b. Please provide a copy of previous rate ordinances/structures from the previous five years if you answered yes to Question #2.
 - c. If you have differing rate classes (inside/outside city limits, residential/commercial/industrial, new developments, etc.), please provide justification as to why these rates are set the way they are.
3. Do you have any current plans for a rate change?
 Yes or No (Circle your answer)
 - a. If yes, please provide a written answer to the following questions:
 - * i. Are you planning for a rate increase or decrease?
 - ii. Are you planning this change across all customer classes or only on a certain customer class?
 - iii. Has your Board voted on this rate change yet? - NO
 - iv. If your Board has discussed a rate change at recent meetings, please attach a copy of the relevant minutes at which this meeting took place. -
4. Have you had any utility fee changes in the previous five years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your current utility fee schedule.
 - b. Please provide a copy of previous utility fee schedules if you answered yes to Question #3.
 - c. Please provide a written rationale for the charges for tap fees, reconnect fees, etc.
5. Has your debt management policy been reviewed in the last 5 years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your debt management policy. If you do not have a debt management policy, please provide a written rationale for why a debt management policy has not been adopted.
6. Has your capitalization policy been reviewed in the last 5 years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your capitalization policy. If you do not have a capitalization policy, please provide a written rationale for why a capitalization policy has not been adopted.

~~X~~ 7. Please provide the most recent 3 months of balance sheets and income statements for your water fund.

a. If you are a water and wastewater utility and are having difficulty breaking out the accounts, please use percentages or estimate for accounts for the most accurate depiction of the financial status of the utility. *70 water 30% sewer*

8. Do you have a plan to remedy your financially distressed position for your water fund?

Yes or No (Circle your answer) - *Rates to be raised \$10.00 per month - 2019 brought on*

a. If yes, please provide a detailed copy. *Some major repairs that will only be a 1 time*

b. If no, please provide a justification for why not. *Expense with repairs helping us to*

9. Who has the authority to set rates and fees? *remedy our distress position*

Answer:

a a. Is this a board or committee separate from your local legislative body? (City Council, Board of Mayor and Alderman, etc.)

Yes or No (Circle your answer)

b. Please provide a list containing the following information for the aforementioned individuals:

i. Name *- Mayer - 4 Alderman*

ii. Title

iii. Mailing Address

iv. Phone Number

v. Date of Initial Election or Appointment

vi. Have they fulfilled their initial 12 hour training requirement within the first year of service, if applicable? Yes or No

vii. If so, please provide proof that the training requirement has been satisfied.

10. How many total customers do you currently have?

Answer: *350*

a. Please provide a numerical break-down of the totals for each type of customer:

i. Billed - *350*

ii. Unbilled

iii. Metered

iv. Unmetered

v. Breakdown by Rate Class (inside, outside, inside residential, inside commercial, outside residential, outside commercial, etc.)

- Inside Outside

~~X~~ 11. What percentage of your sales do your largest 10 customers account for annually? (Largest 10 Customer Sales Total / Total Annual Water Sales)

Answer:

12. What percentage of your volume do you largest 10 customers account for annually? (Gallons of Water sold to Largest 10 Customers / Total Gallons of Water Sold)

Answer:

13. Do you have a leak adjustment policy? *NO - as needed*
1 yr yr unless Board deems necessary for adj. No sewer adj only water

Yes or No (Circle your answer)

- a. If yes, how many leak adjustments were performed based on your leak adjustment policy in the last 12 months? What is the cost associated with these leaks?

Answer:

- b. If yes, please attach a copy of your leak adjustment policy.
c. If no, please move on to the next question.

14. Have you incurred any new debt during the current fiscal year for your water utility, or do you plan on incurring any debt during the current fiscal year for your water utility?

Yes or No (Circle your answer) *NO*

- a. If yes, please provide a detailed explanation regarding the debt. - *CDBG Grant*
b. If no, please move on to the next question.

15. Have you received any grants or capital contributions during the current fiscal year for your water utility, or do you plan on receiving any grants or capital contributions during the current fiscal year for your water utility?

Yes or No (Circle your answer) - *CDBG Grant*

- a. If yes, please provide a detailed explanation regarding these grants or capital contributions.
b. If no, please move on to the following question.

16. Have you applied for any grants that will be received over the next two years?

Yes or No (Circle your answer) - *Has not been approved*

- a. If yes, please provide a detailed explanation regarding these potential grants.
b. If no, please move on to the following question.

17. Are your customers made aware of the rates and fees you have in place annually?

Yes or No (Circle your answer)

- a. If yes, how is this accomplished? - *Public Hearings*
b. If no, please provide a written justification as to why not.

18. Do you review your capital asset list?

Yes or No (Circle your answer)

- a. If yes, how often is this list reviewed and by whom? *Mayor & Auditor*
b. If no, please provide a written justification as to why not.
c. Please provide a copy of your capital asset plan, or a justification as to why you do not have one.

19. Do you keep a copy of your capital asset list on file?

Yes or No (Circle your answer)

20. Do you produce your own water supply?

Yes or No (Circle your answer)

- a. If yes, what is the cost per thousand gallons to produce?

Answer:

- b. If no, please move on to the next question.

21. Do you purchase your water supply? *NO*

- a. If yes, please provide the following:
 - i. List of entities water is purchased from
 - ii. Rates at which water is purchased at
 - iii. Water purchase contract with these entities, if no contract exists please give an explanation as to why there is no contract.
- b. If no, please move on to the following question.

22. Do you have any wholesale customers?

Yes or No (Circle your answer)

- a. If yes, please provide the contract(s) with these customer(s) or a detailed explanation as to why a contract does not exist and the rate at which water is sold to this customer.
- b. If no, please move on to the following question.

~~X~~ 23. Do you have a plan to improve your non-revenue water percentage?

Yes or No (Circle your answer) *to do a better job to lower water loss - some of the expense that was done in last fiscal year*

- a. If yes, please provide a detailed explanation as to how this will be improved along with your current non-revenue water percentages by cost and by volume.
- b. If no, please provide a detailed justification as to why the current non-revenue water percentage does not need to be improved along with your current non-revenue water percentages by cost and by volume.

24. Are there any environmental concerns currently or forthcoming that will put a financial burden on the system?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation as to what the concern or issue is and the extent of the financial burden that will be incurred.
- b. If no, please move on to the next question.

25. In regard to your governing body, how frequently do you meet and what is your practice of providing notice of your meetings?

Answer:

2nd Tue every month

Section B: Wastewater Utility Information

1. Does your utility offer wastewater? *yes*
 - a. If yes, please complete the following section.
2. Have you had any rate changes in the previous five years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your current rate ordinance/structure and the justification for why the rates are set this way- including any recent rate studies performed for the utility.
 - b. Please provide a copy of previous rate ordinances/structures from the previous five years if you answered yes to Question #2.
 - c. If you have differing rate classes (inside/outside city limits, residential/commercial/industrial, new developments, etc.), please provide justification as to why these rates are set the way they are.
3. Do you have any current plans for a rate change?
 Yes or No (Circle your answer)
 - a. If yes, please provide a written answer to the following questions:
 - i. Are you planning for a rate increase or decrease?
 - ii. Are you planning this change across all customer classes or only on a certain customer class?
 - iii. Has your Board voted on this rate change yet?
 - iv. If your Board has discussed a rate change at recent meetings, please attach a copy of the relevant minutes at which this meeting took place.
4. Have you had any utility fee changes in the previous five years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your current utility fee schedule.
 - b. Please provide a copy of previous utility fee schedules if you answered yes to Question #3.
 - c. Please provide a written rationale for the charges for tap fees, reconnect fees, etc.
5. Has your debt management policy been reviewed in the last 5 years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your debt management policy. If you do not have a debt management policy, please provide a written rationale for why a debt management policy has not been adopted.
6. Has your capitalization policy been reviewed in the last 5 years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your capitalization policy. If you do not have a capitalization policy, please provide a written rationale for why a capitalization policy has not been adopted.

7. Please provide the most recent 3 months of balance sheets and income statements for your utility. *→ Same as water info*
- a. If you are a water and wastewater utility and are having difficulty breaking out the accounts, please use percentages or estimate for accounts for the most accurate depiction of the financial status of the utility. *- Same as water info*
8. Do you have a plan to remedy your financially distressed position for your wastewater fund?
Yes or No (Circle your answer)
- a. If yes, please provide a detailed copy.
- b. If no, please provide a justification for why not.
9. Who has the authority to set rates and fees? *- Same as water info*

Answer:

- a. Is this a board or committee separate from your local legislative body? (City Council, Board of Mayor and Alderman, etc.)
Yes or No (Circle your answer)
- b. Please provide a list containing the following information for the aforementioned individuals:
- i. Name
 - ii. Title
 - iii. Mailing Address
 - iv. Phone Number
 - v. Date of Initial Election or Appointment
 - vi. Have they fulfilled their initial 12 hour training requirement within the first year of service, if applicable? Yes or No
 - vii. If so, please provide proof that the training requirement has been satisfied.

10. How many total customers do you currently have?

Answer:

- 330*
- a. Please provide a numerical break-down of the totals for each type of customer:
- i. Billed
 - ii. Unbilled
 - iii. Metered
 - iv. Unmetered
 - v. Breakdown by Rate Class (inside, outside, inside residential, inside commercial, outside residential, outside commercial, etc.)

11. What percentage of your sales do your largest 10 customers account for annually?
(Largest 10 Customer Revenues Total / Total Annual Wastewater Revenue) *Same*

Answer:

12. What percentage of your volume do you largest 10 customers account for annually? *Same*
(Wastewater Revenue for Largest 10 Customers / Total Wastewater Revenue)

Answer:

13. Do you adjust wastewater bills for customers with water leaks? *Done*

Yes or No (Circle your answer)

- a. If yes, how many leak adjustments were performed based on your leak adjustment policy in the last 12 months? What is the cost associated with these leaks?

Answer:

- a. If yes, please attach a copy of your adjustment policy.
b. If no, please move on to the next question.

Done 14. Have you incurred any new debt during the current fiscal year for your wastewater utility, or do you plan on incurring any debt during the current fiscal year for your water utility?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding the debt.
b. If no, please move on to the next question.

Done 15. Have you received any grants or capital contributions during the current fiscal year for your wastewater utility, or do you plan on receiving any grants or capital contributions during the current fiscal year for your water utility?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding these grants or capital contributions.
b. If no, please move on to the following question.

Done 16. Have you applied for any grants that will be received over the next two years?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding these potential grants.
b. If no, please move on to the following question.

Done 17. Are your customers made aware of the rates and fees you have in place annually?

Yes or No (Circle your answer)

- a. If yes, how is this accomplished?
b. If no, please provide a written justification as to why not.

Done 18. Do you review your capital asset list?

Yes or No (Circle your answer)

- a. If yes, how often is this list reviewed and by whom?
b. If no, please provide a written justification as to why not.

19. Do you keep a copy of your capital asset list on file?

Yes or No (Circle your answer)

20. Excluding any customers on wells, are all of your customers billed based on water usage?

Yes or No (Circle your answer)

- a. If yes, who supplies the usage data, and are there multiple water suppliers for your customers? *City reads all meters monthly*

Answer:

- b. If no, but **some** of your customers are billed based on water usage, then answer the above question regarding usage data, but also provide a written explanation on how these customers are billed that are not billed based on water usage.
- c. If no, and **none** of your customers are based on water usage, then provide a written explanation on how these customers are billed.

21. Do you have any customers on wells?

Yes or No (Circle your answer) *N/A*

- a. If yes, how are these customers billed?

Answer:

- b. If no, please move on to the following question.

22. Do you have any wastewater customers you classify as wholesale?

Yes or No (Circle your answer)

- a. If yes, please provide the contract(s) with these customer(s) or a detailed explanation as to why a contract does not exist and the rate at which wastewater is treated for this customer?
- b. If no, please move on to the following question.

23. Do you treat your own wastewater?

Yes or No (Circle your answer)

- a. If yes, please provide the following:

- i. Cost to treat per thousand gallons. - *Not Calculated*
- ii. The design capacity of your treatment facility and the percentage of the design capacity currently being used. - *unsure*
- iii. The average operating capacity of your treatment facility.

NO

- b. If no, please provide the following:

- i. List of entities wastewater is treated by
- ii. Rates at which wastewater is treated by entity
- iii. Wastewater treatment contract with these entities, if no contract exists please give an explanation as to why there is no contract.

24. Do you have a plan to improve your infiltration and inflow (I&I)?

Yes or No (Circle your answer) *Not at this time - working good*

- a. If yes, please provide a detailed explanation as to how this will be improved along with your current I&I data.
- b. If no, please provide a detailed justification as to why the current I&I does not need to be improved along with your current I&I data.

25. Are there any environmental concerns currently or forthcoming that will put a financial burden on the system?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation as to what the concern or issue is and the extent of the financial burden that will be incurred.
- b. If no, please move on to the next question.

26. In regard to your governing body, how frequently do you meet and what is your practice of providing notice of your meetings?

Answer:

Same as water info

27. Do you have a sewer use ordinance?

Yes or No (Circle your answer)

a. If yes, please provide a copy and description of how this is enforced.

b. If no, please provide a justification for the lack thereof. *City enforces all ordinances*

Rogersville

	Water and Sewer	County: Hawkins		
	2016	2017	2018	2019
Unrestricted Net Position	\$458,867.00	\$126,775.00	\$166,201.00	
Operating Revenues	\$2,772,837.00	\$2,838,927.00	\$2,848,096.00	
Net Sales	\$2,772,837.00	\$2,173,075.00	\$2,217,673.00	
Operating Expenses	\$2,653,933.00	\$2,854,049.00	\$2,875,360.00	
Operating Income	\$118,904.00	(\$15,122.00)	(\$27,264.00)	
Depreciation Expense	\$466,513.00	\$536,749.00	\$545,418.00	
Non-Operating Rev. (Exp.)	(\$160,820.00)	(\$186,445.00)	(\$105,156.00)	
Operating Profit	(\$41,916.00)	(\$201,567.00)	(\$132,420.00)	
Grants and Capital Contribution	\$466,516.00	\$64,347.00	\$0.00	
Transfers In	\$0.00	\$0.00	\$50,000.00	
Transfers Out	\$0.00	\$0.00	\$0.00	
GAAP Change in Net Position	\$424,600.00	(\$137,220.00)	(\$82,420.00)	
Statutory Change in NP (2017)	(\$41,916.00)	(\$201,567.00)	(\$132,420.00)	
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	
Statutory Change in NP (2018)		(\$201,567.00)	(\$132,420.00)	





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Town of Rogersville**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

On September 30, 2019, the Board issued the attached order regarding the Town's financial distress.

The Town hired Mattern & Craig Engineers to assist in completing the directives of the Board order. The resulting rate study is attached.

Mattern & Craig did not justify the discrepancy between inside and outside rates, nor has the Town implemented any of the recommendations contained in the rate study. The Town has not provided Board staff with proof that its governing body has completed the statutorily obligated training, despite it being mandated in paragraph 3 of the September 2019 order.

The Town has indicated that politics will not allow the inside customers to pay a similar rate to outside customers.

Staff Recommendations:

Order the Town to comply with the following:

1. The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a cost of service study that includes the following:
 - a. a justification for the differing rates between customers inside the Town as opposed to those outside,, or a new recommended rate structure if no justification is possible;
 - b. a justification for a declining block rate structure;
 - c. a justification for the discrepancy between sewer rates and water rates; and
 - d. a review of the leak adjustment policy including any recommended modifications;
2. The Town shall consult with counsel to ensure that the Town is legally justified in the wholesale rate charged to Persia Utility District.
3. By October 31, 2020, the Town or qualified expert shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.

4. By February 28, 2021, the City or qualified expert shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
5. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the City or qualified expert.



Town of Rogersville, Tennessee Water/ Wastewater Rate Study

July 2020



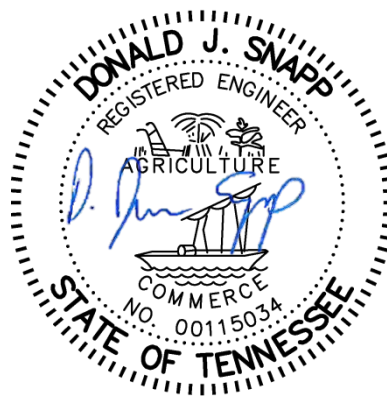
Mattern & Craig
ENGINEERS • SURVEYORS

429 Clay Street • Kingsport, TN 37660 • matternandcraig.com

Water and Wastewater Rate Study

TOWN OF ROGERSVILLE, TENNESSEE

JULY 2020



7/30/2020

**MATTERN & CRAIG
ENGINEERS • SURVEYORS
429 CLAY STREET
KINGSPORT, TN 37660**

DESIGN COORDINATOR: Jason Snapp, P.E.

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Section 1

INTRODUCTION

Project Background and Scope

The Town of Rogersville (Town) engaged Mattern & Craig to prepare a water and sanitary sewer utility rate analysis for both their water and sanitary sewer systems as required to address concerns set forth by the Tennessee Water and Wastewater Financing Board. The systems are administratively and financially consolidated. Mattern & Craig was tasked with determining the capital asset investments that would be necessary, and determining the rate and bill impact to Town utility customers going forward. This report details the financial and rate projections under various scenarios, including leaving the current rates as they are with no investment for Capital Improvement Projects (CIP), adjusting rates to achieve an overall utility bill of approximately 3.0% of Median Household income (MHI), and adjusting rates to cover all needed future CIP funds.

Current Utility Operations

The Town operates on a fiscal year ending June 30 of each calendar year. The years referred to in this report refer to the fiscal year (FY) ending June 30. For example, FY 2020 refers to the time period from July 1, 2019 through June 30, 2020.

Town of Rogersville

The Town provides potable water service to about 1,926 in-town customers and 2,011 out-of-town customers. The Town provides wastewater service to about 1,839 customers with only 23 of those being out-of-town. The Town currently maintains and operates a 2.0 MGD sewer plant along with approximately 200,000 lineal feet of various sized sewer lines. The Town currently maintains and operates a 3.0 MGD water plant along with approximately 800,000 lineal feet of various sized waterlines. The total operating, debt service, and capital expenses of the Town's systems are projected in FY 2020 to be about \$1,987,000 for water and \$825,000 for wastewater.

Current Retail Rates

As of December 11, 2018, the Town of Rogersville has water and wastewater structures that include a minimum bill and a graduated volumetric rate. The minimum bill threshold for the Town is 1,000 gallons per month.

For the purposes of this study, the average usage was considered at 4,200 gallons. This usage rate is based on the FY 2019 LENOWISCO Planning District Utility Rate Survey (See Appendix I). The LENOWISCO Planning District is comprised of Lee, Scott, Wise Counties and the City of Norton in Southwest Virginia. This Utility Rate Survey was used as a reference due to the geographic proximity to the Rogersville area.

Town of Rogersville

The Town charges outside Town water customers 165% of the inside Town rate, higher rates are common practice for water and wastewater providers for service outside of jurisdictional limits. The Town charges inside and outside-of-town sewer customers the same rates due to the low number of out-of-town customers. The Town's water and wastewater rates effective December 11, 2018 are shown below in Table 1-1.

Table 1-1
Town of Rogersville Current Monthly Rates (Effective December 11, 2018)

	Water Rates	Wastewater Rates
<u>Inside Town</u>		
Minimum Bill (Under 1,000 Gallons)	\$13.59	\$8.45
Usage Rate (1,000-5,000 Gallons)	\$6.32	\$5.26
Usage Rate (5,000-10,000 Gallons)	\$5.49	\$5.26
Usage Rate (10,000-20,000 Gallons)	\$4.96	\$5.26
Usage Rate (20,000+ Gallons)	\$4.14	\$5.26
<u>Outside Town</u>		
Minimum Bill (Under 1,000 Gallons)	\$22.70	\$8.45
Usage Rate (1,000-5,000 Gallons)	\$10.33	\$5.26
Usage Rate (5,000-10,000 Gallons)	\$8.94	\$5.26
Usage Rate (10,000-20,000 Gallons)	\$7.98	\$5.26
Usage Rate (20,000+ Gallons)	\$6.54	\$5.26

Scenarios Considered

Mattern & Craig's scope of work required cost and revenue projections under the following three scenarios.

Scenario 1 – Town of Rogersville Status Quo

Under Scenario 1, the Town of Rogersville is assumed to continue the current operation of its water and wastewater systems without establishing a "Sinking Fund" to cover future capital investments. This can be considered a baseline scenario in which no other major operational or administrative changes are made within the Town's service area.

Scenario 2 – Town of Rogersville establishes a “Sinking Fund” to cover 25% of future Depreciated Capital Renewal

Scenario 2, the Town of Rogersville is assumed to continue the current operation of its water and wastewater systems while establishing a “Sinking Fund” to cover 25% of future capital investments. This scenario would require the current rate schedule to be adjusted to where the Town’s proposed utility bill (water and sewer combined) would be approximately 3.0% of Median Household Income (MHI). A combined utility bill at 3.0% of MHI is generally considered a reasonable and acceptable utility charge according to various Utility Rate Surveys.

Scenario 3 – Town of Rogersville establishes a “Sinking Fund” to cover 100% of future Depreciated Capital Renewal

Scenario 3, the Town of Rogersville is assumed to continue the current operation of its water and wastewater systems while establishing a “Sinking Fund” to cover 100% of future capital investments. This scenario would require the current rate schedule to be adjusted to where the Town’s proposed utility bill (water and sewer combined) would be approximately 4.5% of Median Household Income (MHI). A combined utility bill at 4.5% of MHI is generally considered to be an economically burdensome utility charge according to various Utility Rate Surveys.

Section 2

REVENUE REQUIREMENT PROJECTIONS

The first step of any rate projection analysis is to compile the costs of owning and operating a water or wastewater utility system. The three cost components included in this analysis are: Operating and Maintenance, Capital Improvements, and Debt Service (both existing and future debt, future debt service is included in the “Sinking Fund” for the purposes of this analysis). In each scenario, these three cost components total to the amount needed each year to run the water and sewer systems. There are several major assumptions that are included in each scenario’s cost projections, which are summarized in the following section of this report.

Major Assumptions

In order to project the operating, debt service, and capital outlay expenses under each scenario, several major assumptions must be made. Asset replacement cost and lifespan were used to calculate the required sinking fund to cover the replacement of water and sewer assets on a yearly basis. Replacement values used includes \$10/gallon of capacity for sewer plant replacement, \$150/ft for sewer line replacement, \$4/gallon of capacity for water plant replacement, and \$30/ft for waterline replacement (the Town replaces their own waterlines in-house). Asset lifespans used included 50 years for the sewer plant, 100 years for the sewer system (lines), 50 years for the water plant, and 100 years for the water system (lines).

Using this methodology it was determined the Town of Rogersville will require \$20,000,000 over 50 years to replace their sewer plant, \$30,000,000 over 100 years to replace their sewer system, \$12,000,000 over 50 years to replace their water plant, and \$24,000,000 over 100 years to replace their water system assets. This equates to a required yearly sinking fund for all water assets of \$480,000, and required yearly sinking fund for all sewer assets of \$700,000.

These assumptions are included in the cost projections of each scenario in order to be consistent and provide the most meaningful comparison between the scenarios.

Inflation Factors

Mattern & Craig cost projections are based on the latest available actual data. In order to project future costs, escalation and inflation factors must be assumed. Mattern & Craig’s financial model includes operating and maintenance budget line items for the Town, which is assigned one of the inflation factors outlined in Table 2-1.

**Table 2-1
Inflation & Growth Factors**

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Labor	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Benefits	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Services	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Supplies	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Equipment/Maintenance	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

To be conservative, revenue offsets (non-rate revenues) are assumed to be constant over the five-year forecast. These include revenues such as interest, late fees/penalties, credit card surcharge fees, revenue from vehicle resales, and others.

Existing Debt Service

The Town utility systems have current debt obligations that must continue to be paid under any scenario. A summary of the current debt obligations of the Town are shown below in Table 2-2.

Table 2-2 - Current Debt Service Obligations

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Town of Rogersville						
RD, Series 2001	\$13,444	\$13,434	\$13,448	\$13,461	\$13,493	\$13,490
SRF, Series 2008	\$158,103	\$158,137	\$158,171	\$158,205	\$158,242	\$158,278
Gen. Obl., Series 2012	\$126,850	\$119,750	\$117,750	\$115,500	\$113,125	\$110,750
Gen. Obl., Series 2015B	\$103,618	\$102,218	\$100,818	\$104,418	\$102,918	\$106,380
Gen. Obl., Series 2018	\$64,981	\$139,981	\$137,731	\$140,481	\$138,081	\$140,681
Total Utility Debt	\$466,997	\$533,520	\$527,918	\$532,065	\$525,859	\$529,579

The various payments have been allocated to the water and wastewater systems in proportion to the customer base.

Capital Improvement Needs

A major factor in this analysis is the capital investments that would be required to rehabilitate the systems and maintain the service levels going forward. Mattern & Craig has developed a sinking fund approach to ensure the reliability and sustainability of service for the Town’s systems. Table 2-3 details the water system sinking fund requirements.

Table 2-3
Estimated Capital Investment Needs – Water System

	Cost	Timing
Sinking Fund		
Water System Replacement Fund:	\$240,000	YEARLY
Water Plant Replacement Fund:	\$240,000	YEARLY
Total Water System Capital Needs	\$480,000	YEARLY

Table 2-4 details the wastewater system sinking fund requirements.

Table 2-4
Estimated Capital Investment Needs – Wastewater System

	Cost	Timing
Sinking Fund		
Sewer System Replacement Fund:	\$300,000	YEARLY
Sewer Plant Replacement Fund:	\$400,000	YEARLY
Total Wastewater System Capital Needs	\$700,000	YEARLY

It is assumed that each cost above would be cash funded by rate adjustments implemented by the Town going forward.

Projected Debt Service

For the purposes of this analysis no projected future debt service is accounted for as any system extension projects should be evaluated on a case-by-case basis and projected revenues should self-fund any new required debt service.

Revenue Requirement Forecasts

Based on the latest available operating, debt service, and capital expense data and assumptions detailed above, Mattern & Craig developed the net revenue requirement forecasts under each scenario described above. Table 2-5 shows the net revenue requirement under Scenario 1.

Scenario 1 - Town of Rogersville Status Quo

The Scenario 1 projections assume that the Town’s systems would not grow in the number of users that it serves and actually decline at historical population growth rates of -0.5%, and would continue to generate \$335,000 per year in revenue from its service agreements with three local utility districts and 7 local industries as well as various other fees and service charges.

Table 2-5
Scenario 1 Net Revenue Requirement Projection

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Water Net RR	\$1,673,811	\$1,751,812	\$1,781,460	\$1,818,435	\$1,849,091	\$1,887,214
Wastewater Net RR	\$802,494	\$839,005	\$852,755	\$869,960	\$884,187	\$901,953
Total Net RR	\$2,476,305	\$2,590,817	\$2,634,215	\$2,688,395	\$2,733,278	\$2,789,167
<i>% Increase</i>		4.6%	1.7%	2.1%	1.7%	2.0%

Scenario 2 - Town of Rogersville establishes a “Sinking Fund” to Cover 25% of future Capital Investments

Under Scenario 2, the Town of Rogersville would continue to operate its system as is, but would establish a sinking fund to cover 25% of its water and wastewater infrastructure replacement cost as recommended by Mattern & Craig. This scenario would require rate increases to cover the cost of funding a yearly contribution to the sinking fund. Similarly to Scenario 1, the Scenario 2 projections assume that the Town’s systems would not grow in the number of users that it serves but decline at a rate of -0.5%, and would continue to generate \$335,000 per year in revenue from its service agreements with three local utility districts and 7 local industries as well as various other fees and service charges

Table 2-6
Scenario 2 Net Revenue Requirement Projection

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Water Net RR	\$1,673,811	\$1,871,812	\$1,901,460	\$1,938,435	\$1,969,091	\$2,007,214
Wastewater Net RR	\$802,494	\$1,014,005	\$1,027,755	\$1,044,960	\$1,059,187	\$1,076,953
Total Net RR	\$2,476,305	\$2,885,817	\$2,929,215	\$2,983,395	\$3,028,278	\$3,084,167
<i>% Increase</i>		16.5%	1.5%	1.8%	1.5%	1.8%

Scenario 3 – Town of Rogersville establishes a “Sinking Fund” to Cover 100% of future Capital Investments

Under Scenario 3, the Town of Rogersville would continue to operate its system as is, but would establish a sinking fund to cover 100% of its water and wastewater infrastructure replacement cost. This scenario would require rate increases to cover the cost of funding a yearly contribution to the sinking fund. Similarly to Scenario 1 & 2, the Scenario 3 projections assume that the Town’s systems would not grow in the number of users that it serves but decline at a rate of -0.5%, and would continue to generate \$335,000 per year in revenue from its service agreements with three local utility districts and 7 local industries as well as various other fees and service charges

**Table 2-7
Scenario 3 Net Revenue Requirement Projection**

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Water Net RR	\$1,673,811	\$2,231,812	\$2,261,460	\$2,298,435	\$2,329,091	\$2,367,214
Wastewater Net RR	\$802,494	\$1,539,005	\$1,552,755	\$1,569,960	\$1,584,187	\$1,601,953
Total Net RR	\$2,476,305	\$3,770,817	\$3,814,215	\$3,868,395	\$3,913,278	\$3,969,167
<i>% Increase</i>		52.3%	1.2%	1.4%	1.2%	1.4%

Section 3 PROJECTED RATES AND CUSTOMER BILL IMPACTS

Under each of the scenarios, Mattern & Craig developed rates that would be cash flow neutral in each fiscal year. That is, rates were developed to cover the total net revenue requirement in each scenario using the customer base of the Town (Scenarios 1 and 2) and the combined systems (Scenario 3). In each case, the assumption was made that the customer base of each system would decline at a constant rate of 0.5% throughout the projection period.

Scenario 1 – Town of Rogersville Status Quo

Projected Rates

The projected water rates are shown in Table 3-1.

Table 3-1
Scenario 1 Water Rate Projections

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<i>% Increase in Water Rates*</i>		0.0%	0.0%	3.0%	3.0%	3.0%
<u>Inside Town</u>						
Minimum Bill (Under 1,000 Gallons)	\$13.59	\$13.59	\$13.59	\$14.00	\$14.42	\$14.85
Usage Rate (1,000–5,000 Gallons)	\$6.32	\$6.32	\$6.32	\$6.51	\$6.70	\$6.91
Usage Rate (5,000-10,000 Gallons)	\$5.49	\$5.49	\$5.49	\$5.65	\$5.82	\$6.00
Usage Rate (10,000-20,000 Gallons)	\$4.96	\$4.96	\$4.96	\$5.11	\$5.26	\$5.42
Usage Rate (20,000+ Gallons)	\$4.14	\$4.14	\$4.14	\$4.26	\$4.39	\$4.52
<u>Outside Town</u>						
Minimum Bill (Under 1,000 Gallons)	\$22.70	\$22.70	\$22.70	\$22.70	\$22.70	\$22.70
Usage Rate (1,000–5,000 Gallons)	\$10.33	\$10.33	\$10.33	\$10.33	\$10.33	\$10.33
Usage Rate (5,000-10,000 Gallons)	\$8.94	\$8.94	\$8.94	\$8.94	\$8.94	\$8.94
Usage Rate (10,000-20,000 Gallons)	\$7.98	\$7.98	\$7.98	\$7.98	\$7.98	\$7.98
Usage Rate (20,000+ Gallons)	\$6.54	\$6.54	\$6.54	\$6.54	\$6.54	\$6.54

*Only inside town rates increase due to out-of-town rates already being so much higher than in town rates. The goal is to achieve rates outside-of-town that are approximately 30% higher than in town rates.

The projected wastewater rates are shown in Table 3-2.

Table 3-2
Scenario 1 Wastewater Rate Projections

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<i>% Increase in Rates</i>		28.0%	0.0%	0.0%	0.0%	0.0%
Inside Town						
Minimum Bill (Under 1,000 Gallons)	\$8.45	\$10.82	\$10.82	\$10.82	\$10.82	\$10.82
Usage Rate (per 1,000 Gallons)	\$5.26	\$6.73	\$6.73	\$6.73	\$6.73	\$6.73
Outside Town						
Minimum Bill (Under 1,000 Gallons)	\$8.45	\$10.82	\$10.82	\$10.82	\$10.82	\$10.82
Usage Rate (per 1,000 Gallons)	\$5.26	\$6.73	\$6.73	\$6.73	\$6.73	\$6.73

Projected Customer Bill Impacts

Table 3-3 shows the impact of the Scenario 1 rates on Town of Rogersville customers at usage levels from 1,000 to 50,000 gallons per month.

Table 3-3
Scenario 1 Projected Total Customer Bill (Inside Town)

Monthly Usage	Current Rates	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
1,000	\$22.04	\$24.41	\$24.41	\$24.81	\$25.23	\$25.67
2,000	\$33.62	\$37.46	\$37.46	\$38.06	\$38.67	\$39.30
3,000	\$45.20	\$50.51	\$50.51	\$51.30	\$52.11	\$52.94
4,000	\$56.78	\$63.56	\$63.56	\$64.54	\$65.55	\$66.58
4,200	\$59.10	\$66.17	\$66.17	\$67.19	\$68.23	\$69.31
10,000	\$122.11	\$137.73	\$137.73	\$139.72	\$141.77	\$143.88
20,000	\$224.31	\$254.66	\$255.66	\$258.14	\$261.72	\$265.41
30,000	\$318.31	\$363.39	\$363.39	\$368.11	\$372.97	\$377.98
40,000	\$412.31	\$472.12	\$472.12	\$478.08	\$484.22	\$490.54
50,000	\$506.31	\$580.84	\$580.84	\$588.05	\$595.47	\$603.11

Scenario 2 – Town of Rogersville establishes a “Sinking Fund” to cover 25% of future Capital Investments

Projected Rates

The projected water rates are shown in Table 3-4.

Table 3-4
Scenario 2 Water Rate Projections

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<i>% Increase in Water Rates*</i>		7.0%	6.0%	6.0%	2.0%	2.0%
<u>Inside Town</u>						
Minimum Bill (Under 1,000 Gallons)	\$13.59	\$14.54	\$15.41	\$16.34	\$16.67	\$17.00
Usage Rate (1,000–5,000 Gallons)	\$6.32	\$6.76	\$7.17	\$7.60	\$7.75	\$7.91
Usage Rate (5,000-10,000 Gallons)	\$5.49	\$5.87	\$6.23	\$6.60	\$6.73	\$6.87
Usage Rate (10,000-20,000 Gallons)	\$4.96	\$5.31	\$5.63	\$5.96	\$6.08	\$6.20
Usage Rate (20,000+ Gallons)	\$4.14	\$4.43	\$4.70	\$4.98	\$5.08	\$5.18
<u>Outside Town</u>						
Minimum Bill (Under 1,000 Gallons)	\$22.70	\$22.70	\$22.70	\$22.70	\$22.70	\$22.70
Usage Rate (1,000–5,000 Gallons)	\$10.33	\$10.33	\$10.33	\$10.33	\$10.33	\$10.33
Usage Rate (5,000-10,000 Gallons)	\$8.94	\$8.94	\$8.94	\$8.94	\$8.94	\$8.94
Usage Rate (10,000-20,000 Gallons)	\$7.98	\$7.98	\$7.98	\$7.98	\$7.98	\$7.98
Usage Rate (20,000+ Gallons)	\$6.54	\$6.54	\$6.54	\$6.54	\$6.54	\$6.54

*Only inside town rates increase due to out-of-town rates already being so much higher than in town rates. The goal is to achieve rates outside-of-town that are approximately 30% higher than in town rates.

The projected wastewater rates are shown in Table 3-5.

Table 3-5
Scenario 2 Wastewater Rate Projections

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<i>% Increase in Rates</i>		18.0%	15.0%	15.0%	2.0%	2.0%
Inside Town						
Minimum Bill (Under 1,000 Gallons)	\$8.45	\$9.97	\$11.47	\$13.19	\$13.45	\$13.72
Usage Rate (per 1,000 Gallons)	\$5.26	\$6.21	\$7.14	\$8.21	\$8.37	\$8.54
Outside Town						
Minimum Bill (Under 1,000 Gallons)	\$8.45	\$9.97	\$11.47	\$13.19	\$13.45	\$13.72
Usage Rate (per 1,000 Gallons)	\$5.26	\$6.21	\$7.14	\$8.21	\$8.37	\$8.54

Projected Customer Bill Impacts

Table 3-6 shows the impact of the Scenario 2 rates on Town of Rogersville customers at usage levels from 1,000 to 50,000 gallons per month.

Table 3-6
Scenario 2 Projected Total Customer Bill (Inside Town)

Monthly Usage	Current Rates	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
1,000	\$22.04	\$24.51	\$26.88	\$29.53	\$30.12	\$30.72
2,000	\$33.62	\$36.53	\$39.36	\$42.99	\$43.99	\$45.01
3,000	\$45.20	\$49.50	\$53.67	\$58.80	\$60.11	\$61.46
4,000	\$56.78	\$62.47	\$67.97	\$74.60	\$76.24	\$77.91
4,200	\$59.10	\$65.06	\$70.84	\$77.77	\$79.46	\$81.19
10,000	\$122.11	\$134.07	\$145.71	\$160.10	\$163.70	\$167.39
20,000	\$224.31	\$247.29	\$269.66	\$297.09	\$303.71	\$310.49
30,000	\$318.31	\$350.19	\$381.34	\$420.40	\$430.01	\$439.84
40,000	\$412.31	\$456.55	\$499.67	\$552.26	\$564.50	\$577.02
50,000	\$506.31	\$562.92	\$618.01	\$684.12	\$699.00	\$714.21

Scenario 3 –Town of Rogersville establishes a “Sinking Fund” to cover 100% of future Capital Investments

Projected Rates

The projected water rates are shown in Table 3-7.

Table 3-7
Scenario 3 Water Rate Projections

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Inside Town						
<i>% Increase in Rates</i>		41.0%	2.0%	2.0%	2.0%	2.0%
Minimum Bill (Under 1,000 Gallons)	\$13.59	\$19.16	\$19.55	\$19.94	\$20.33	\$20.74
Usage Rate (1,000–5,000 Gallons)	\$6.32	\$8.91	\$9.09	\$9.27	\$9.46	\$9.65
Usage Rate (5,000-10,000 Gallons)	\$5.49	\$7.74	\$7.90	\$8.05	\$8.21	\$8.38
Usage Rate (10,000-20,000 Gallons)	\$4.96	\$6.99	\$7.13	\$7.28	\$7.42	\$7.57
Usage Rate (20,000+ Gallons)	\$4.14	\$5.84	\$5.95	\$6.07	\$6.19	\$6.32
Outside Town						
<i>% Increase in Rates</i>		10.0%	2.0%	2.0%	2.0%	2.0%
Minimum Bill (Under 1,000 Gallons)	\$22.70	\$24.97	\$25.47	\$25.98	\$26.50	\$27.03
Usage Rate (1,000–5,000 Gallons)	\$10.33	\$11.36	\$11.59	\$11.82	\$12.06	\$12.30
Usage Rate (5,000-10,000 Gallons)	\$8.94	\$9.83	\$10.03	\$10.23	\$10.44	\$10.64
Usage Rate (10,000-20,000 Gallons)	\$7.98	\$8.78	\$8.95	\$9.13	\$9.32	\$9.50
Usage Rate (20,000+ Gallons)	\$6.54	\$6.54	\$6.67	\$6.80	\$6.94	\$7.08

*Rate increases inside town versus out-of-town differ due to the large discrepancy in current rates. The goal is to achieve rates outside-of-town that are approximately 30% higher than in town rates.

The projected wastewater rates are shown in Table 3-8.

Table 3-8
Scenario 3 Wastewater Rate Projections

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<i>% Increase in Rates</i>		118.0%	1.5%	1.5%	1.5%	1.5%
Inside Town						
Minimum Bill (Under 1,000 Gallons)	\$8.45	\$18.42	\$18.70	\$18.98	\$19.26	\$19.55
Usage Rate (per 1,000 Gallons)	\$5.26	\$11.47	\$11.64	\$11.81	\$11.99	\$12.17
Outside Town						
Minimum Bill (Under 1,000 Gallons)	\$8.45	\$18.42	\$18.70	\$18.98	\$19.26	\$19.55
Usage Rate (per 1,000 Gallons)	\$5.26	\$11.47	\$11.64	\$11.81	\$11.99	\$12.17

Projected Customer Bill Impacts

Table 3-9
Scenario 3 Projected Total Customer Bill (Inside Town)

Monthly Usage	Current Rates	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
1,000	\$22.04	\$37.58	\$38.24	\$38.91	\$39.60	\$40.29
2,000	\$33.62	\$57.96	\$58.97	\$60.00	\$61.04	\$62.11
3,000	\$45.20	\$78.34	\$79.70	\$81.08	\$82.49	\$83.93
4,000	\$56.78	\$98.72	\$100.43	\$102.17	\$103.94	\$105.74
4,200	\$59.10	\$102.79	\$104.57	\$106.38	\$108.23	\$110.10
10,000	\$122.11	\$215.13	\$218.83	\$222.59	\$226.41	\$230.30
20,000	\$224.31	\$399.74	\$406.55	\$413.48	\$420.54	\$427.71
30,000	\$318.31	\$572.78	\$582.48	\$592.35	\$602.39	\$612.60
40,000	\$412.31	\$745.82	\$758.41	\$771.21	\$784.24	\$797.49
50,000	\$506.31	\$918.86	\$934.34	\$950.08	\$966.09	\$982.38

Section 4

FINDINGS AND RECOMMENDATIONS

Listed below are the findings that were made during the course of Mattern & Craig's analysis.

- **Scenario 1:**
 - The Town of Rogersville's water system could be financially sustainable with minimal rate increases in rates if it did not establish a sinking fund to cover any of the asset replacements detailed in Section 2. These rate increases would total approximately 9% stretched out over 3 years beginning in FY 2023. Rates would only be increased for in town customers due to the current rate discrepancy between in town and out-of-town customers.
 - The Town of Rogersville's wastewater system would need significant increases in revenues in order to support the utility even if they did not establish a sinking fund to cover any of the asset replacements detailed in Section 2. These rate increases would total approximately 28% and would need to be implemented immediately in FY 2021.
 - The monthly dollar impact on the Town's customers would range from \$3.63 (1,000 gallon user) to \$21.77 (10,000 gallon user) over the five-year projection period with the average 4,200 gallon user incurring a \$10.21 impact.
 - This scenario is not considered fiscally responsible due to the fact that it does not set any of the required funds aside to replace either utility system's assets over their estimated lifespans. The combined water/wastewater utility rail would equate to \$69.31 at the end of the 5 year study period which is 2.57% of the median household income in Rogersville.

- **Scenario 2:**
 - The Town of Rogersville's water system could be financially sustainable with acceptable rate increases in rates if it did establish a sinking fund to cover 25% of the cost of the asset replacements detailed in Section 2. These rate increases would total approximately 20% stretched out over 3 years beginning immediately in FY 2021. A recurring 2% rate increase would be required to maintain the utility's solvency going forward. Rates would only be increased for in town customers due to the current rate discrepancy between in town and out-of-town customers. Starting in FY 2027 out-of-town customers rates would begin a recurring 2% rate increase to maintain out-of-town rates at approximately a 30% premium over in town rates.
 - The Town of Rogersville's wastewater system could be financially sustainable with significant rate increases in rates if it did establish a sinking fund to cover 25% of the cost of the asset replacements detailed in Section 2. These rate increases would total approximately 56% stretched out over 3 years beginning immediately in FY 2021. A recurring 2% rate increase would be required to maintain the utility's solvency going forward.
 - The monthly dollar impact on the Town's customers would range from \$8.68 (1,000 gallon user) to \$45.28 (10,000 gallon user) at the end of the five year projection period with the average 4,200 gallon user incurring a \$22.09 impact.

- This scenario is considered economically feasible and is recommended. Generally accepted combined water/wastewater utility bills are typically stated to be 3.0% +/- of median household income. This would equate to a combined water/sewer bill of \$80.88 in Rogersville. In FY 2025 this scenario would give a combined water/wastewater bill of \$81.19 and then maintain recurring 2% increases every year afterwards to keep up with inflation and cost escalations.
- **Scenario 3:**
 - The Town of Rogersville's water system could be financially sustainable with significant increases in rates if it did establish a sinking fund to cover 100% of the cost of the asset replacements detailed in Section 2. These rate increases would total approximately 41% for in town customers and 10% for out-of-town customers and would need to be implemented immediately in FY 2021. This would set rates for out-of-town customers at a generally acceptable 30% over in town customers. A recurring 2% rate increase would be required to maintain the utility's solvency going forward.
 - The Town of Rogersville's wastewater system could be financially sustainable with significant increases in rates if it did establish a sinking fund to cover 100% of the cost of the asset replacements detailed in Section 2. These rate increases would total approximately 118% for all customers and would need to be implemented immediately in FY 2021.
 - The monthly dollar impact on the Town's customers under the combined system would range from \$18.25 (1,000 gallon user) to \$108.19 (10,000 gallon user) at the end of the five year projection period with the average 4,200 gallon user incurring a \$51.00 impact.
 - This scenario is considered economically burdensome and is not recommended. The combined water/wastewater utility bill would equate to \$110.10 at the end of the 5 year study period which is 4.08% of the median household income in Rogersville, TN.

- **Water and Wastewater Financing Board Orders to be addressed**

- **A justification for the discrepancy between rates for customers inside the Town as opposed to outside, or a new recommended rate structure if no justification is possible.**

Response: According to adjacent Planning District Utility Rate Surveys completed in FY 2019 out-of-town utility rates are generally set at a premium of approximately 30% - 35% over in town rates. The recommended scenario 2 set water rates in town versus out-of-town as such. Sewer rates in town versus out-of-town would remain equal due to there being so few wastewater customers outside of town. It should be noted that with a significant increase in out of town sewer customers, this rate should be revisited.

- **A justification for decreasing Persia Utility District’s rate per 1,000 gallons from \$5.61 to \$1.61, or a new recommended rate if no justification is possible.**

Response: No justification was found for decreasing Persia Utility District’s rate per 1,000 gallons to \$1.61. An analysis of the cost the Town of Rogersville incurs to produce 1,000 gallons of water set production cost at approximately \$3.00 per 1,000 gallons.

Persia Utility District signed a 5-year contract in 2017 with the Town of Rogersville to have water provided to them at the current rates of \$5.61 per 1,000 gallons for the first 500,000 gallons and then \$1.61 per 1,000 gallons for any water in excess of 500,000 gallons.

Mattern & Craig recommends the Town of Rogersville increase the \$1.61 per 1,000 gallons charge up to \$3.00 per 1,000 gallons at the earliest opportunity contractually. The \$3.00 per 1,000 gallons will cover the cost to produce and is considered the minimum “wholesale rate”

- **A justification for the discrepancy between sewer rates and water rates.**

Response: Existing sewer rates do not cover the operations and maintenance cost of the wastewater system. New sewer rates stated in scenario 2 will allow the wastewater utility to be solvent going forward. Stated sewer rates will also be slightly higher than stated water rates for the average 4,200 gallon user which is typical industry practice according to recent Utility Rate Surveys.

- **A review of the new customer agreement, including any recommended modifications.**

Response: Only minor grammatical modifications recommend (see appendix D)

- **A review of the capitalization policy, including any recommended modifications.**

Response: Only minor grammatical modifications recommended (see appendix F)

- **A review of the leak adjustment policy including any recommended modifications.**

Response: Only minor grammatical modifications recommended (see appendix H)

APPENDIX A

FINANCIAL ANALYSIS INFORMATION

**Rogersville Water/Wastewater Rate Study
Town of Rogersville Analysis**

**Town of Rogersville, Tennessee Rate Analysis
Schedule 1 - Assumptions**

Fiscal Year: July 1 - June 30

FY 2020 FY 2021 FY 2022 FY 2023 FY 2024 FY 2025 FY 2026 FY 2027 FY 2028 FY 2029

Cost Escalation Rates											
	Index										
Labor (Salaries & Wages)	Labor	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Benefits (Hospital/Medical Plan, Retirement)	Benefits	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Services (Electrical, Sludge Removal, Repairs)	Services	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Supplies (Chemicals, Repair Supplies)	Supplies	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Equipment and Maintenance	Equip/Maint	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Other (Transfer to GF, VA Nutrient Exchange)	Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Water/Sewer Allocation Factors	Index	Allocation	
		Water	Sewer
Water Only	Water Only	100%	0%
Sewer Only	Sewer Only	0%	100%
Split	Split	68%	32%

Administrative Efficiency Factor											
Percentage of the Town's Water/Sewer Function that is duplicated by a merged system.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Growth Rates											
Customers											
Water	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
Sewer	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%

Water Usage/Sewage Generation											
Water	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
Sewer	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%

Miscellaneous Revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
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Town of Rogersville, Tennessee Rate Analysis
Schedule 2 - Rogersville O&M Expenses

Source: Rogersville Water Comission Budget Info

Allocation	Water	Sewer	Category	Description	Include?	Cost Escalator	Actual FY 2018	Estimates FY 2019	Budgeted FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029
Factor																		
Water Only	100%	0%	Operating Expenses	Salaries	Yes	Labor	254,681	241,035	250,978	255,998	261,118	266,340	271,667	277,100	282,642	288,295	294,061	299,942
Water Only	100%	0%	Operating Expenses	Electric	Yes	Supplies	122,859	123,177	126,798	128,954	131,146	133,375	135,643	137,949	140,294	142,679	145,104	147,571
Water Only	100%	0%	Operating Expenses	Natural Gas	Yes	Supplies	666	915	1,001	1,018	1,035	1,053	1,071	1,089	1,108	1,126	1,146	1,165
Water Only	100%	0%	Operating Expenses	Chemicals Wtp	Yes	Supplies	98,728	104,751	103,500	105,260	107,049	108,869	110,720	112,602	114,516	116,463	118,443	120,456
Water Only	100%	0%	Operating Expenses	Repairs & Parts	Yes	Supplies	15,303	56,476	55,000	55,935	56,886	57,853	58,836	59,837	60,854	61,888	62,941	64,011
Water Only	100%	0%	Operating Expenses	Storage & Tank Maintenance	Yes	Supplies	-	-	-	-	-	-	-	-	-	-	-	-
Water Only	100%	0%	Operating Expenses	Fuel, Oil & Grease	Yes	Supplies	2,664	1,952	2,003	2,037	2,072	2,107	2,143	2,179	2,216	2,254	2,292	2,331
Water Only	100%	0%	Operating Expenses	Tires & Tubes	Yes	Supplies	495	786	880	895	910	926	941	957	974	990	1,007	1,024
Water Only	100%	0%	Operating Expenses	Lab Supplies	Yes	Supplies	4,941	8,827	9,870	10,038	10,208	10,382	10,558	10,738	10,921	11,106	11,295	11,487
Water Only	100%	0%	Uniforms WTP	Uniforms	Yes	Supplies	5,392	4,231	4,314	4,387	4,462	4,538	4,615	4,693	4,773	4,854	4,937	5,021
Water Only	100%	0%	Operating Expenses	General Supplies	Yes	Supplies	10,059	9,083	9,414	9,574	9,737	9,902	10,071	10,242	10,416	10,593	10,773	10,956
Water Only	100%	0%	Operating Expenses	Tools	Yes	Supplies	-	96	-	-	-	-	-	-	-	-	-	-
Water Only	100%	0%	Operating Expenses	Safe Drinking Water Fees	Yes	Services	1,610	6,884	7,056	7,197	7,341	7,488	7,638	7,790	7,946	8,105	8,267	8,433
Water Only	100%	0%	Operating Expenses	Analysis Fees	Yes	Services	17,268	26,899	27,198	27,742	28,297	28,863	29,440	30,029	30,629	31,242	31,867	32,504
Water Only	100%	0%	Operating Expenses	Phones	Yes	Services	4,393	5,212	5,352	5,459	5,568	5,680	5,793	5,909	6,027	6,148	6,271	6,396
Water Only	100%	0%	Operating Expenses	Health Insurance Premiums	Yes	Benefits	37,221	37,123	37,979	39,118	40,292	41,501	42,746	44,028	45,349	46,709	48,111	49,554
Water Only	100%	0%	Operating Expenses	Dental Insurance Premiums	Yes	Benefits	1,349	1,411	1,441	1,484	1,529	1,575	1,622	1,671	1,721	1,772	1,825	1,880
Water Only	100%	0%	Operating Expenses	MIX System Expenses	Yes	Services	-	-	-	-	-	-	-	-	-	-	-	-
Sewer Only	0%	100%	Operating Expenses	Salaries	Yes	Labor	212,513	209,732	215,424	219,732	224,127	228,610	233,182	237,846	242,602	247,454	252,404	257,452
Sewer Only	0%	100%	Operating Expenses	Electric Bills	Yes	Services	131,441	109,483	114,368	116,655	118,988	121,368	123,796	126,272	128,797	131,373	134,000	136,680
Sewer Only	0%	100%	Uniforms WWTP	Natural Gas	Yes	Services	2,807	2,714	3,011	3,071	3,133	3,195	3,259	3,324	3,391	3,459	3,528	3,598
Sewer Only	0%	100%	Operating Expenses	Chemicals	Yes	Supplies	27,751	33,005	34,621	35,210	35,808	36,417	37,036	37,666	38,306	38,957	39,619	40,293
Sewer Only	0%	100%	Operating Expenses	Polymer	Yes	Supplies	3,373	4,668	5,220	5,309	5,399	5,491	5,584	5,679	5,776	5,874	5,974	6,075
Sewer Only	0%	100%	Operating Expenses	Parts & Repair	Yes	Services	4,766	7,414	7,795	7,951	8,110	8,272	8,438	8,606	8,778	8,954	9,133	9,316
Sewer Only	0%	100%	Operating Expenses	Storage & Tank Maintenance	Yes	Services	-	-	-	-	-	-	-	-	-	-	-	-
Sewer Only	0%	100%	Operating Expenses	Screw Lift	Yes	Supplies	1,291	2,012	2,100	2,136	2,172	2,209	2,246	2,285	2,324	2,363	2,403	2,444
Sewer Only	0%	100%	Operating Expenses	Fuel	Yes	Supplies	3,463	2,906	2,876	2,925	2,975	3,025	3,077	3,129	3,182	3,236	3,291	3,347
Sewer Only	0%	100%	Operating Expenses	Outside	Yes	Equip/Maint	15,400	20,851	19,500	19,832	20,169	20,512	20,860	21,215	21,575	21,942	22,315	22,695
Sewer Only	0%	100%	Operating Expenses	Lab Equipment	Yes	Equip/Maint	4,690	3,765	4,700	4,780	4,861	4,944	5,028	5,113	5,200	5,289	5,379	5,470
Sewer Only	0%	100%	Operating Expenses	Industrial Pretreatment	Yes	Services	-	-	-	-	-	-	-	-	-	-	-	-
Sewer Only	0%	100%	Uniforms WWTP	Uniforms	Yes	Supplies	5,322	5,557	5,525	5,619	5,714	5,812	5,910	6,011	6,113	6,217	6,323	6,430
Sewer Only	0%	100%	Operating Expenses	Sludge Disposal	Yes	Services	-	-	-	-	-	-	-	-	-	-	-	-
Sewer Only	0%	100%	Operating Expenses	General Supplies	Yes	Supplies	3,295	3,539	3,209	3,264	3,319	3,375	3,433	3,491	3,551	3,611	3,672	3,735
Sewer Only	0%	100%	Operating Expenses	Tools	Yes	Supplies	-	-	-	-	-	-	-	-	-	-	-	-
Sewer Only	0%	100%	Operating Expenses	Annual Maintenance Fees	Yes	Services	12,213	6,230	6,800	6,936	7,075	7,216	7,361	7,508	7,658	7,811	7,967	8,127
Sewer Only	0%	100%	Operating Expenses	Phones	Yes	Services	5,495	5,236	5,397	5,505	5,615	5,727	5,842	5,959	6,078	6,199	6,323	6,450
Sewer Only	0%	100%	Insurance WWTP	Health insurance Premiums	Yes	Benefits	35,967	36,160	37,010	38,120	39,264	40,442	41,655	42,905	44,192	45,518	46,883	48,290
Sewer Only	0%	100%	Insurance WWTP	Dental insurance Premiums	Yes	Benefits	1,147	1,129	1,154	1,189	1,224	1,261	1,299	1,338	1,378	1,419	1,462	1,506
Water Only	100%	0%	Operating Expenses	Salaries	Yes	Labor	439,674	443,678	454,873	463,970	473,250	482,715	492,369	502,217	512,261	522,506	532,956	543,615
Sewer Only	0%	100%	Operating Expenses	Salaries	Yes	Labor	30,559	23,797	23,158	23,621	24,094	24,575	25,067	25,568	26,080	26,601	27,133	27,676
Water Only	100%	0%	Operating Expenses	Meter Reading	Yes	Labor	5,545	6,215	6,541	6,672	6,805	6,941	7,080	7,222	7,366	7,514	7,664	7,817
Split	68%	32%	Operating Expenses	Office Cleaning Expense	Yes	Services	-	-	-	-	-	-	-	-	-	-	-	-
Split	68%	32%	Operating Expenses	Maintenance - Electric Bills	Yes	Services	17,044	17,568	17,857	18,214	18,578	18,950	19,329	19,716	20,110	20,512	20,922	21,341
Split	68%	32%	Operating Expenses	Maintenance - Natural Gas Bills	Yes	Services	2,087	2,256	2,514	2,564	2,616	2,668	2,721	2,776	2,831	2,888	2,946	3,004
Water Only	100%	0%	Operating Expenses	Maintenance - Backflow Flushi	Yes	Services	-	-	-	-	-	-	-	-	-	-	-	-
Sewer Only	0%	100%	Operating Expenses	Maintenance Sewer Line Repai	Yes	Labor	3,953	6,975	7,000	7,140	7,283	7,428	7,577	7,729	7,883	8,041	8,202	8,366
Water Only	100%	0%	Operating Expenses	Maintenance - Water Line Rep	Yes	Labor	14,458	21,976	18,500	18,870	19,247	19,632	20,025	20,425	20,834	21,251	21,676	22,109
Split	68%	32%	Operating Expenses	Maintenance - Vehicle Parts &	Yes	Services	2,395	3,767	3,800	3,876	3,954	4,033	4,113	4,196	4,279	4,365	4,452	4,541
Split	68%	32%	Operating Expenses	Maintenance - Machinery Parts	Yes	Services	2,531	3,440	3,732	3,807	3,883	3,960	4,040	4,120	4,203	4,287	4,373	4,460
Split	68%	32%	Operating Expenses	Maintenance - Gas/Oil/Grease	Yes	Supplies	15,397	18,248	18,989	19,312	19,640	19,974	20,314	20,659	21,010	21,367	21,730	22,100
Split	68%	32%	Operating Expenses	Maintenance - Tires	Yes	Supplies	3,074	3,246	3,479	3,538	3,598	3,659	3,722	3,785	3,849	3,915	3,981	4,049
Split	68%	32%	Uniforms	Maintenance - Uniforms	Yes	Supplies	10,721	8,598	8,712	8,860	9,011	9,164	9,320	9,478	9,639	9,803	9,970	10,139
Split	68%	32%	Operating Expenses	Maintenance - General Supplie	Yes	Supplies	14,807	9,366	8,962	9,114	9,269	9,427	9,587	9,750	9,916	10,084	10,256	10,430
Split	68%	32%	Operating Expenses	Maintenance - Tools	Yes	Supplies	-	2,590	1,000	1,017	1,034	1,052	1,070	1,088	1,106	1,125	1,144	1,164
Split	68%	32%	Operating Expenses	Maintenance - Phones	Yes	Services	7,039	6,636	6,791	6,927	7,065	7,207	7,351	7,498	7,648	7,801	7,957	8,116
Split	68%	32%	Insurance Maintenan	Maintenance - Health Insuranc	Yes	Benefits	94,833	87,285	90,416	93,128	95,922	98,800	101,764	104,817	107,961	111,200	114,536	117,972
Split	68%	32%	Insurance Maintenan	Maintenance - Dental Insuranc	Yes	Benefits	2,984	2,833	2,895	2,982	3,071	3,163	3,258	3,356	3,457	3,560	3,667	3,777
Split	68%	32%	Admin Office Expens	Office Salaries	Yes	Labor	254,351	196,985	191,000	194,820	198,716	202,691	206,745	210,879	215,097	219,399	223,787	228,263
Split	68%	32%	Admin Office Expens	Office Electric	Yes	Services	3,348	3,580	3,679	3,753	3,828	3,904	3,982	4,062	4,143	4,226	4,311	4,397
Split	68%	32%	Admin Office Expens	Office Natural Gas	Yes	Services	1,213	1,078	1,192	1,216	1,240	1,265	1,290	1,316	1,342	1,369	1,397	1,425
Split	68%	32%	Admin Office Expens	Office Fuel	Yes	Supplies	549	-	-	-	-	-	-	-	-	-	-	-
Split	68%	32%	Admin Office Expens	Office Supplies	Yes	Supplies	10,184	5,091	5,107	5,194	5,282	5,372	5,463	5,556	5,651	5,747	5,844	5,944

Town of Rogersville, Tennessee Rate Analysis
 Schedule 3 - Rogersville Current Debt

Source: Rogersville

Project	Allocation	Water	Sewer	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Rural Development Loan, Series 2001	Water Only	100%	0%	\$ -	\$ -	\$ 13,444	\$ 13,434	\$ 13,448	\$ 13,461	\$ 13,493	\$ 13,490	\$ 13,505	\$ 13,522	\$ 13,552	\$ 13,555
SRF Loan, Series 2008	Water Only	100%	0%	\$ -	\$ -	\$ 158,103	\$ 158,137	\$ 158,171	\$ 158,205	\$ 158,242	\$ 158,278	\$ 158,316	\$ 158,354	\$ 96,149	\$ -
General Obligation Refunding Bonds, Series 2012 - W&S Portion	Split	68%	32%	\$ -	\$ -	\$ 126,850	\$ 119,750	\$ 117,750	\$ 115,500	\$ 113,125	\$ 110,750	\$ 108,125	\$ 105,500	\$ 102,750	\$ -
General Obligation Bonds, Series 2015B - Water & Sewer Portion	Split	68%	32%	\$ -	\$ -	\$ 103,618	\$ 102,218	\$ 100,818	\$ 104,418	\$ 102,918	\$ 106,380	\$ 104,740	\$ 102,940	\$ 106,140	\$ 104,015
General Obligation Bonds, Series 2018	Split	68%	32%	\$ -	\$ -	\$ 64,981	\$ 139,981	\$ 137,731	\$ 140,481	\$ 138,081	\$ 140,681	\$ 138,131	\$ 140,581	\$ 137,881	\$ 140,181
Depreciation Expense	Split	68%	32%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long Term Debt Interest	Split	68%	32%	\$ 107,186	\$ 91,863	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Split	50%	50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Split	50%	50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Water and Sewer Debt Service				\$ 107,186	\$ 91,863	\$ 466,997	\$ 533,520	\$ 527,918	\$ 532,065	\$ 525,859	\$ 529,579	\$ 522,817	\$ 520,897	\$ 456,472	\$ 257,751
Total Debt Service				107,186	91,863	466,997	533,520	527,918	532,065	525,859	529,579	522,817	520,897	456,472	257,751
	Water			72,886	62,467	372,453	417,697	413,903	416,738	412,539	415,079	410,499	409,210	345,505	179,609
	Sewer			34,300	29,396	94,544	115,824	114,016	115,328	113,320	114,500	112,319	111,687	110,967	78,143

Town of Rogersville, Tennessee Rate Analysis
 Schedule 4A - Rogersville Needed Sinking Fund Funded at 25%

Source: Town of Rogersville

Project Title	Priority	Allocation	Water	Sewer	Cash	Debt	Grant	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2020-2029
Water System Yearly Replacement Fund (lines, tanks, pump stations)	1	Water Only	100%	0%	100%	0%	0%		\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$ 540,000
Water Plant Replacement Fund	1	Water Only	100%	0%	100%	0%	0%		\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$ 540,000
Sewer System Yearly Replacement Fund (lines, manholes, pump stations)	1	Sewer Only	0%	100%	100%	0%	0%		\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$ 675,000
Sewer Plant Replacement Fund	2	Sewer Only	0%	100%	100%	0%	0%		\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$ 900,000
	2	Split	68%	32%	0%	70%	30%											\$ -
	2	Split	68%	32%	0%	70%	30%											\$ -
	2	Split	68%	32%	0%	70%	30%											\$ -
	2	Split	68%	32%	0%	70%	30%											\$ -
	3	Split	68%	32%	0%	70%	30%											\$ -
	3	Split	68%	32%	0%	70%	30%											\$ -
	1	Split	68%	32%	0%	70%	30%											\$ -
	1	Split	68%	32%	0%	70%	30%											\$ -
	2	Split	68%	32%	0%	70%	30%											\$ -
	2	Split	68%	32%	0%	70%	30%											\$ -
	2	Split	68%	32%	0%	70%	30%											\$ -
	3	Split	68%	32%	0%	70%	30%											\$ -
	3	Split	68%	32%	0%	70%	30%											\$ -
Total CIP								\$ -	\$ 295,000	\$ 295,000	\$ 295,000	\$ 295,000	\$ 295,000	\$ 295,000	\$ 295,000	\$ 295,000	\$ 295,000	\$ 2,655,000
Subtotal by Funding																		
Water								\$ -	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 1,080,000
Cash								-	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	\$ 1,080,000
Debt								-	-	-	-	-	-	-	-	-	-	\$ -
Grant								-	-	-	-	-	-	-	-	-	-	\$ -
Sewer								\$ -	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 1,575,000
Cash								-	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	\$ 1,575,000
Debt								-	-	-	-	-	-	-	-	-	-	\$ -
Grant								-	-	-	-	-	-	-	-	-	-	\$ -

Town of Rogersville, Tennessee Rate Analysis
 Schedule 4B - Rogersville saves no funds for Sinking Fund

Source: Town of Rogersville

Project Title	Priority	Allocation	Water	Sewer	Cash	Debt	Grant	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2020-2029	
1 Water Only			100%	0%	100%	0%	0%											\$ -	
1 Water Only			100%	0%	100%	0%	0%											\$ -	
1 Sewer Only			0%	100%	100%	0%	0%											\$ -	
2 Sewer Only			0%	100%	100%	0%	0%											\$ -	
2 Split			68%	32%	0%	70%	30%											\$ -	
2 Split			68%	32%	0%	70%	30%											\$ -	
2 Split			68%	32%	0%	70%	30%											\$ -	
2 Split			68%	32%	0%	70%	30%											\$ -	
3 Split			68%	32%	0%	70%	30%											\$ -	
3 Split			68%	32%	0%	70%	30%											\$ -	
1 Split			68%	32%	0%	70%	30%											\$ -	
1 Split			68%	32%	0%	70%	30%											\$ -	
2 Split			68%	32%	0%	70%	30%											\$ -	
2 Split			68%	32%	0%	70%	30%											\$ -	
2 Split			68%	32%	0%	70%	30%											\$ -	
3 Split			68%	32%	0%	70%	30%											\$ -	
Total CIP								\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Subtotal by Funding																			
Water								\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash								-	-	-	-	-	-	-	-	-	-	-	
Debt								-	-	-	-	-	-	-	-	-	-		
Grant								-	-	-	-	-	-	-	-	-	-		
Sewer								\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Cash								-	-	-	-	-	-	-	-	-	-		
Debt								-	-	-	-	-	-	-	-	-	-		
Grant								-	-	-	-	-	-	-	-	-	-		

Town of Rogersville, Tennessee Rate Analysis
Schedule 5 - Rogersville New Debt

Debt Financing	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Debt Funded Project Total	-	-	-	-	-	-	-	-	-	-
% Water	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
% Sewer	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Issuance Costs (% of Principal)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Debt Funded Amount	-	-	-	-	-	-	-	-	-	-
Year of Issue Interest Payment	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
Year of Issue	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Interest Rate on Borrowings	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt Maturity	20	20	20	20	20	20	20	20	20	20

Payment Schedule	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
FY 2020	0	1	2	3	4	5	6	7	8	9
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2020 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2021		0	1	2	3	4	5	6	7	8
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2021 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2022			0	1	2	3	4	5	6	7
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2022 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2023				0	1	2	3	4	5	6
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2023 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2024					0	1	2	3	4	5
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2024 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2025						0	1	2	3	4
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2025 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2026							0	1	2	3
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2026 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2027								0	1	2
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2027 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2028									0	1
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2028 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2029										0
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2029 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals										
Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Rogersville, Tennessee Rate Analysis
Schedule 5A - M&C Identified New Debt

Debt Financing	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Debt Funded Project Total	-	-	-	-	-	-	-	-	-	-
% Water	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
% Sewer	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Issuance Costs (% of Principal)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Debt Funded Amount	-	-	-	-	-	-	-	-	-	-
Year of Issue Interest Payment	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
Year of Issue	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Interest Rate on Borrowings	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt Maturity	25	25	25	25	25	25	25	25	25	25

Payment Schedule	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
FY 2020	0	1	2	3	4	5	6	7	8	9
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2020 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2021		0	1	2	3	4	5	6	7	8
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2021 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2022			0	1	2	3	4	5	6	7
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2022 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2023				0	1	2	3	4	5	6
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2023 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2024					0	1	2	3	4	5
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2024 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2025						0	1	2	3	4
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2025 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2026							0	1	2	3
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2026 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2027								0	1	2
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2027 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2028									0	1
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2028 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 2029										0
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total 2029 Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals										
Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Rogersville, Tennessee Rate Analysis

Schedule 7 - Town of Rogersville Revenue Requirements with Fully Funded Sinking Func

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Water System										
Operating and Capital Costs										
Town of Rogersville Operating Expenses	1,614,014	1,646,771	1,680,212	1,714,353	1,749,207	1,784,790	1,821,119	1,858,208	1,896,076	1,934,739
Town of Rogersville Current Debt Service	372,453	417,697	413,903	416,738	412,539	415,079	410,499	409,210	345,505	179,609
Cash Funded Capital Projects	-	480,000	480,000	480,000	480,000	480,000	480,000	480,000	480,000	480,000
New Debt Service	-	-	-	-	-	-	-	-	-	-
Total Revenue Requirement	\$ 1,986,467	\$ 2,544,468	\$ 2,574,115	\$ 2,611,090	\$ 2,641,746	\$ 2,679,869	\$ 2,711,617	\$ 2,747,418	\$ 2,721,581	\$ 2,594,347
Less Miscellaneous Rogersville Revenues	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)
Net Revenue Requirement	\$ 1,673,811	\$ 2,231,812	\$ 2,261,460	\$ 2,298,435	\$ 2,329,091	\$ 2,367,214	\$ 2,398,962	\$ 2,434,763	\$ 2,408,926	\$ 2,281,692
Sewer System										
Operating and Capital Costs										
Town of Rogersville Operating Expenses	730,075	745,306	760,864	776,757	792,992	809,578	826,521	843,830	861,514	879,580
Town of Rogersville Current Debt Service	94,544	115,824	114,016	115,328	113,320	114,500	112,319	111,687	110,967	78,143
Cash Funded Capital Projects	-	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000
New Debt Service	-	-	-	-	-	-	-	-	-	-
Total Revenue Requirement	\$ 824,619	\$ 1,561,129	\$ 1,574,880	\$ 1,592,085	\$ 1,606,312	\$ 1,624,077	\$ 1,638,840	\$ 1,655,517	\$ 1,672,481	\$ 1,657,722
Less Miscellaneous Rogersville Revenues	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)
Net Revenue Requirement	\$ 802,494	\$ 1,539,005	\$ 1,552,755	\$ 1,569,960	\$ 1,584,187	\$ 1,601,953	\$ 1,616,715	\$ 1,633,392	\$ 1,650,356	\$ 1,635,598

Town of Rogersville, Tennessee Rate Analysis
Schedule 7A - Town of Rogersville Revenue Requirements with Sinking Fund Funded at 25%

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Water System										
Operating and Capital Costs										
Town of Rogersville Operating Expenses	1,614,014	1,646,771	1,680,212	1,714,353	1,749,207	1,784,790	1,821,119	1,858,208	1,896,076	1,934,739
Town of Rogersville Current Debt Service	372,453	417,697	413,903	416,738	412,539	415,079	410,499	409,210	345,505	179,609
Cash Funded Capital Projects	-	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
New Debt Service	-	-	-	-	-	-	-	-	-	-
Total Revenue Requirement	\$ 1,986,467	\$ 2,184,468	\$ 2,214,115	\$ 2,251,090	\$ 2,281,746	\$ 2,319,869	\$ 2,351,617	\$ 2,387,418	\$ 2,361,581	\$ 2,234,347
Less Miscellaneous Rogersville Revenues	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)
Net Revenue Requirement	\$ 1,673,811	\$ 1,871,812	\$ 1,901,460	\$ 1,938,435	\$ 1,969,091	\$ 2,007,214	\$ 2,038,962	\$ 2,074,763	\$ 2,048,926	\$ 1,921,692
Sewer System										
Operating and Capital Costs										
Town of Rogersville Operating Expenses	730,075	745,306	760,864	776,757	792,992	809,578	826,521	843,830	861,514	879,580
Town of Rogersville Current Debt Service	94,544	115,824	114,016	115,328	113,320	114,500	112,319	111,687	110,967	78,143
Cash Funded Capital Projects	-	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000
New Debt Service	-	-	-	-	-	-	-	-	-	-
Total Revenue Requirement	\$ 824,619	\$ 1,036,129	\$ 1,049,880	\$ 1,067,085	\$ 1,081,312	\$ 1,099,077	\$ 1,113,840	\$ 1,130,517	\$ 1,147,481	\$ 1,132,722
Less Miscellaneous Rogersville Revenues	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)
Net Revenue Requirement	\$ 802,494	\$ 1,014,005	\$ 1,027,755	\$ 1,044,960	\$ 1,059,187	\$ 1,076,953	\$ 1,091,715	\$ 1,108,392	\$ 1,125,356	\$ 1,110,598

Town of Rogersville, Tennessee Rate Analysis

Schedule 7B - Town of Rogersville Revenue Requirements - Status Quo

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Water System										
Operating and Capital Costs										
Town of Rogersville Operating Expenses	1,614,014	1,646,771	1,680,212	1,714,353	1,749,207	1,784,790	1,821,119	1,858,208	1,896,076	1,934,739
Town of Rogersville Current Debt Service	372,453	417,697	413,903	416,738	412,539	415,079	410,499	409,210	345,505	179,609
Cash Funded Capital Projects	-	-	-	-	-	-	-	-	-	-
New Debt Service	-	-	-	-	-	-	-	-	-	-
Total Revenue Requirement	\$ 1,986,467	\$ 2,064,468	\$ 2,094,115	\$ 2,131,090	\$ 2,161,746	\$ 2,199,869	\$ 2,231,617	\$ 2,267,418	\$ 2,241,581	\$ 2,114,347
Less Miscellaneous Rogersville Revenues	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)
Net Revenue Requirement	\$ 1,673,811	\$ 1,751,812	\$ 1,781,460	\$ 1,818,435	\$ 1,849,091	\$ 1,887,214	\$ 1,918,962	\$ 1,954,763	\$ 1,928,926	\$ 1,801,692
Sewer System										
Operating and Capital Costs										
Town of Rogersville Operating Expenses	730,075	745,306	760,864	776,757	792,992	809,578	826,521	843,830	861,514	879,580
Town of Rogersville Current Debt Service	94,544	115,824	114,016	115,328	113,320	114,500	112,319	111,687	110,967	78,143
Cash Funded Capital Projects	-	-	-	-	-	-	-	-	-	-
New Debt Service	-	-	-	-	-	-	-	-	-	-
Total Revenue Requirement	\$ 824,619	\$ 861,129	\$ 874,880	\$ 892,085	\$ 906,312	\$ 924,077	\$ 938,840	\$ 955,517	\$ 972,481	\$ 957,722
Less Miscellaneous Rogersville Revenues	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)
Net Revenue Requirement	\$ 802,494	\$ 839,005	\$ 852,755	\$ 869,960	\$ 884,187	\$ 901,953	\$ 916,715	\$ 933,392	\$ 950,356	\$ 935,598

**Town of Rogersville, Tennessee Rate Analysis
Schedule 8 - Rates, Customers and Usage**

Source: ORDINANCE NO.10-9-18-1.docx

Rogersville FY 2020 Monthly Rates (per 1,000 gallons)

Tiers	Usage		Water		Sewer	
			Inside	Outside	Inside	Outside
Minimum	0	1,000	\$ 13.59	\$ 22.70	\$ 8.45	\$ 8.45
Over Minimum	1000	5,000	\$ 6.32	\$ 10.33	\$ 5.26	\$ 5.26
	5000	10,000	\$ 5.49	\$ 8.94	\$ 5.26	\$ 5.26
	10000	20,000	\$ 4.96	\$ 7.98	\$ 5.26	\$ 5.26
	20000	40,000	\$ 4.14	\$ 6.54	\$ 5.26	\$ 5.26

Source: Rogersville Rates.pdf

Town of Rogersville, Tennessee Rate Analysis
Schedule 8A - Customers and Usage Projections

Rogersville Customer Data Source: Rogersville

Class	Actual FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029
CUSTOMERS											
WATER											
Town of Rogersville											
Inside											
Customers Using (1,000 Gal)	1,926	1,926	1,917	1,908	1,899	1,890	1,881	1,872	1,864	1,855	1,846
Customers Using (1,000-5,000 Gal)	1,479	1,479	1,472	1,465	1,458	1,451	1,445	1,438	1,431	1,424	1,418
Customers Using (5,000-10,000 Gal)	288	288	287	285	284	283	281	280	279	277	276
Customers Using (10,000-20,000 Gal)	94	94	94	93	93	92	92	91	91	91	90
Customers Using (20,000+ Gal)	53	53	53	53	52	52	52	52	51	51	51
Outside											
Customers Using (1,000 Gal)	2,011	2,011	2,002	1,992	1,983	1,973	1,964	1,955	1,946	1,937	1,928
Customers Using (1,000-5,000 Gal)	1,667	1,667	1,659	1,651	1,644	1,636	1,628	1,621	1,613	1,605	1,598
Customers Using (5,000-10,000 Gal)	283	283	282	280	279	278	276	275	274	273	271
Customers Using (10,000-20,000 Gal)	43	43	43	43	42	42	42	42	42	41	41
Customers Using (20,000+ Gal)	12	12	12	12	12	12	12	12	12	12	12
Total Water System Customers	3,937	3,937	3,918	3,900	3,882	3,864	3,845	3,827	3,809	3,791	3,774
SEWER											
Town of Rogersville											
Inside											
Customers Using (1,000 Gal)	1,839	1,839	1,830	1,822	1,813	1,805	1,796	1,788	1,779	1,771	1,763
Customers Using (1,000+ Gal)	1,426	1,426	1,419	1,413	1,406	1,399	1,393	1,386	1,380	1,373	1,367
Outside											
Customers Using (1,000 Gal)	23	23	23	23	23	23	22	22	22	22	22
Customers Using (1,000+ Gal)	19	19	19	19	19	19	19	18	18	18	18
Total Sewer System Customers	1,862	1,862	1,853	1,845	1,836	1,827	1,819	1,810	1,802	1,793	1,785
USAGE (IN GALLONS)											
WATER											
Town of Rogersville											
Inside											
Minimum Usage (Under 1,000 Gal)	23,112,000	22,996,440	22,881,458	22,767,051	22,653,215	22,539,949	22,427,249	22,315,113	22,203,538	22,092,520	21,982,057
Billable Usage (1,000-5,000 Gal)	35,920,100	35,740,500	35,561,797	35,383,988	35,207,068	35,031,033	34,855,878	34,681,598	34,508,190	34,335,649	34,163,971
Billable Usage (5,000-10,000 Gal)	8,678,800	8,635,406	8,592,229	8,549,268	8,506,521	8,463,989	8,421,669	8,379,561	8,337,663	8,295,974	8,254,495
Billable Usage (10,000-20,000 Gal)	7,560,600	7,522,797	7,485,183	7,447,757	7,410,518	7,373,466	7,336,598	7,299,915	7,263,416	7,227,099	7,190,963
Billable Usage (20,000+ Gal)	29,977,408	29,827,521	29,678,383	29,529,991	29,382,341	29,235,430	29,089,253	28,943,806	28,799,087	28,655,092	28,511,816
Outside											
Minimum Usage (Under 1,000 Gal)	24,132,000	24,011,340	23,891,283	23,771,827	23,652,968	23,534,703	23,417,029	23,299,944	23,183,445	23,067,527	22,952,190
Billable Usage (1,000-5,000 Gal)	41,965,200	41,755,374	41,546,597	41,338,864	41,132,170	40,926,509	40,721,876	40,518,267	40,315,676	40,114,097	39,913,527
Billable Usage (5,000-10,000 Gal)	6,829,100	6,794,955	6,760,980	6,727,175	6,693,539	6,660,071	6,626,771	6,593,637	6,560,669	6,527,866	6,495,226
Billable Usage (10,000-20,000 Gal)	2,309,900	2,298,351	2,286,859	2,275,424	2,264,047	2,252,727	2,241,463	2,230,256	2,219,105	2,208,009	2,196,969
Billable Usage (20,000+ Gal)	2,339,700	2,328,002	2,316,361	2,304,780	2,293,256	2,281,790	2,270,381	2,259,029	2,247,734	2,236,495	2,225,312
Total Water System Usage	47,244,000	47,007,780	46,772,741	46,538,877	46,306,183	46,074,652	45,844,279	45,615,057	45,386,982	45,160,047	44,934,247
Minimum Usage (Under 1,000 Gal)	47,244,000	47,007,780	46,772,741	46,538,877	46,306,183	46,074,652	45,844,279	45,615,057	45,386,982	45,160,047	44,934,247
Billable Usage	135,580,808	134,902,904	134,228,389	133,557,247	132,889,461	132,225,014	131,563,889	130,906,069	130,251,539	129,600,281	128,952,280
SEWER											
Town of Rogersville											
Inside											
Minimum Usage (Under 1,000 Gal)	22,068,000	21,957,660	21,847,872	21,738,632	21,629,939	21,521,789	21,414,181	21,307,110	21,200,574	21,094,571	20,989,098
Billable Usage	97,982,900	97,492,986	97,005,521	96,520,493	96,037,891	95,557,701	95,079,913	94,604,513	94,131,490	93,660,833	93,192,529
Outside											
Minimum Usage (Under 1,000 Gal)	276,000	274,620	273,247	271,881	270,521	269,169	267,823	266,484	265,151	263,826	262,506
Billable Usage	1,332,500	1,325,838	1,319,208	1,312,612	1,306,049	1,299,519	1,293,021	1,286,556	1,280,123	1,273,723	1,267,354
Total Sewer System Usage	22,344,000	22,232,280	22,121,119	22,010,513	21,900,460	21,790,958	21,682,003	21,573,593	21,465,725	21,358,397	21,251,605
Minimum Usage (Under 1,000 Gal)	22,344,000	22,232,280	22,121,119	22,010,513	21,900,460	21,790,958	21,682,003	21,573,593	21,465,725	21,358,397	21,251,605
Billable Usage	99,315,400	98,818,823	98,324,729	97,833,105	97,343,940	96,857,220	96,372,934	95,891,069	95,411,614	94,934,556	94,459,883

Town of Rogersville, Tennessee Rate Analysis
Schedule 9 - Town of Rogersville Rates - with Fully Funded Sinking Fund

Town of Rogersville	Actual FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029
Water Rates										
Inside Rates										
% Increase in Monthly Minimum Charge		41.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%
Monthly Minimum Charge	\$ 13.59	\$ 19.16	\$ 19.55	\$ 19.94	\$ 20.33	\$ 20.74	\$ 21.16	\$ 21.58	\$ 21.58	\$ 21.58
% Increase in Usage Charge		41.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%
Usage Charge over 1,000-5,000 gallons (per 1,000 gallons)	\$ 6.32	\$ 8.91	\$ 9.09	\$ 9.27	\$ 9.46	\$ 9.65	\$ 9.84	\$ 10.04	\$ 10.04	\$ 10.04
% Increase in Usage Charge		41.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%
Usage Charge over 5,000-10,000 gallons (per 1,000 gallons)	\$ 5.49	\$ 7.74	\$ 7.90	\$ 8.05	\$ 8.21	\$ 8.38	\$ 8.55	\$ 8.72	\$ 8.72	\$ 8.72
% Increase in Usage Charge		41.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%
Usage Charge over 10,000-20,000 gallons (per 1,000 gallons)	\$ 4.96	\$ 6.99	\$ 7.13	\$ 7.28	\$ 7.42	\$ 7.57	\$ 7.72	\$ 7.88	\$ 7.88	\$ 7.88
% Increase in Usage Charge		41.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%
Usage Charge over 20,000 gallons (per 1,000 gallons)	\$ 4.14	\$ 5.84	\$ 5.95	\$ 6.07	\$ 6.19	\$ 6.32	\$ 6.44	\$ 6.57	\$ 6.57	\$ 6.57
Outside Rates										
% Increase in Monthly Minimum Charge		10.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%
Monthly Minimum Charge	\$ 22.70	\$ 24.97	\$ 25.47	\$ 25.98	\$ 26.50	\$ 27.03	\$ 27.57	\$ 28.12	\$ 28.12	\$ 28.12
% Increase in Usage Charge		10.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%
Usage Charge over 1,000-5,000 gallons (per 1,000 gallons)	\$ 10.33	\$ 11.36	\$ 11.59	\$ 11.82	\$ 12.06	\$ 12.30	\$ 12.55	\$ 12.80	\$ 12.80	\$ 12.80
% Increase in Usage Charge		10.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%
Usage Charge over 5,000-10,000 gallons (per 1,000 gallons)	\$ 8.94	\$ 9.83	\$ 10.03	\$ 10.23	\$ 10.44	\$ 10.64	\$ 10.86	\$ 11.07	\$ 11.07	\$ 11.07
% Increase in Usage Charge		10.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%
Usage Charge over 10,000-20,000 gallons (per 1,000 gallons)	\$ 7.98	\$ 8.78	\$ 8.95	\$ 9.13	\$ 9.32	\$ 9.50	\$ 9.69	\$ 9.89	\$ 9.89	\$ 9.89
% Increase in Usage Charge		0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%
Usage Charge over 20,000 gallons (per 1,000 gallons)	\$ 6.54	\$ 6.54	\$ 6.67	\$ 6.80	\$ 6.94	\$ 7.08	\$ 7.22	\$ 7.37	\$ 7.37	\$ 7.37
Minimum Charge Revenue	\$ 861,888	\$ 1,045,446	\$ 1,061,343	\$ 1,077,482	\$ 1,093,866	\$ 1,110,499	\$ 1,127,385	\$ 1,144,528	\$ 1,139,149	\$ 1,133,795
Billable Usage Charge Revenue (1,000-5,000 gallons usage)	\$ 660,516	\$ 792,957	\$ 804,772	\$ 816,763	\$ 828,933	\$ 841,284	\$ 853,819	\$ 866,541	\$ 862,208	\$ 857,897
Billable Usage Charge Revenue (5,000-10,000 gallons usage)	\$ 108,699	\$ 133,667	\$ 135,659	\$ 137,680	\$ 139,732	\$ 141,814	\$ 143,927	\$ 146,071	\$ 145,341	\$ 144,614
Billable Usage Charge Revenue (10,000-20,000 gallons usage)	\$ 55,934	\$ 72,786	\$ 73,871	\$ 74,972	\$ 76,089	\$ 77,222	\$ 78,373	\$ 79,541	\$ 79,143	\$ 78,747
Billable Usage Charge Revenue (20,000+ gallons usage)	\$ 139,408	\$ 189,340	\$ 192,161	\$ 195,025	\$ 197,931	\$ 200,880	\$ 203,873	\$ 206,911	\$ 205,876	\$ 204,847
Total Collected Revenues	\$ 1,826,444	\$ 2,234,197	\$ 2,267,806	\$ 2,301,922	\$ 2,336,550	\$ 2,371,699	\$ 2,407,377	\$ 2,443,592	\$ 2,431,718	\$ 2,419,901
Net Revenue Requirements	\$ 1,673,811	\$ 2,231,812	\$ 2,261,460	\$ 2,298,435	\$ 2,329,091	\$ 2,367,214	\$ 2,398,962	\$ 2,434,763	\$ 2,408,926	\$ 2,281,692
Surplus / (Shortfall)	\$ 152,633	\$ 2,385	\$ 6,346	\$ 3,487	\$ 7,459	\$ 4,485	\$ 8,415	\$ 8,829	\$ 22,792	\$ 138,209
Sewer Rates										
Inside Rates										
% Increase in Monthly Minimum Charge		118.0%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Monthly Minimum Charge	\$ 8.45	\$ 18.42	\$ 18.70	\$ 18.98	\$ 19.26	\$ 19.55	\$ 19.84	\$ 20.14	\$ 20.44	\$ 20.75
% Increase in Usage Charge		118.0%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Usage Charge over 1,000 gallons (per 1,000 gallons)	\$ 5.26	\$ 11.47	\$ 11.64	\$ 11.81	\$ 11.99	\$ 12.17	\$ 12.35	\$ 12.54	\$ 12.73	\$ 12.92
Outside Rates										
% Increase in Monthly Minimum Charge		118.0%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Monthly Minimum Charge	\$ 8.45	\$ 18.42	\$ 18.70	\$ 18.98	\$ 19.26	\$ 19.55	\$ 19.84	\$ 20.14	\$ 20.44	\$ 20.75
% Increase in Usage Charge		118.0%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Usage Charge over 1,000 gallons (per 1,000 gallons)	\$ 5.26	\$ 11.47	\$ 11.64	\$ 11.81	\$ 11.99	\$ 12.17	\$ 12.35	\$ 12.54	\$ 12.73	\$ 12.92
Mnimum Charge Revenue	\$ 188,807	\$ 411,599	\$ 415,809	\$ 420,063	\$ 424,360	\$ 428,701	\$ 433,086	\$ 437,516	\$ 441,992	\$ 446,513
Billable Usage Charge Revenue	\$ 522,399	\$ 1,133,136	\$ 1,144,382	\$ 1,155,740	\$ 1,167,211	\$ 1,178,795	\$ 1,190,495	\$ 1,202,311	\$ 1,214,243	\$ 1,226,295
Total Collected Revenues	\$ 711,206	\$ 1,544,735	\$ 1,560,191	\$ 1,575,803	\$ 1,591,571	\$ 1,607,496	\$ 1,623,581	\$ 1,639,827	\$ 1,656,236	\$ 1,672,808
Net Revenue Requirements	\$ 802,494	\$ 1,539,005	\$ 1,552,755	\$ 1,569,960	\$ 1,584,187	\$ 1,601,953	\$ 1,616,715	\$ 1,633,392	\$ 1,650,356	\$ 1,635,598
Surplus / (Shortfall)	\$ (91,288)	\$ 5,730	\$ 7,437	\$ 5,843	\$ 7,383	\$ 5,544	\$ 6,866	\$ 6,435	\$ 5,880	\$ 37,211

Town of Rogersville, Tennessee Rate Analysis
Schedule 9A - Town of Rogersville Rates - with Sinking Fund Funded at 25%

Town of Rogersville	Actual FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029
Water Rates										
Inside Rates										
% Increase in Monthly Minimum Charge		7.0%	6.0%	6.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Monthly Minimum Charge	\$ 13.59	\$ 14.54	\$ 15.41	\$ 16.34	\$ 16.67	\$ 17.00	\$ 17.34	\$ 17.69	\$ 18.04	\$ 18.40
% Increase in Usage Charge		7.0%	6.0%	6.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Usage Charge over 1,000-5,000 gallons (per 1,000 gallons)	\$ 6.32	\$ 6.76	\$ 7.17	\$ 7.60	\$ 7.75	\$ 7.91	\$ 8.06	\$ 8.22	\$ 8.39	\$ 8.56
% Increase in Usage Charge		7.0%	6.0%	6.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Usage Charge over 5,000-10,000 gallons (per 1,000 gallons)	\$ 5.49	\$ 5.87	\$ 6.23	\$ 6.60	\$ 6.73	\$ 6.87	\$ 7.00	\$ 7.14	\$ 7.29	\$ 7.43
% Increase in Usage Charge		7.0%	6.0%	6.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Usage Charge over 10,000-20,000 gallons (per 1,000 gallons)	\$ 4.96	\$ 5.31	\$ 5.63	\$ 5.96	\$ 6.08	\$ 6.20	\$ 6.33	\$ 6.45	\$ 6.58	\$ 6.72
% Increase in Usage Charge		7.0%	6.0%	6.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Usage Charge over 20,000 gallons (per 1,000 gallons)	\$ 4.14	\$ 4.43	\$ 4.70	\$ 4.98	\$ 5.08	\$ 5.18	\$ 5.28	\$ 5.39	\$ 5.50	\$ 5.61
Outside Rates										
% Increase in Monthly Minimum Charge		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%
Monthly Minimum Charge	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 23.15	\$ 23.62	\$ 24.09
% Increase in Usage Charge		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%
Usage Charge over 1,000-5,000 gallons (per 1,000 gallons)	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.54	\$ 10.75	\$ 10.96
% Increase in Usage Charge		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%
Usage Charge over 5,000-10,000 gallons (per 1,000 gallons)	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 9.12	\$ 9.30	\$ 9.49
% Increase in Usage Charge		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%
Usage Charge over 10,000-20,000 gallons (per 1,000 gallons)	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 8.14	\$ 8.30	\$ 8.47
% Increase in Usage Charge		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%
Usage Charge over 20,000 gallons (per 1,000 gallons)	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.67	\$ 6.80	\$ 6.94
Minimum Charge Revenue	\$ 861,888	\$ 883,875	\$ 899,791	\$ 916,736	\$ 919,873	\$ 923,110	\$ 926,446	\$ 940,533	\$ 954,835	\$ 969,354
Billable Usage Charge Revenue (1,000-5,000 gallons usage)	\$ 660,516	\$ 673,025	\$ 684,088	\$ 695,886	\$ 697,757	\$ 699,698	\$ 701,711	\$ 712,166	\$ 722,777	\$ 733,547
Billable Usage Charge Revenue (5,000-10,000 gallons usage)	\$ 108,699	\$ 111,474	\$ 113,945	\$ 116,569	\$ 117,109	\$ 117,663	\$ 118,232	\$ 119,993	\$ 121,781	\$ 123,596
Billable Usage Charge Revenue (10,000-20,000 gallons usage)	\$ 55,934	\$ 58,266	\$ 60,358	\$ 62,570	\$ 63,141	\$ 63,722	\$ 64,314	\$ 65,272	\$ 66,245	\$ 67,232
Billable Usage Charge Revenue (20,000+ gallons usage)	\$ 139,408	\$ 147,355	\$ 154,506	\$ 162,054	\$ 164,168	\$ 166,316	\$ 168,497	\$ 171,008	\$ 173,556	\$ 176,142
Total Collected Revenues	\$ 1,826,444	\$ 1,873,994	\$ 1,912,688	\$ 1,953,815	\$ 1,962,049	\$ 1,970,509	\$ 1,979,199	\$ 2,008,973	\$ 2,039,194	\$ 2,069,870
Net Revenue Requirements	\$ 1,673,811	\$ 1,871,812	\$ 1,901,460	\$ 1,938,435	\$ 1,969,091	\$ 2,007,214	\$ 2,038,962	\$ 2,074,763	\$ 2,048,926	\$ 1,921,692
Surplus / (Shortfall)	\$ 152,633	\$ 2,182	\$ 11,228	\$ 15,380	\$ (7,042)	\$ (36,704)	\$ (59,763)	\$ (65,791)	\$ (9,732)	\$ 148,178
Sewer Rates										
Inside Rates										
% Increase in Monthly Minimum Charge		18.0%	15.0%	15.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Monthly Minimum Charge	\$ 8.45	\$ 9.97	\$ 11.47	\$ 13.19	\$ 13.45	\$ 13.72	\$ 13.99	\$ 14.27	\$ 14.56	\$ 14.85
% Increase in Usage Charge		18.0%	15.0%	15.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Usage Charge over 1,000 gallons (per 1,000 gallons)	\$ 5.26	\$ 6.21	\$ 7.14	\$ 8.21	\$ 8.37	\$ 8.54	\$ 8.71	\$ 8.89	\$ 9.06	\$ 9.24
Outside Rates										
% Increase in Monthly Minimum Charge		18.0%	15.0%	15.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Monthly Minimum Charge	\$ 8.45	\$ 9.97	\$ 11.47	\$ 13.19	\$ 13.45	\$ 13.72	\$ 13.99	\$ 14.27	\$ 14.56	\$ 14.85
% Increase in Usage Charge		18.0%	15.0%	15.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Usage Charge over 1,000 gallons (per 1,000 gallons)	\$ 5.26	\$ 6.21	\$ 7.14	\$ 8.21	\$ 8.37	\$ 8.54	\$ 8.71	\$ 8.89	\$ 9.06	\$ 9.24
Mnimum Charge Revenue	\$ 188,807	\$ 222,792	\$ 255,007	\$ 291,879	\$ 296,318	\$ 300,823	\$ 305,398	\$ 310,042	\$ 314,756	\$ 319,542
Billable Usage Charge Revenue	\$ 522,399	\$ 613,349	\$ 701,824	\$ 803,062	\$ 815,028	\$ 827,172	\$ 839,497	\$ 852,005	\$ 864,700	\$ 877,584
Total Collected Revenues	\$ 711,206	\$ 836,141	\$ 956,831	\$ 1,094,942	\$ 1,111,346	\$ 1,127,995	\$ 1,144,895	\$ 1,162,047	\$ 1,179,456	\$ 1,197,126
Net Revenue Requirements	\$ 802,494	\$ 1,014,005	\$ 1,027,755	\$ 1,044,960	\$ 1,059,187	\$ 1,076,953	\$ 1,091,715	\$ 1,108,392	\$ 1,125,356	\$ 1,110,598
Surplus / (Shortfall)	\$ (91,288)	\$ (177,864)	\$ (70,924)	\$ 49,982	\$ 52,158	\$ 51,043	\$ 53,179	\$ 53,655	\$ 54,101	\$ 86,529

Town of Rogersville, Tennessee Rate Analysis
 Schedule 9B - Town of Rogersville Rates - Status Quo

Town of Rogersville	Actual FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029
Water Rates										
Inside Rates										
% Increase in Monthly Minimum Charge		0.0%	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Monthly Minimum Charge	\$ 13.59	\$ 13.59	\$ 13.59	\$ 14.00	\$ 14.42	\$ 14.85	\$ 15.30	\$ 15.75	\$ 16.23	\$ 16.71
% Increase in Usage Charge		0.0%	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Usage Charge over 1,000-5,000 gallons (per 1,000 gallons)	\$ 6.32	\$ 6.32	\$ 6.32	\$ 6.51	\$ 6.70	\$ 6.91	\$ 7.11	\$ 7.33	\$ 7.55	\$ 7.77
% Increase in Usage Charge		0.0%	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Usage Charge over 5,000-10,000 gallons (per 1,000 gallons)	\$ 5.49	\$ 5.49	\$ 5.49	\$ 5.65	\$ 5.82	\$ 6.00	\$ 6.18	\$ 6.36	\$ 6.56	\$ 6.75
% Increase in Usage Charge		0.0%	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Usage Charge over 10,000-20,000 gallons (per 1,000 gallons)	\$ 4.96	\$ 4.96	\$ 4.96	\$ 5.11	\$ 5.26	\$ 5.42	\$ 5.58	\$ 5.75	\$ 5.92	\$ 6.10
% Increase in Usage Charge		0.0%	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Usage Charge over 20,000 gallons (per 1,000 gallons)	\$ 4.14	\$ 4.14	\$ 4.14	\$ 4.26	\$ 4.39	\$ 4.52	\$ 4.66	\$ 4.80	\$ 4.94	\$ 5.09
Outside Rates										
% Increase in Monthly Minimum Charge		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Monthly Minimum Charge	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70
% Increase in Usage Charge		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Usage Charge over 1,000-5,000 gallons (per 1,000 gallons)	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33
% Increase in Usage Charge		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Usage Charge over 5,000-10,000 gallons (per 1,000 gallons)	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94
% Increase in Usage Charge		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Usage Charge over 10,000-20,000 gallons (per 1,000 gallons)	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98
% Increase in Usage Charge		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Usage Charge over 20,000 gallons (per 1,000 gallons)	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54
Minimum Charge Revenue	\$ 861,888	\$ 861,888	\$ 857,838	\$ 863,140	\$ 868,653	\$ 874,380	\$ 880,327	\$ 886,499	\$ 892,902	\$ 899,541
Billable Usage Charge Revenue (1,000-5,000 gallons usage)	\$ 660,516	\$ 657,213	\$ 653,927	\$ 657,366	\$ 660,955	\$ 664,696	\$ 668,594	\$ 672,652	\$ 676,874	\$ 681,263
Billable Usage Charge Revenue (5,000-10,000 gallons usage)	\$ 108,699	\$ 108,155	\$ 107,614	\$ 108,484	\$ 109,385	\$ 110,317	\$ 111,281	\$ 112,278	\$ 113,309	\$ 114,374
Billable Usage Charge Revenue (10,000-20,000 gallons usage)	\$ 55,934	\$ 55,654	\$ 55,376	\$ 56,207	\$ 57,062	\$ 57,940	\$ 58,844	\$ 59,772	\$ 60,726	\$ 61,706
Billable Usage Charge Revenue (20,000+ gallons usage)	\$ 139,408	\$ 138,711	\$ 138,018	\$ 140,995	\$ 144,049	\$ 147,181	\$ 150,393	\$ 153,687	\$ 157,065	\$ 160,529
Total Collected Revenues	\$ 1,826,444	\$ 1,821,622	\$ 1,812,772	\$ 1,826,193	\$ 1,840,103	\$ 1,854,515	\$ 1,869,439	\$ 1,884,889	\$ 1,900,876	\$ 1,917,413
Net Revenue Requirements	\$ 1,673,811	\$ 1,751,812	\$ 1,781,460	\$ 1,818,435	\$ 1,849,091	\$ 1,887,214	\$ 1,918,962	\$ 1,954,763	\$ 1,928,926	\$ 1,801,692
Surplus / (Shortfall)	\$ 152,633	\$ 69,809	\$ 31,312	\$ 7,758	\$ (8,988)	\$ (32,699)	\$ (49,523)	\$ (69,874)	\$ (28,050)	\$ 115,720
Sewer Rates										
Inside Rates										
% Increase in Monthly Minimum Charge		28.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%
Monthly Minimum Charge	\$ 8.45	\$ 10.82	\$ 10.82	\$ 10.82	\$ 10.82	\$ 10.82	\$ 11.03	\$ 11.25	\$ 11.48	\$ 11.71
% Increase in Usage Charge		28.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%
Usage Charge over 1,000 gallons (per 1,000 gallons)	\$ 5.26	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.87	\$ 7.00	\$ 7.14	\$ 7.29
Outside Rates										
% Increase in Monthly Minimum Charge		28.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%
Monthly Minimum Charge	\$ 8.45	\$ 10.82	\$ 10.82	\$ 10.82	\$ 10.82	\$ 10.82	\$ 11.03	\$ 11.25	\$ 11.48	\$ 11.71
% Increase in Usage Charge		28.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%
Usage Charge over 1,000 gallons (per 1,000 gallons)	\$ 5.26	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.87	\$ 7.00	\$ 7.14	\$ 7.29
Minimum Charge Revenue	\$ 188,807	\$ 241,673	\$ 240,537	\$ 239,406	\$ 238,281	\$ 237,161	\$ 240,767	\$ 244,429	\$ 248,145	\$ 251,919
Billable Usage Charge Revenue	\$ 522,399	\$ 665,327	\$ 662,001	\$ 658,691	\$ 655,397	\$ 652,120	\$ 661,837	\$ 671,698	\$ 681,707	\$ 691,864
Total Collected Revenues	\$ 711,206	\$ 907,000	\$ 902,538	\$ 898,097	\$ 893,678	\$ 889,281	\$ 902,604	\$ 916,127	\$ 929,852	\$ 943,783
Net Revenue Requirements	\$ 802,494	\$ 839,005	\$ 852,755	\$ 869,960	\$ 884,187	\$ 901,953	\$ 916,715	\$ 933,392	\$ 950,356	\$ 935,598
Surplus / (Shortfall)	\$ (91,288)	\$ 67,995	\$ 49,783	\$ 28,137	\$ 9,491	\$ (12,671)	\$ (14,111)	\$ (17,266)	\$ (20,504)	\$ 8,185

Town of Rogersville, Tennessee Rate Analysis
 Schedule 10 - Sample Bills

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Rogersville Water Rates - Status Quo										
<u>Inside Rates</u>										
Monthly Minimum Charge	\$ 13.59	\$ 13.59	\$ 13.59	\$ 14.00	\$ 14.42	\$ 14.85	\$ 15.30	\$ 15.75	\$ 16.23	\$ 16.71
Usage Charge over 1,000 < 5,000 gallons (per 1,000 gallons)	\$ 6.32	\$ 6.32	\$ 6.32	\$ 6.51	\$ 6.70	\$ 6.91	\$ 7.11	\$ 7.33	\$ 7.55	\$ 7.77
Usage Charge over 5,000 < 10,000 gallons (per 1,000 gallons)	\$ 5.49	\$ 5.49	\$ 5.49	\$ 5.65	\$ 5.82	\$ 6.00	\$ 6.18	\$ 6.36	\$ 6.56	\$ 6.75
Usage Charge over 10,000 < 20,000 gallons (per 1,000 gallons)	\$ 4.96	\$ 4.96	\$ 4.96	\$ 5.11	\$ 5.26	\$ 5.42	\$ 5.58	\$ 5.75	\$ 5.92	\$ 6.10
Usage Charge over 20,000 gallons (per 1,000 gallons)	\$ 4.14	\$ 4.14	\$ 4.14	\$ 4.26	\$ 4.39	\$ 4.52	\$ 4.66	\$ 4.80	\$ 4.94	\$ 5.09
<u>Outside Rates</u>										
Monthly Minimum Charge	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70
Usage Charge over 1,000 < 5,000 gallons (per 1,000 gallons)	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33
Usage Charge over 5,000 < 10,000 gallons (per 1,000 gallons)	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94
Usage Charge over 10,000 < 20,000 gallons (per 1,000 gallons)	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98
Usage Charge over 20,000 gallons (per 1,000 gallons)	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54
Rogersville Sewer Rates - Status Quo										
<u>Inside Rates</u>										
Monthly Minimum Charge	\$ 8.45	\$ 10.82	\$ 10.82	\$ 10.82	\$ 10.82	\$ 10.82	\$ 11.03	\$ 11.25	\$ 11.48	\$ 11.71
Usage Charge over 1,000 gallons (per 1,000 gallons)	\$ 5.26	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.87	\$ 7.00	\$ 7.14	\$ 7.29
<u>Outside Rates</u>										
Monthly Minimum Charge	\$ 8.45	\$ 10.82	\$ 10.82	\$ 10.82	\$ 10.82	\$ 10.82	\$ 11.03	\$ 11.25	\$ 11.48	\$ 11.71
Usage Charge over 1,000 gallons (per 1,000 gallons)	\$ 5.26	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.87	\$ 7.00	\$ 7.14	\$ 7.29
Rogersville Water Rates - With Sinking Fund Funded at 25%										
<u>Inside Rates</u>										
Monthly Minimum Charge	\$ 13.59	\$ 14.54	\$ 15.41	\$ 16.34	\$ 16.67	\$ 17.00	\$ 17.34	\$ 17.69	\$ 18.04	\$ 18.40
Usage Charge over 1,000 < 5,000 gallons (per 1,000 gallons)	\$ 6.32	\$ 6.76	\$ 7.17	\$ 7.60	\$ 7.75	\$ 7.91	\$ 8.06	\$ 8.22	\$ 8.39	\$ 8.56
Usage Charge over 5,000 < 10,000 gallons (per 1,000 gallons)	\$ 5.49	\$ 5.87	\$ 6.23	\$ 6.60	\$ 6.73	\$ 6.87	\$ 7.00	\$ 7.14	\$ 7.29	\$ 7.43
Usage Charge over 10,000 < 20,000 gallons (per 1,000 gallons)	\$ 4.96	\$ 5.31	\$ 5.63	\$ 5.96	\$ 6.08	\$ 6.20	\$ 6.33	\$ 6.45	\$ 6.58	\$ 6.72
Usage Charge over 20,000 gallons (per 1,000 gallons)	\$ 4.14	\$ 4.43	\$ 4.70	\$ 4.98	\$ 5.08	\$ 5.18	\$ 5.28	\$ 5.39	\$ 5.50	\$ 5.61
<u>Outside Rates</u>										
Monthly Minimum Charge	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 23.15	\$ 23.62	\$ 24.09
Usage Charge over 1,000 < 5,000 gallons (per 1,000 gallons)	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.54	\$ 10.75	\$ 10.96
Usage Charge over 5,000 < 10,000 gallons (per 1,000 gallons)	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 9.12	\$ 9.30	\$ 9.49
Usage Charge over 10,000 < 20,000 gallons (per 1,000 gallons)	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 8.14	\$ 8.30	\$ 8.47
Usage Charge over 20,000 gallons (per 1,000 gallons)	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.67	\$ 6.80	\$ 6.94
Rogersville Sewer Rates - With Sinking Fund Funded at 25%										
<u>Inside Rates</u>										
Monthly Minimum Charge	\$ 8.45	\$ 9.97	\$ 11.47	\$ 13.19	\$ 13.45	\$ 13.72	\$ 13.99	\$ 14.27	\$ 14.56	\$ 14.85
Usage Charge over 1,000 gallons (per 1,000 gallons)	\$ 5.26	\$ 6.21	\$ 7.14	\$ 8.21	\$ 8.37	\$ 8.54	\$ 8.71	\$ 8.89	\$ 9.06	\$ 9.24
<u>Outside Rates</u>										
Monthly Minimum Charge	\$ 8.45	\$ 9.97	\$ 11.47	\$ 13.19	\$ 13.45	\$ 13.72	\$ 13.99	\$ 14.27	\$ 14.56	\$ 14.85
Usage Charge over 1,000 gallons (per 1,000 gallons)	\$ 5.26	\$ 6.21	\$ 7.14	\$ 8.21	\$ 8.37	\$ 8.54	\$ 8.71	\$ 8.89	\$ 9.06	\$ 9.24
Rogersville Water Rates - With Sinking Fund 100% Funded										
<u>Inside Rates</u>										
Monthly Minimum Charge	\$ 13.59	\$ 19.16	\$ 19.55	\$ 19.94	\$ 20.33	\$ 20.74	\$ 21.16	\$ 21.58	\$ 21.58	\$ 21.58
Usage Charge over 1,000 < 5,000 gallons (per 1,000 gallons)	\$ 6.32	\$ 8.91	\$ 9.09	\$ 9.27	\$ 9.46	\$ 9.65	\$ 9.84	\$ 10.04	\$ 10.04	\$ 10.04
Usage Charge over 5,000 < 10,000 gallons (per 1,000 gallons)	\$ 5.49	\$ 7.74	\$ 7.90	\$ 8.05	\$ 8.21	\$ 8.38	\$ 8.55	\$ 8.72	\$ 8.72	\$ 8.72
Usage Charge over 10,000 < 20,000 gallons (per 1,000 gallons)	\$ 4.96	\$ 6.99	\$ 7.13	\$ 7.28	\$ 7.42	\$ 7.57	\$ 7.72	\$ 7.88	\$ 7.88	\$ 7.88
Usage Charge over 20,000 gallons (per 1,000 gallons)	\$ 4.14	\$ 5.84	\$ 5.95	\$ 6.07	\$ 6.19	\$ 6.32	\$ 6.44	\$ 6.57	\$ 6.57	\$ 6.57
<u>Outside Rates</u>										
Monthly Minimum Charge	\$ 22.70	\$ 24.97	\$ 25.47	\$ 25.98	\$ 26.50	\$ 27.03	\$ 27.57	\$ 28.12	\$ 28.12	\$ 28.12
Usage Charge over 1,000 < 5,000 gallons (per 1,000 gallons)	\$ 10.33	\$ 11.36	\$ 11.59	\$ 11.82	\$ 12.06	\$ 12.30	\$ 12.55	\$ 12.80	\$ 12.80	\$ 12.80
Usage Charge over 5,000 < 10,000 gallons (per 1,000 gallons)	\$ 8.94	\$ 9.83	\$ 10.03	\$ 10.23	\$ 10.44	\$ 10.64	\$ 10.86	\$ 11.07	\$ 11.07	\$ 11.07
Usage Charge over 10,000 < 20,000 gallons (per 1,000 gallons)	\$ 7.98	\$ 8.78	\$ 8.95	\$ 9.13	\$ 9.32	\$ 9.50	\$ 9.69	\$ 9.89	\$ 9.89	\$ 9.89
Usage Charge over 20,000 gallons (per 1,000 gallons)	\$ 6.54	\$ 6.54	\$ 6.67	\$ 6.80	\$ 6.94	\$ 7.08	\$ 7.22	\$ 7.37	\$ 7.37	\$ 7.37
Rogersville Sewer Rates - With Sinking Fund 100% Funded										
<u>Inside Rates</u>										
Monthly Minimum Charge	\$ 8.45	\$ 18.42	\$ 18.70	\$ 18.98	\$ 19.26	\$ 19.55	\$ 19.84	\$ 20.14	\$ 20.44	\$ 20.75
Usage Charge over 1,000 gallons (per 1,000 gallons)	\$ 5.26	\$ 11.47	\$ 11.64	\$ 11.81	\$ 11.99	\$ 12.17	\$ 12.35	\$ 12.54	\$ 12.73	\$ 12.92
<u>Outside Rates</u>										
Monthly Minimum Charge	\$ 8.45	\$ 18.42	\$ 18.70	\$ 18.98	\$ 19.26	\$ 19.55	\$ 19.84	\$ 20.14	\$ 20.44	\$ 20.75
Usage Charge over 1,000 gallons (per 1,000 gallons)	\$ 5.26	\$ 11.47	\$ 11.64	\$ 11.81	\$ 11.99	\$ 12.17	\$ 12.35	\$ 12.54	\$ 12.73	\$ 12.92

Rogersville Customer Water Bills - Status Quo (Inside Town Limits)

1,000	\$	13.59	\$	13.59	\$	13.59	\$	14.00	\$	14.42	\$	14.85	\$	15.30	\$	15.75	\$	16.23	\$	16.71
2,000	\$	19.91	\$	19.91	\$	19.91	\$	20.51	\$	21.12	\$	21.76	\$	22.41	\$	23.08	\$	23.77	\$	24.49
3,000	\$	26.23	\$	26.23	\$	26.23	\$	27.02	\$	27.83	\$	28.66	\$	29.52	\$	30.41	\$	31.32	\$	32.26
4,000	\$	32.55	\$	32.55	\$	32.55	\$	33.53	\$	34.53	\$	35.57	\$	36.64	\$	37.73	\$	38.87	\$	40.03
4,200	\$	33.81	\$	33.81	\$	33.81	\$	34.83	\$	35.87	\$	36.95	\$	38.06	\$	39.20	\$	40.38	\$	41.59
10,000	\$	66.32	\$	66.32	\$	66.32	\$	68.31	\$	70.36	\$	72.47	\$	74.64	\$	76.88	\$	79.19	\$	81.57
20,000	\$	115.92	\$	115.92	\$	115.92	\$	119.40	\$	122.98	\$	126.67	\$	130.47	\$	134.38	\$	138.41	\$	142.57
30,000	\$	157.32	\$	157.32	\$	157.32	\$	162.04	\$	166.90	\$	171.91	\$	177.07	\$	182.38	\$	187.85	\$	193.48
40,000	\$	198.72	\$	198.72	\$	198.72	\$	204.68	\$	210.82	\$	217.15	\$	223.66	\$	230.37	\$	237.28	\$	244.40
50,000	\$	240.12	\$	240.12	\$	240.12	\$	247.32	\$	254.74	\$	262.39	\$	270.26	\$	278.36	\$	286.72	\$	295.32

Rogersville Customer Sewer Bills - Status Quo (Inside Town Limits)

1,000	\$	8.45	\$	10.82	\$	10.82	\$	10.82	\$	10.82	\$	10.82	\$	11.03	\$	11.25	\$	11.48	\$	11.71
2,000	\$	13.71	\$	17.55	\$	17.55	\$	17.55	\$	17.55	\$	17.55	\$	17.90	\$	18.26	\$	18.62	\$	19.00
3,000	\$	18.97	\$	24.28	\$	24.28	\$	24.28	\$	24.28	\$	24.28	\$	24.77	\$	25.26	\$	25.77	\$	26.28
4,000	\$	24.23	\$	31.01	\$	31.01	\$	31.01	\$	31.01	\$	31.01	\$	31.63	\$	32.27	\$	32.91	\$	33.57
4,200	\$	25.28	\$	32.36	\$	32.36	\$	32.36	\$	32.36	\$	32.36	\$	33.01	\$	33.67	\$	34.34	\$	35.03
10,000	\$	55.79	\$	71.41	\$	71.41	\$	71.41	\$	71.41	\$	71.41	\$	72.84	\$	74.30	\$	75.78	\$	77.30
20,000	\$	108.39	\$	138.74	\$	138.74	\$	138.74	\$	138.74	\$	138.74	\$	141.51	\$	144.34	\$	147.23	\$	150.18
30,000	\$	160.99	\$	206.07	\$	206.07	\$	206.07	\$	206.07	\$	206.07	\$	210.19	\$	214.39	\$	218.68	\$	223.05
40,000	\$	213.59	\$	273.40	\$	273.40	\$	273.40	\$	273.40	\$	273.40	\$	278.86	\$	284.44	\$	290.13	\$	295.93
50,000	\$	266.19	\$	340.72	\$	340.72	\$	340.72	\$	340.72	\$	340.72	\$	347.54	\$	354.49	\$	361.58	\$	368.81

Rogersville Customer Total Bills - Status Quo (Inside Town Limits)

1,000	\$	22.04	\$	24.41	\$	24.41	\$	24.81	\$	25.23	\$	25.67	\$	26.33	\$	27.01	\$	27.71	\$	28.42
2,000	\$	33.62	\$	37.46	\$	37.46	\$	38.06	\$	38.67	\$	39.30	\$	40.31	\$	41.34	\$	42.40	\$	43.48
3,000	\$	45.20	\$	50.51	\$	50.51	\$	51.30	\$	52.11	\$	52.94	\$	54.29	\$	55.67	\$	57.09	\$	58.54
4,000	\$	56.78	\$	63.56	\$	63.56	\$	64.54	\$	65.55	\$	66.58	\$	68.27	\$	70.00	\$	71.78	\$	73.60
4,200	\$	59.10	\$	66.17	\$	66.17	\$	67.19	\$	68.23	\$	69.31	\$	71.07	\$	72.87	\$	74.72	\$	76.62
10,000	\$	122.11	\$	137.73	\$	137.73	\$	139.72	\$	141.77	\$	143.88	\$	147.48	\$	151.18	\$	154.97	\$	158.86
20,000	\$	224.31	\$	254.66	\$	254.66	\$	258.14	\$	261.72	\$	265.41	\$	271.98	\$	278.73	\$	285.65	\$	292.74
30,000	\$	318.31	\$	363.39	\$	363.39	\$	368.11	\$	372.97	\$	377.98	\$	387.25	\$	396.77	\$	406.53	\$	416.54
40,000	\$	412.31	\$	472.12	\$	472.12	\$	478.08	\$	484.22	\$	490.54	\$	502.52	\$	514.81	\$	527.41	\$	540.33
50,000	\$	506.31	\$	580.84	\$	580.84	\$	588.05	\$	595.47	\$	603.11	\$	617.79	\$	632.85	\$	648.29	\$	664.13

Rogersville Customer Water Bills With Sinking Fund @ 25% (Inside Town Limits)

1,000	\$	13.59	\$	14.54	\$	15.41	\$	16.34	\$	16.67	\$	17.00	\$	17.34	\$	17.69	\$	18.04	\$	18.40
2,000	\$	19.91	\$	20.35	\$	20.76	\$	21.60	\$	22.17	\$	22.76	\$	23.36	\$	23.98	\$	24.62	\$	25.27
3,000	\$	26.23	\$	27.11	\$	27.93	\$	29.19	\$	29.92	\$	30.66	\$	31.42	\$	32.20	\$	33.01	\$	33.83
4,000	\$	32.55	\$	33.88	\$	35.09	\$	36.79	\$	37.67	\$	38.57	\$	39.49	\$	40.43	\$	41.39	\$	42.38
4,200	\$	33.81	\$	35.23	\$	36.53	\$	38.31	\$	39.22	\$	40.15	\$	41.10	\$	42.07	\$	43.07	\$	44.10
10,000	\$	66.32	\$	68.24	\$	70.00	\$	73.04	\$	74.90	\$	76.81	\$	78.77	\$	80.78	\$	82.85	\$	84.97
20,000	\$	115.92	\$	119.39	\$	122.58	\$	127.94	\$	131.18	\$	134.51	\$	137.93	\$	141.43	\$	145.03	\$	148.72
30,000	\$	157.32	\$	160.22	\$	162.88	\$	169.17	\$	173.75	\$	178.45	\$	183.29	\$	188.26	\$	193.37	\$	198.62
40,000	\$	198.72	\$	204.52	\$	209.83	\$	218.94	\$	224.52	\$	230.24	\$	236.11	\$	242.14	\$	248.32	\$	254.67
50,000	\$	240.12	\$	248.81	\$	256.79	\$	268.72	\$	275.29	\$	282.02	\$	288.93	\$	296.01	\$	303.28	\$	310.73

Rogersville Customer Sewer Bills With Sinking Fund @ 25% (Inside Town Limits)

1,000	\$	8.45	\$	9.97	\$	11.47	\$	13.19	\$	13.45	\$	13.72	\$	13.99	\$	14.27	\$	14.56	\$	14.85
2,000	\$	13.71	\$	16.18	\$	18.60	\$	21.40	\$	21.82	\$	22.26	\$	22.70	\$	23.16	\$	23.62	\$	24.09
3,000	\$	18.97	\$	22.38	\$	25.74	\$	29.60	\$	30.20	\$	30.80	\$	31.42	\$	32.04	\$	32.68	\$	33.34
4,000	\$	24.23	\$	28.59	\$	32.88	\$	37.81	\$	38.57	\$	39.34	\$	40.13	\$	40.93	\$	41.75	\$	42.58
4,200	\$	25.28	\$	29.83	\$	34.31	\$	39.45	\$	40.24	\$	41.05	\$	41.87	\$	42.71	\$	43.56	\$	44.43
10,000	\$	55.79	\$	65.83	\$	75.71	\$	87.06	\$	88.80	\$	90.58	\$	92.39	\$	94.24	\$	96.12	\$	98.05
20,000	\$	108.39	\$	127.90	\$	147.09	\$	169.15	\$	172.53	\$	175.98	\$	179.50	\$	183.09	\$	186.75	\$	190.49
30,000	\$	160.99	\$	189.97	\$	218.46	\$	251.23	\$	256.26	\$	261.38	\$	266.61	\$	271.94	\$	277.38	\$	282.93
40,000	\$	213.59	\$	252.04	\$	289.84	\$	333.32	\$	339.98	\$	346.78	\$	353.72	\$	360.79	\$	368.01	\$	375.37
50,000	\$	266.19	\$	314.10	\$	361.22	\$	415.40	\$	423.71	\$	432.19	\$	440.83	\$	449.65	\$	458.64	\$	467.81

Rogersville Customer Total Bills With Sinking Fund @ 25% (Inside Town Limits)

1,000	\$	22.04	\$	24.51	\$	26.88	\$	29.53	\$	30.12	\$	30.72	\$	31.33	\$	31.96	\$	32.60	\$	33.25
2,000	\$	33.62	\$	36.53	\$	39.36	\$	42.99	\$	43.99	\$	45.01	\$	46.06	\$	47.14	\$	48.24	\$	49.37
3,000	\$	45.20	\$	49.50	\$	53.67	\$	58.80	\$	60.11	\$	61.46	\$	62.84	\$	64.25	\$	65.69	\$	67.17
4,000	\$	56.78	\$	62.47	\$	67.97	\$	74.60	\$	76.24	\$	77.91	\$	79.61	\$	81.36	\$	83.14	\$	84.97
4,200	\$	59.10	\$	65.06	\$	70.84	\$	77.77	\$	79.46	\$	81.19	\$	82.97	\$	84.78	\$	86.63	\$	88.53
10,000	\$	122.11	\$	134.07	\$	145.71	\$	160.10	\$	163.70	\$	167.39	\$	171.16	\$	175.02	\$	178.97	\$	183.02
20,000	\$	224.31	\$	247.29	\$	269.66	\$	297.09	\$	303.71	\$	310.49	\$	317.43	\$	324.52	\$	331.78	\$	339.21
30,000	\$	318.31	\$	350.19	\$	381.34	\$	420.40	\$	430.01	\$	439.84	\$	449.90	\$	460.20	\$	470.75	\$	481.55
40,000	\$	412.31	\$	456.55	\$	499.67	\$	552.26	\$	564.50	\$	577.02	\$	589.83	\$	602.93	\$	616.33	\$	630.04
50,000	\$	506.31	\$	562.92	\$	618.01	\$	684.12	\$	699.00	\$	714.21	\$	729.76	\$	745.66	\$	761.91	\$	778.54

Rogersville Customer Water Bills With Sinking Fund @ 100% (Inside Town Limits)

1,000	\$	13.59	\$	19.16	\$	19.55	\$	19.94	\$	20.33	\$	20.74	\$	21.16	\$	21.58	\$	21.58	\$	21.58
2,000	\$	19.91	\$	28.07	\$	28.63	\$	29.21	\$	29.79	\$	30.39	\$	30.99	\$	31.61	\$	31.61	\$	31.61
3,000	\$	26.23	\$	36.98	\$	37.72	\$	38.48	\$	39.25	\$	40.03	\$	40.83	\$	41.65	\$	41.65	\$	41.65
4,000	\$	32.55	\$	45.90	\$	46.81	\$	47.75	\$	48.70	\$	49.68	\$	50.67	\$	51.69	\$	51.69	\$	51.69
4,200	\$	33.81	\$	47.68	\$	48.63	\$	49.60	\$	50.60	\$	51.61	\$	52.64	\$	53.69	\$	53.69	\$	53.69
10,000	\$	66.32	\$	93.51	\$	95.38	\$	97.29	\$	99.23	\$	101.22	\$	103.24	\$	105.31	\$	105.31	\$	105.31
20,000	\$	115.92	\$	163.45	\$	166.72	\$	170.05	\$	173.45	\$	176.92	\$	180.46	\$	184.07	\$	184.07	\$	184.07
30,000	\$	157.32	\$	221.82	\$	226.26	\$	230.78	\$	235.40	\$	240.11	\$	244.91	\$	249.81	\$	249.81	\$	249.81
40,000	\$	198.72	\$	280.20	\$	285.80	\$	291.52	\$	297.35	\$	303.29	\$	309.36	\$	315.55	\$	315.55	\$	315.55
50,000	\$	240.12	\$	338.57	\$	345.34	\$	352.25	\$	359.29	\$	366.48	\$	373.81	\$	381.28	\$	381.28	\$	381.28

Rogersville Customer Sewer Bills With Sinking Fund @ 100% (Inside Town Limits)

1,000	\$	8.45	\$	18.42	\$	18.70	\$	18.98	\$	19.26	\$	19.55	\$	19.84	\$	20.14	\$	20.44	\$	20.75
2,000	\$	13.71	\$	29.89	\$	30.34	\$	30.79	\$	31.25	\$	31.72	\$	32.20	\$	32.68	\$	33.17	\$	33.67
3,000	\$	18.97	\$	41.35	\$	41.97	\$	42.60	\$	43.24	\$	43.89	\$	44.55	\$	45.22	\$	45.90	\$	46.59
4,000	\$	24.23	\$	52.82	\$	53.61	\$	54.42	\$	55.23	\$	56.06	\$	56.90	\$	57.76	\$	58.62	\$	59.50
4,200	\$	25.28	\$	55.11	\$	55.94	\$	56.78	\$	57.63	\$	58.50	\$	59.37	\$	60.26	\$	61.17	\$	62.09
10,000	\$	55.79	\$	121.62	\$	123.45	\$	125.30	\$	127.18	\$	129.09	\$	131.02	\$	132.99	\$	134.98	\$	137.01
20,000	\$	108.39	\$	236.29	\$	239.83	\$	243.43	\$	247.08	\$	250.79	\$	254.55	\$	258.37	\$	262.25	\$	266.18
30,000	\$	160.99	\$	350.96	\$	356.22	\$	361.57	\$	366.99	\$	372.49	\$	378.08	\$	383.75	\$	389.51	\$	395.35
40,000	\$	213.59	\$	465.63	\$	472.61	\$	479.70	\$	486.90	\$	494.20	\$	501.61	\$	509.14	\$	516.77	\$	524.52
50,000	\$	266.19	\$	580.29	\$	589.00	\$	597.83	\$	606.80	\$	615.90	\$	625.14	\$	634.52	\$	644.04	\$	653.70

Rogersville Customer Total Bills With Sinking Fund @ 100% (Inside Town Limits)

1,000	\$	22.04	\$	37.58	\$	38.24	\$	38.91	\$	39.60	\$	40.29	\$	41.00	\$	41.72	\$	42.02	\$	42.33
2,000	\$	33.62	\$	57.96	\$	58.97	\$	60.00	\$	61.04	\$	62.11	\$	63.19	\$	64.30	\$	64.79	\$	65.28
3,000	\$	45.20	\$	78.34	\$	79.70	\$	81.08	\$	82.49	\$	83.93	\$	85.38	\$	86.87	\$	87.55	\$	88.24
4,000	\$	56.78	\$	98.72	\$	100.43	\$	102.17	\$	103.94	\$	105.74	\$	107.58	\$	109.44	\$	110.31	\$	111.19
4,200	\$	59.10	\$	102.79	\$	104.57	\$	106.38	\$	108.23	\$	110.10	\$	112.01	\$	113.96	\$	114.86	\$	115.78
10,000	\$	122.11	\$	215.13	\$	218.83	\$	222.59	\$	226.41	\$	230.30	\$	234.27	\$	238.30	\$	240.29	\$	242.32
20,000	\$	224.31	\$	399.74	\$	406.55	\$	413.48	\$	420.54	\$	427.71	\$	435.01	\$	442.44	\$	446.31	\$	450.25
30,000	\$	318.31	\$	572.78	\$	582.48	\$	592.35	\$	602.39	\$	612.60	\$	622.99	\$	633.56	\$	639.32	\$	645.16
40,000	\$	412.31	\$	745.82	\$	758.41	\$	771.21	\$	784.24	\$	797.49	\$	810.97	\$	824.68	\$	832.32	\$	840.07
50,000	\$	506.31	\$	918.86	\$	934.34	\$	950.08	\$	966.09	\$	982.38	\$	998.95	\$	1,015.80	\$	1,025.32	\$	1,034.98

Scenario 1 Assumptions:

Town of Rogersville does not make any Capital Improvements and does not bank any money for future Capital Improvements

No customer growth (declines at 0.5%)

Town of Rogersville Water System	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Operating and Capital Costs										
Town of Rogersville Operating Expenses	1,614,014	1,646,771	1,680,212	1,714,353	1,749,207	1,784,790	1,821,119	1,858,208	1,896,076	1,934,739
Town of Rogersville Current Debt Service	372,453	417,697	413,903	416,738	412,539	415,079	410,499	409,210	345,505	179,609
Cash Funded Capital Projects	-	-	-	-	-	-	-	-	-	-
New Debt Service	-	-	-	-	-	-	-	-	-	-
Total Revenue Requirement	\$ 1,986,467	\$ 2,064,468	\$ 2,094,115	\$ 2,131,090	\$ 2,161,746	\$ 2,199,869	\$ 2,231,617	\$ 2,267,418	\$ 2,241,581	\$ 2,114,347
Less Miscellaneous Rogersville Revenues	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)
Net Revenue Requirement	\$ 1,673,811	\$ 1,751,812	\$ 1,781,460	\$ 1,818,435	\$ 1,849,091	\$ 1,887,214	\$ 1,918,962	\$ 1,954,763	\$ 1,928,926	\$ 1,801,692

Water Rates

Inside Rates

Monthly Minimum Charge	\$ 13.59	\$ 13.59	\$ 13.59	\$ 14.00	\$ 14.42	\$ 14.85	\$ 15.30	\$ 15.75	\$ 16.23	\$ 16.71
Usage Charge over 1,000-5,000 gallons (per 1,000 gallons)	\$ 6.32	\$ 6.32	\$ 6.32	\$ 6.51	\$ 6.70	\$ 6.91	\$ 7.11	\$ 7.33	\$ 7.55	\$ 7.77
Usage Charge over 5,000-10,000 gallons (per 1,000 gallons)	\$ 5.49	\$ 5.49	\$ 5.49	\$ 5.65	\$ 5.82	\$ 6.00	\$ 6.18	\$ 6.36	\$ 6.56	\$ 6.75
Usage Charge over 10,000-20,000 gallons (per 1,000 gallons)	\$ 4.96	\$ 4.96	\$ 4.96	\$ 5.11	\$ 5.26	\$ 5.42	\$ 5.58	\$ 5.75	\$ 5.92	\$ 6.10
Usage Charge over 20,000 gallons (per 1,000 gallons)	\$ 4.14	\$ 4.14	\$ 4.14	\$ 4.26	\$ 4.39	\$ 4.52	\$ 4.66	\$ 4.80	\$ 4.94	\$ 5.09

Outside Rates

Monthly Minimum Charge	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70
Usage Charge over 1,000-5,000 gallons (per 1,000 gallons)	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33
Usage Charge over 5,000-10,000 gallons (per 1,000 gallons)	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94
Usage Charge over 10,000-20,000 gallons (per 1,000 gallons)	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98
Usage Charge over 20,000 gallons (per 1,000 gallons)	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54

Minimum Charge Revenue	\$ 861,888	\$ 861,888	\$ 857,838	\$ 863,140	\$ 868,653	\$ 874,380	\$ 880,327	\$ 886,499	\$ 892,902	\$ 899,541
Billable Usage Charge Revenue (1,000-5,000 gallons usage)	\$ 660,516	\$ 657,213	\$ 653,927	\$ 657,366	\$ 660,955	\$ 664,696	\$ 668,594	\$ 672,652	\$ 676,874	\$ 681,263
Billable Usage Charge Revenue (5,000-10,000 gallons usage)	\$ 108,699	\$ 108,155	\$ 107,614	\$ 108,484	\$ 109,385	\$ 110,317	\$ 111,281	\$ 112,278	\$ 113,309	\$ 114,374
Billable Usage Charge Revenue (10,000-20,000 gallons usage)	\$ 55,934	\$ 55,654	\$ 55,376	\$ 56,207	\$ 57,062	\$ 57,940	\$ 58,844	\$ 59,772	\$ 60,726	\$ 61,706
Billable Usage Charge Revenue (20,000+ gallons usage)	\$ 139,408	\$ 138,711	\$ 138,018	\$ 140,995	\$ 144,049	\$ 147,181	\$ 150,393	\$ 153,687	\$ 157,065	\$ 160,529
Total Collected Revenues	\$ 1,826,444	\$ 1,821,622	\$ 1,812,772	\$ 1,826,193	\$ 1,840,103	\$ 1,854,515	\$ 1,869,439	\$ 1,884,889	\$ 1,900,876	\$ 1,917,413
Net Revenue Requirements	\$ 1,673,811	\$ 1,751,812	\$ 1,781,460	\$ 1,818,435	\$ 1,849,091	\$ 1,887,214	\$ 1,918,962	\$ 1,954,763	\$ 1,928,926	\$ 1,801,692
Surplus / (Shortfall)	\$ 152,633	\$ 69,809	\$ 31,312	\$ 7,758	\$ (8,988)	\$ (32,699)	\$ (49,523)	\$ (69,874)	\$ (28,050)	\$ 115,720

Town of Rogersville Sewer System	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Operating and Capital Costs										
Town of Rogersville Operating Expenses	730,075	745,306	760,864	776,757	792,992	809,578	826,521	843,830	861,514	879,580
Town of Rogersville Current Debt Service	94,544	115,824	114,016	115,328	113,320	114,500	112,319	111,687	110,967	78,143
Cash Funded Capital Projects	-	-	-	-	-	-	-	-	-	-
New Debt Service	-	-	-	-	-	-	-	-	-	-
Total Revenue Requirement	\$ 824,619	\$ 861,129	\$ 874,880	\$ 892,085	\$ 906,312	\$ 924,077	\$ 938,840	\$ 955,517	\$ 972,481	\$ 957,722
Less Miscellaneous Rogersville Revenues	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)
Net Revenue Requirement	\$ 802,494	\$ 839,005	\$ 852,755	\$ 869,960	\$ 884,187	\$ 901,953	\$ 916,715	\$ 933,392	\$ 950,356	\$ 935,598

Sewer Rates

Inside Rates

Monthly Minimum Charge	\$ 8.45	\$ 10.82	\$ 10.82	\$ 10.82	\$ 10.82	\$ 10.82	\$ 11.03	\$ 11.25	\$ 11.48	\$ 11.71
Usage Charge over 1,000 gallons (per 1,000 gallons)	\$ 5.26	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.87	\$ 7.00	\$ 7.14	\$ 7.29

Outside Rates

Monthly Minimum Charge	\$ 8.45	\$ 10.82	\$ 10.82	\$ 10.82	\$ 10.82	\$ 10.82	\$ 11.03	\$ 11.25	\$ 11.48	\$ 11.71
Usage Charge over 1,000 gallons (per 1,000 gallons)	\$ 5.26	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.87	\$ 7.00	\$ 7.14	\$ 7.29

Mimum Charge Revenue	\$ 188,807	\$ 241,673	\$ 240,537	\$ 239,406	\$ 238,281	\$ 237,161	\$ 240,767	\$ 244,429	\$ 248,145	\$ 251,919
Billable Usage Charge Revenue	\$ 522,399	\$ 665,327	\$ 662,001	\$ 658,691	\$ 655,397	\$ 652,120	\$ 661,837	\$ 671,698	\$ 681,707	\$ 691,864
Total Collected Revenues	\$ 711,206	\$ 907,000	\$ 902,538	\$ 898,097	\$ 893,678	\$ 889,281	\$ 902,604	\$ 916,127	\$ 929,852	\$ 943,783
Net Revenue Requirements	\$ 802,494	\$ 839,005	\$ 852,755	\$ 869,960	\$ 884,187	\$ 901,953	\$ 916,715	\$ 933,392	\$ 950,356	\$ 935,598
Surplus / (Shortfall)	\$ (91,288)	\$ 67,995	\$ 49,783	\$ 28,137	\$ 9,491	\$ (12,671)	\$ (14,111)	\$ (17,266)	\$ (20,504)	\$ 8,185

Scenario 2 Assumptions:

Town of Rogersville banks 25% of the yearly utility system replacement cost to get typical utility bill up to 3.0% +/- of Median Household Income

No customer growth (declines at 0.5%)

Town of Rogersville Water System	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Operating and Capital Costs										
Town of Rogersville Operating Expenses	1,614,014	1,646,771	1,680,212	1,714,353	1,749,207	1,784,790	1,821,119	1,858,208	1,896,076	1,934,739
Town of Rogersville Current Debt Service	372,453	417,697	413,903	416,738	412,539	415,079	410,499	409,210	345,505	179,609
Cash Funded Capital Projects	-	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
New Debt Service	-	-	-	-	-	-	-	-	-	-
Total Revenue Requirement	\$ 1,986,467	\$ 2,184,468	\$ 2,214,115	\$ 2,251,090	\$ 2,281,746	\$ 2,319,869	\$ 2,351,617	\$ 2,387,418	\$ 2,361,581	\$ 2,234,347
Less Miscellaneous Rogersville Revenues	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)
Net Revenue Requirement	\$ 1,673,811	\$ 1,871,812	\$ 1,901,460	\$ 1,938,435	\$ 1,969,091	\$ 2,007,214	\$ 2,038,962	\$ 2,074,763	\$ 2,048,926	\$ 1,921,692
Water Rates										
Inside Rates										
Monthly Minimum Charge	\$ 13.59	\$ 14.54	\$ 15.41	\$ 16.34	\$ 16.67	\$ 17.00	\$ 17.34	\$ 17.69	\$ 18.04	\$ 18.40
Usage Charge over 1,000-5,000 gallons (per 1,000 gallons)	\$ 6.32	\$ 6.76	\$ 7.17	\$ 7.60	\$ 7.75	\$ 7.91	\$ 8.06	\$ 8.22	\$ 8.39	\$ 8.56
Usage Charge over 5,000-10,000 gallons (per 1,000 gallons)	\$ 5.49	\$ 5.87	\$ 6.23	\$ 6.60	\$ 6.73	\$ 6.87	\$ 7.00	\$ 7.14	\$ 7.29	\$ 7.43
Usage Charge over 10,000-20,000 gallons (per 1,000 gallons)	\$ 4.96	\$ 5.31	\$ 5.63	\$ 5.96	\$ 6.08	\$ 6.20	\$ 6.33	\$ 6.45	\$ 6.58	\$ 6.72
Usage Charge over 20,000 gallons (per 1,000 gallons)	\$ 4.14	\$ 4.43	\$ 4.70	\$ 4.98	\$ 5.08	\$ 5.18	\$ 5.28	\$ 5.39	\$ 5.50	\$ 5.61
Outside Rates										
Monthly Minimum Charge	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 23.15	\$ 23.62	\$ 24.09
Usage Charge over 1,000-5,000 gallons (per 1,000 gallons)	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.54	\$ 10.75	\$ 10.96
Usage Charge over 5,000-10,000 gallons (per 1,000 gallons)	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 9.12	\$ 9.30	\$ 9.49
Usage Charge over 10,000-20,000 gallons (per 1,000 gallons)	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 8.14	\$ 8.30	\$ 8.47
Usage Charge over 20,000 gallons (per 1,000 gallons)	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.67	\$ 6.80	\$ 6.94
Minimum Charge Revenue	\$ 861,888	\$ 883,875	\$ 899,791	\$ 916,736	\$ 919,873	\$ 923,110	\$ 926,446	\$ 940,533	\$ 954,835	\$ 969,354
Billable Usage Charge Revenue (1,000-5,000 gallons usage)	\$ 660,516	\$ 673,025	\$ 684,088	\$ 695,886	\$ 697,757	\$ 699,698	\$ 701,711	\$ 712,166	\$ 722,777	\$ 733,547
Billable Usage Charge Revenue (5,000-10,000 gallons usage)	\$ 108,699	\$ 111,474	\$ 113,945	\$ 116,569	\$ 117,109	\$ 117,663	\$ 118,232	\$ 119,993	\$ 121,781	\$ 123,596
Billable Usage Charge Revenue (10,000-20,000 gallons usage)	\$ 55,934	\$ 58,266	\$ 60,358	\$ 62,570	\$ 63,141	\$ 63,722	\$ 64,314	\$ 65,272	\$ 66,245	\$ 67,232
Billable Usage Charge Revenue (20,000+ gallons usage)	\$ 139,408	\$ 147,355	\$ 154,506	\$ 162,054	\$ 164,168	\$ 166,316	\$ 168,497	\$ 171,008	\$ 173,556	\$ 176,142
Total Collected Revenues	\$ 1,826,444	\$ 1,873,994	\$ 1,912,688	\$ 1,953,815	\$ 1,962,049	\$ 1,970,509	\$ 1,979,199	\$ 2,008,973	\$ 2,039,194	\$ 2,069,870
Net Revenue Requirements	\$ 1,673,811	\$ 1,871,812	\$ 1,901,460	\$ 1,938,435	\$ 1,969,091	\$ 2,007,214	\$ 2,038,962	\$ 2,074,763	\$ 2,048,926	\$ 1,921,692
Surplus / (Shortfall)	\$ 152,633	\$ 2,182	\$ 11,228	\$ 15,380	\$ (7,042)	\$ (36,704)	\$ (59,763)	\$ (65,791)	\$ (9,732)	\$ 148,178
Town of Rogersville Sewer System										
Operating and Capital Costs										
Town of Rogersville Operating Expenses	730,075	745,306	760,864	776,757	792,992	809,578	826,521	843,830	861,514	879,580
Town of Rogersville Current Debt Service	94,544	115,824	114,016	115,328	113,320	114,500	112,319	111,687	110,967	78,143
Cash Funded Capital Projects	-	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000
New Debt Service	-	-	-	-	-	-	-	-	-	-
Total Revenue Requirement	\$ 824,619	\$ 1,036,129	\$ 1,049,880	\$ 1,067,085	\$ 1,081,312	\$ 1,099,077	\$ 1,113,840	\$ 1,130,517	\$ 1,147,481	\$ 1,132,722
Less Miscellaneous Rogersville Revenues	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)
Net Revenue Requirement	\$ 802,494	\$ 1,014,005	\$ 1,027,755	\$ 1,044,960	\$ 1,059,187	\$ 1,076,953	\$ 1,091,715	\$ 1,108,392	\$ 1,125,356	\$ 1,110,598
Sewer Rates										
Inside Rates										
Monthly Minimum Charge	\$ 8.45	\$ 9.97	\$ 11.47	\$ 13.19	\$ 13.45	\$ 13.72	\$ 13.99	\$ 14.27	\$ 14.56	\$ 14.85
Usage Charge over 1,000 gallons (per 1,000 gallons)	\$ 5.26	\$ 6.21	\$ 7.14	\$ 8.21	\$ 8.37	\$ 8.54	\$ 8.71	\$ 8.89	\$ 9.06	\$ 9.24
Outside Rates										
Monthly Minimum Charge	\$ 8.45	\$ 9.97	\$ 11.47	\$ 13.19	\$ 13.45	\$ 13.72	\$ 13.99	\$ 14.27	\$ 14.56	\$ 14.85
Usage Charge over 1,000 gallons (per 1,000 gallons)	\$ 5.26	\$ 6.21	\$ 7.14	\$ 8.21	\$ 8.37	\$ 8.54	\$ 8.71	\$ 8.89	\$ 9.06	\$ 9.24
Mimum Charge Revenue	\$ 188,807	\$ 222,792	\$ 255,007	\$ 291,879	\$ 296,318	\$ 300,823	\$ 305,398	\$ 310,042	\$ 314,756	\$ 319,542
Billable Usage Charge Revenue	\$ 522,399	\$ 613,349	\$ 701,824	\$ 803,062	\$ 815,028	\$ 827,172	\$ 839,497	\$ 852,005	\$ 864,700	\$ 877,584
Total Collected Revenues	\$ 711,206	\$ 836,141	\$ 956,831	\$ 1,094,942	\$ 1,111,346	\$ 1,127,995	\$ 1,144,895	\$ 1,162,047	\$ 1,179,456	\$ 1,197,126
Net Revenue Requirements	\$ 802,494	\$ 1,014,005	\$ 1,027,755	\$ 1,044,960	\$ 1,059,187	\$ 1,076,953	\$ 1,091,715	\$ 1,108,392	\$ 1,125,356	\$ 1,110,598
Surplus / (Shortfall)	\$ (91,288)	\$ (177,864)	\$ (70,924)	\$ 49,982	\$ 52,158	\$ 51,043	\$ 53,179	\$ 53,655	\$ 54,101	\$ 86,529

Scenario 3 Assumptions:

Town of Rogersville banks 100% of the yearly utility system replacement cost

No customer growth (declines at 0.5%)

Town of Rogersville Water System	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Operating and Capital Costs										
Town of Rogersville Operating Expenses	1,614,014	1,646,771	1,680,212	1,714,353	1,749,207	1,784,790	1,821,119	1,858,208	1,896,076	1,934,739
Town of Rogersville Current Debt Service	372,453	417,697	413,903	416,738	412,539	415,079	410,499	409,210	345,505	179,609
Cash Funded Capital Projects	-	480,000	480,000	480,000	480,000	480,000	480,000	480,000	480,000	480,000
New Debt Service	-	-	-	-	-	-	-	-	-	-
Total Revenue Requirement	\$ 1,986,467	\$ 2,544,468	\$ 2,574,115	\$ 2,611,090	\$ 2,641,746	\$ 2,679,869	\$ 2,711,617	\$ 2,747,418	\$ 2,721,581	\$ 2,594,347
Less Miscellaneous Rogersville Revenues	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)	(312,655)
Net Revenue Requirement	\$ 1,673,811	\$ 2,231,812	\$ 2,261,460	\$ 2,298,435	\$ 2,329,091	\$ 2,367,214	\$ 2,398,962	\$ 2,434,763	\$ 2,408,926	\$ 2,281,692

Water Rates

Inside Rates

Monthly Minimum Charge	\$ 13.59	\$ 13.59	\$ 13.59	\$ 14.00	\$ 14.42	\$ 14.85	\$ 15.30	\$ 15.75	\$ 16.23	\$ 16.71
Usage Charge over 1,000-5,000 gallons (per 1,000 gallons)	\$ 6.32	\$ 6.32	\$ 6.32	\$ 6.51	\$ 6.70	\$ 6.91	\$ 7.11	\$ 7.33	\$ 7.55	\$ 7.77
Usage Charge over 5,000-10,000 gallons (per 1,000 gallons)	\$ 5.49	\$ 5.49	\$ 5.49	\$ 5.65	\$ 5.82	\$ 6.00	\$ 6.18	\$ 6.36	\$ 6.56	\$ 6.75
Usage Charge over 10,000-20,000 gallons (per 1,000 gallons)	\$ 4.96	\$ 4.96	\$ 4.96	\$ 5.11	\$ 5.26	\$ 5.42	\$ 5.58	\$ 5.75	\$ 5.92	\$ 6.10
Usage Charge over 20,000 gallons (per 1,000 gallons)	\$ 4.14	\$ 4.14	\$ 4.14	\$ 4.26	\$ 4.39	\$ 4.52	\$ 4.66	\$ 4.80	\$ 4.94	\$ 5.09

Outside Rates

Monthly Minimum Charge	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70	\$ 22.70
Usage Charge over 1,000-5,000 gallons (per 1,000 gallons)	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33	\$ 10.33
Usage Charge over 5,000-10,000 gallons (per 1,000 gallons)	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94	\$ 8.94
Usage Charge over 10,000-20,000 gallons (per 1,000 gallons)	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98	\$ 7.98
Usage Charge over 20,000 gallons (per 1,000 gallons)	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54	\$ 6.54

Minimum Charge Revenue	\$ 861,888	\$ 861,888	\$ 857,838	\$ 863,140	\$ 868,653	\$ 874,380	\$ 880,327	\$ 886,499	\$ 892,902	\$ 899,541
Billable Usage Charge Revenue (1,000-5,000 gallons usage)	\$ 660,516	\$ 657,213	\$ 653,927	\$ 657,366	\$ 660,955	\$ 664,696	\$ 668,594	\$ 672,652	\$ 676,874	\$ 681,263
Billable Usage Charge Revenue (5,000-10,000 gallons usage)	\$ 108,699	\$ 108,155	\$ 107,614	\$ 108,484	\$ 109,385	\$ 110,317	\$ 111,281	\$ 112,278	\$ 113,309	\$ 114,374
Billable Usage Charge Revenue (10,000-20,000 gallons usage)	\$ 55,934	\$ 55,654	\$ 55,376	\$ 56,207	\$ 57,062	\$ 57,940	\$ 58,844	\$ 59,772	\$ 60,726	\$ 61,706
Billable Usage Charge Revenue (20,000+ gallons usage)	\$ 139,408	\$ 138,711	\$ 138,018	\$ 140,995	\$ 144,049	\$ 147,181	\$ 150,393	\$ 153,687	\$ 157,065	\$ 160,529
Total Collected Revenues	\$ 1,826,444	\$ 1,821,622	\$ 1,812,772	\$ 1,826,193	\$ 1,840,103	\$ 1,854,515	\$ 1,869,439	\$ 1,884,889	\$ 1,900,876	\$ 1,917,413
Net Revenue Requirements	\$ 1,673,811	\$ 1,751,812	\$ 1,781,460	\$ 1,818,435	\$ 1,849,091	\$ 1,887,214	\$ 1,918,962	\$ 1,954,763	\$ 1,928,926	\$ 1,801,692
Surplus / (Shortfall)	\$ 152,633	\$ 69,809	\$ 31,312	\$ 7,758	\$ (8,988)	\$ (32,699)	\$ (49,523)	\$ (69,874)	\$ (28,050)	\$ 115,720

Town of Rogersville Sewer System	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Operating and Capital Costs										
Town of Rogersville Operating Expenses	730,075	745,306	760,864	776,757	792,992	809,578	826,521	843,830	861,514	879,580
Town of Rogersville Current Debt Service	94,544	115,824	114,016	115,328	113,320	114,500	112,319	111,687	110,967	78,143
Cash Funded Capital Projects	-	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000
New Debt Service	-	-	-	-	-	-	-	-	-	-
Total Revenue Requirement	\$ 824,619	\$ 1,561,129	\$ 1,574,880	\$ 1,592,085	\$ 1,606,312	\$ 1,624,077	\$ 1,638,840	\$ 1,655,517	\$ 1,672,481	\$ 1,657,722
Less Miscellaneous Rogersville Revenues	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)	(22,125)
Net Revenue Requirement	\$ 802,494	\$ 1,539,005	\$ 1,552,755	\$ 1,569,960	\$ 1,584,187	\$ 1,601,953	\$ 1,616,715	\$ 1,633,392	\$ 1,650,356	\$ 1,635,598

Sewer Rates

Inside Rates

Monthly Minimum Charge	\$ 8.45	\$ 10.82	\$ 10.82	\$ 10.82	\$ 10.82	\$ 10.82	\$ 11.03	\$ 11.25	\$ 11.48	\$ 11.71
Usage Charge over 1,000 gallons (per 1,000 gallons)	\$ 5.26	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.87	\$ 7.00	\$ 7.14	\$ 7.29

Outside Rates

Monthly Minimum Charge	\$ 8.45	\$ 10.82	\$ 10.82	\$ 10.82	\$ 10.82	\$ 10.82	\$ 11.03	\$ 11.25	\$ 11.48	\$ 11.71
Usage Charge over 1,000 gallons (per 1,000 gallons)	\$ 5.26	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.73	\$ 6.87	\$ 7.00	\$ 7.14	\$ 7.29

Mimum Charge Revenue	\$ 188,807	\$ 241,673	\$ 240,537	\$ 239,406	\$ 238,281	\$ 237,161	\$ 240,767	\$ 244,429	\$ 248,145	\$ 251,919
Billable Usage Charge Revenue	\$ 522,399	\$ 665,327	\$ 662,001	\$ 658,691	\$ 655,397	\$ 652,120	\$ 661,837	\$ 671,698	\$ 681,707	\$ 691,864
Total Collected Revenues	\$ 711,206	\$ 907,000	\$ 902,538	\$ 898,097	\$ 893,678	\$ 889,281	\$ 902,604	\$ 916,127	\$ 929,852	\$ 943,783
Net Revenue Requirements	\$ 802,494	\$ 839,005	\$ 852,755	\$ 869,960	\$ 884,187	\$ 901,953	\$ 916,715	\$ 933,392	\$ 950,356	\$ 935,598
Surplus / (Shortfall)	\$ (91,288)	\$ 67,995	\$ 49,783	\$ 28,137	\$ 9,491	\$ (12,671)	\$ (14,111)	\$ (17,266)	\$ (20,504)	\$ 8,185

APPENDIX B

TENNESSEE WATER AND WASTEWATER FINANCING BOARD ORDER

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:

TOWN OF ROGERSVILLE

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**TENN. CODE ANN. § 68-221-1010
-FINANCIAL DISTRESS**


ORDER

On September 19, 2019, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the Town of Rogersville (“the Town”) pursuant to Tenn. Code Ann. § 68-221-1010. Board staff informed the Board that although the Town has increased its rates, Staff is unable to determine whether such increase will sufficiently cover the Town’s financial issues. Board staff also indicated that the Town was unable to provide sufficient proof that its governing body had complied with the training requirements. Therefore, based on Staff’s statements, recommendations, and supporting documentation, the Board hereby orders the following:

1. The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study to include the following:
 - a. a justification for the discrepancy between rates for customers inside the Town as opposed to outside, or a new recommended rate structure if no justification is possible;
 - b. a justification for decreasing Persia Utility District’s rate per 1,000 gallons from \$5.61 to \$1.61, or a new recommended rate if no justification is possible;
 - c. a justification for the discrepancy between sewer rates and water rates;

- d. a review of the new customer agreement, including any recommended modifications;
 - e. a review of the capitalization policy, including any recommended modifications; and
 - f. a review of the leak adjustment policy including any recommended modifications.
2. By October 31, 2019, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.
 3. By December 31, 2019, the Town shall send Board staff proof that all members of the utility system's governing body have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).
 4. By February 28, 2020, the Town shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
 5. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town.

ENTERED this 30th day of September, 2019.


ANN V. BUTTERWORTH, Chair
Water and Wastewater Financing Board

APPENDIX C

ROGERSVILLE EXISTING CUSTOMER AGREEMENT

TOWN OF ROGERSVILLE WATER DEPARTMENT

WATER USER'S APPLICATION AND AGREEMENT

THIS AGREEMENT, entered into by an between the **TOWN OF ROGERSVILLE WATER DEPARTMENT** of Rogersville, Tennessee, a **UTILITY DISTRICT** (the "DEPARTMENT") organized and existing under the laws of the State of Tennessee, and the **APPLICANT**, hereinafter referred to as "**CUSTOMER**". For and in consideration of the mutual agreements, obligations, covenants and undertakings hereinafter set forth the parties agree as follows:

The Town of Rogersville Water Department requires that the individual(s) executing this Application shall be fully responsible for all charges and obligations established herein. The Applicant shall present required identification as well as other verification required, such as title to real property or a rent receipt for a tenant.

Whenever an application is made for service and the Town of Rogersville Water Department has knowledge of a dispute as to ownership of the right of occupancy at the service address, and one or more of the claimants attempts to prevent such service being furnished, the Town of Rogersville Water Department reserves the right to adopt either one of the following two courses:

- a) Treat the Applicant in actual possession of the premises at the service address as being entitled to such service, notwithstanding the rights or claims of other persons;
- b) Withhold service pending a judicial or other settlement of the rights of the various claimants.

Full Legal Name(s): _____

Street / 911 Address (for service): _____

Billing Address (if different): _____

~~_____~~ _____

~~_____~~ _____

Phone # of Service Address: () _____

Phone # of Billing Address (if different): () _____

Work Phone: () _____ Emergency Phone # (Relative): () _____

Copy of Rent Receipt Required: ____ Yes ____ No

Applicant is: Owner Renter Other (explain): _____

Is there any medical reason that service cannot be interrupted? Yes No

Written verification from a medical doctor is required before meter can be labeled as non-cutoff. The water bill is still required to be paid in full, but notification will be made prior to disconnect.

All customers and service provided for herein shall be subject to the SERVICE AGREEMENT and POLICY of the Department, and CUSTOMER, by executing the agreement acknowledges receipt of a copy of same.

The meters will be read between the 15th and 25th of each month. Bills will be mailed to customers on the last day of each month. Bills can be paid without penalty until the 12th day of each month, after the 12th a 10% penalty will be added to the bill. If the 12th day of the month falls on a weekend or a Town of Rogersville Water Department Holiday, then the Customer has until the next business day to pay the bill. Accounts not paid by closing time on the 21st of each month will be subject to be disconnected (cutoff) and a administration / reconnect service fee of fifty (\$50.00) dollars will automatically apply on the 22nd of each month plus the sum of all delinquent accounts and a deposit of fifty (\$50.00) dollars will be required, if not already on file.

CUSTOMER acknowledges that this agreement shall remain in full force and effect until CUSTOMER shall provide DEPARTMENT thirty (30) Days written notice of the intent to terminate, or until breach of Service Agreement by CUSTOMER; however, in no event shall CUSTOMER terminate this agreement less than twelve (12) months from the date of execution unless CUSTOMER shall vacate or convey the residence at the service address.

ROGERSVILLE WATER DEPARTMENT

Assigned Account #: _____

Signature: _____
(Clerk)

Date: _____

Signature: _____
(Customer)

Date: _____

TOWN OF ROGERSVILLE WATER DEPARTMENT SERVICE AGREEMENT AND POLICY

In consideration of payment by the CUSTOMER of certain fees detailed in the SCHEDULE OF RATES AND CHARGES, the TOWN of Rogersville Water Department ("TOWN") agrees to furnish service to the service address listed herein, and the CUSTOMER agrees to purchase services from the TOWN of Rogersville Water Department, subject to the terms and conditions herein set forth.

1. This Agreement shall be binding upon the executors, administrators and estate of the parties, and may not be assigned or transferred without the written consent of the TOWN.
2. It is agreed that if the CUSTOMER sells, subdivides or leases the property herein described, CUSTOMER will notify the TOWN in order that TOWN may execute a new contract with the successor Customer.
3. It is understood and agreed that every condition of this contract is of the essence of the contract, and if breached, the TOWN may terminate one or all of its services to the service address and the service may not be reconnected except by the order of the TOWN, after the payment of all rates and charges have been made by the CUSTOMER.
4. Services provided by the TOWN shall be supplied only to the applicant at the address named in this contract. CUSTOMER **shall not connect any other dwelling or property to his or her service.**
5. The meter and related appurtenances serving the CUSTOMER'S service address shall remain the property of the TOWN.
6. The TOWN or its agents reserve the right to make inspections of the service installation upon the CUSTOMER'S premise at a reasonable time. The TOWN assumes no liability operation or maintenance of the CUSTOMER'S plumbing.
7. The CUSTOMER agrees to keep access to the property at the service address accessible and free from impediments including but not limited to: not be fenced-in, clear of trees, bushes, shrubs, structures, vehicle and equipment to the TOWN access, maintenance and meter reading. Upon notification from the TOWN, the CUSTOMER agrees to remove any impediments to the TOWN access. If such impediments are not removed within such reasonable time after requested by the TOWN, service will be disconnected. Service shall be reinstated after any impediments are removed and all bills, reconnection fees and other such fees are paid by the CUSTOMER. The length of time to be considered "reasonable time" shall be determined solely by the TOWN considering the circumstances then and there existing.
8. The TOWN shall have the right to restrict, control or discontinue service at any time during emergencies or repairs. The TOWN shall not be liable for failure to furnish service for any reason beyond its control or for any loss, injury or damage to persons, plumbing or property resulting from such service curtailment or discontinuance.
9. The TOWN makes no guarantees, expressed or implied, as to service quality, quantity, pressure, consistency or continuity.
10. The TOWN shall at its discretion, specify how and what uses may be made of service provided to CUSTOMER. If the CUSTOMER fails to comply with the uses so specified, service shall be discontinued.
11. All pressure regulators, valves, service lines, backflow preventors and other devices located on the CUSTOMER'S side of the meter are the responsibility of the CUSTOMER.

No pump may be installed on potable water lines without the written permission of the TOWN.

12. **CUSTOMER agrees: not to allow any cross-connection between the TOWN service and a private well or spring or any other connection, either inside or outside of any building, in such manner that a flow of water from such connection may potentially be introduced into the TOWN service lines.**
13. All requests for disconnection of service shall be made in person. The TOWN will make every effort to respond within a reasonable time.
14. If the applicant fails to connect to the system, when service is available and tap is made, the CUSTOMER will pay the minimum bill.
15. CUSTOMER will pay minimum bill even if there is no usage of water.
16. The CUSTOMER shall be responsible for installing and maintaining a pressure regulator device and cutoff valve on their line.
17. If the TOWN discontinues service for non-payment or any other reason and the service is reconnected without authority of the TOWN, the TOWN shall charge a reconnection fee and penalty charge according to its Rates and Fees Schedule.
18. The CUSTOMER agrees that in the event any TOWN property is damaged, destroyed or tampered with due to the fault of the CUSTOMER, it shall be repaired or replaced at the CUSTOMER'S expense and shall be subject to the fees and charges set forth in the TOWN'S "Theft & Tampering Policy".
19. The TOWN shall have the right to estimate or prorate any bill when conditions beyond the control of the TOWN prevent the normal billing procedure.
20. If the CUSTOMER after signing this CONTRACT does not implement the water/sewer service for any reason, the CUSTOMER shall reimburse the TOWN for any expenses incurred.
21. The receipt by the TOWN of the application for service of the prospective CUSTOMER, regardless of whether or not accompanied by payment of fees, shall not obligate the TOWN to render such service. If the service cannot be supplied in accordance with the TOWN'S policies, rules, regulations and general practice or those of any state or federal agency with oversight regarding service, the liability of the TOWN to the applicant for such service shall be limited to the return of any fees paid to the TOWN by such applicant.
22. CUSTOMER agrees: that this document is only an APPLICATION for service and shall not be effective as a CONTRACT until approved by an official of the TOWN which approval shall be evidenced by the authorized signature of a TOWN official hereon. If the service in the opinion of the TOWN cannot be supplied, the liability of the TOWN to the CUSTOMER shall be limited to the return of any fees, less any project development costs as incurred by the TOWN.
23. As a condition of service, the property owner shall provide at no cost to TOWN, a suitable place for the installation of the meter and related equipment and grant an easement to the TOWN for said location. If for any reason CUSTOMER wishes to have their meter relocated (at any time after the initial installation) the CUSTOMER must pay all costs incurred in the relocation. If the TOWN at any time determines that the CUSTOMER has altered the area where the meter was initially installed, and this area is no longer a suitable location, as determined by the TOWN, the CUSTOMER must pay all costs incurred by the TOWN to relocate the meter.
24. The TOWN shall bill for services monthly, and bills are mailed in bulk at the US Post Office. The TOWN cannot guarantee the delivery of its bills. Failure to receive a bill does not relieve the CUSTOMER of the responsibility of paying the bill.

- 25. If the TOWN damages any underground facilities the CUSTOMER cannot or does not locate for TOWN, the CUSTOMER will be responsible for all repairs.
- 26. CUSTOMER shall pay a service charge fee, as specified on the Rate and Fee Schedule, for all work performed by the TOWN at the service location at the request of CUSTOMER when such repair work is necessitated by a condition determined by TOWN to not be a responsibility of TOWN.
- 27. CUSTOMER shall be charged a returned check service fee, as specified on the Rate and Fee Schedule, for all checks made payable to TOWN which checks are dishonored by the paying financial institution and returned unpaid to the TOWN. When check has been returned, CUSTOMER will not be allowed to write checks for a period of one (1) year.
- 28. In the event the TOWN shall employ the services of an attorney and/or file suit to enforce the provisions of this contract Customer shall pay all reasonable attorney's fees and court cost incurred therein.
- 29. The CUSTOMER agrees to be bound by the Town of Rogersville Water and Sewer Deposit Policy, a copy of which has been provided to CUSTOMER.

Signature: _____ Date: _____
Customer

Signature: _____ Date: _____
Town

By: _____

Title: _____

APPENDIX D

NEW CUSTOMER AGREEMENT MODIFICATIONS

TOWN OF ROGERSVILLE WATER DEPARTMENT

WATER USER'S APPLICATION AND AGREEMENT

THIS AGREEMENT, entered into by and between the TOWN OF ROGERSVILLE WATER DEPARTMENT of Rogersville, Tennessee, a UTILITY DISTRICT (the "TOWN") organized and existing under the laws of the State of Tennessee, and the APPLICANT, hereinafter referred to as "CUSTOMER". For and in consideration of the mutual agreements, obligations, covenants and undertakings hereinafter set forth the parties agree as follows:

The TOWN requires that the individual(s) executing this Application shall be fully responsible for all charges and obligations established herein. The Applicant shall present required identification as well as other verification required, such as title to real property or a rent receipt for a tenant.

Whenever an application is made for service and the TOWN has knowledge of a dispute as to ownership of the right of occupancy at the service address, and one or more of the claimants attempts to prevent such service being furnished, the TOWN reserves the right to adopt either one of the following two courses:

- a) Treat the Applicant in actual possession of the premises at the service address as being entitled to such service, notwithstanding the rights or claims of other persons;
- b) Withhold service pending a judicial or other settlement of the rights of the various claimants.

Full Legal Name(s): _____

Street / 911Address (for service): _____

Billing Address (if different): _____

Phone # of Service Address: () _____

Phone # of Billing Address (if different): () _____

Work Phone: () _____ Emergency Phone # (Relative): () _____

Copy of Rent Receipt Required: _____ Yes _____ No

Applicant is: _____ Owner _____ Renter _____ Other (explain): _____

Is there any medical reason that service cannot be interrupted? _____ Yes _____ No

Written verification from a medical doctor is required before meter can be labeled as non- cutoff. The water bill is still required to be paid in full, but notification will be made prior to disconnect.

All customers and service provided for herein shall be subject to the SERVICE AGREEMENT and POLICY of the Department, and CUSTOMER, by executing the agreement acknowledges receipt of a copy of same.

The meter will be read between the 15th and 25th of each month. The bill will be mailed to CUSTOMER on the last day of each month. Bills can be paid without penalty until the 12th day of the following month. After the 12th day a 10% penalty will be added to the bill. If the 12th day of the month falls on a weekend or a TOWN Holiday, then the CUSTOMER has until the next business day to pay the bill. Accounts not paid by closing time on the 21st of each month will be subject to be disconnected (cutoff) and an administration I reconnect service fee of fifty (\$50.00) dollars will automatically apply on the 22nd of each month plus the sum of all delinquent accounts and a deposit of fifty (\$50.00) dollars will be required, if not already on file.

CUSTOMER acknowledges that this agreement shall remain in full force and effect until CUSTOMER shall provide the TOWN thirty (30) Days written notice of the intent to terminate, or until breach of Service Agreement by CUSTOMER; however, in no event shall CUSTOMER terminate this agreement less than twelve (12) months from the date of execution unless CUSTOMER shall vacate or convey the residence at the service address.

TOWN OF ROGERSVILLE WATER DEPARTMENT

Assigned Account #:

Signature: _____ Date: _____
(Clerk)

Signature: _____ Date: _____
(Customer)

TOWN OF ROGERSVILLE WATER DEPARTMENT SERVICE AGREEMENT AND POLICY

In consideration of payment by the CUSTOMER of certain fees detailed in the SCHEDULE OF RATES AND CHARGES, the TOWN of Rogersville Water Department ("TOWN") agrees to furnish service to the service address listed herein, and the CUSTOMER agrees to purchase services from the TOWN ~~of Rogersville Water Department~~, subject to the terms and conditions herein set forth.

1. This Agreement shall be binding upon the executors, administrators and estate of the parties, and may not be assigned or transferred without the written consent of the TOWN.
2. It is agreed that if the CUSTOMER sells, subdivides or leases the property herein described, CUSTOMER will notify the TOWN in order that TOWN may execute a new contract with the successor Customer.
3. It is understood and agreed that every condition of this contract is of the essence of the contract, and if breached, the TOWN may terminate one or all of its services to the service address and the service may not be reconnected except by the order of the TOWN, after the payment of all rates and charges have been made by the CUSTOMER.
4. Services provided by the TOWN shall be supplied only to the applicant at the address named in this contract. CUSTOMER **shall not connect any other dwelling or property to his or her service.**
5. The meter and related appurtenances serving the CUSTOMER'S service address shall remain the property of the TOWN.
6. The TOWN or its agents reserve the right to make inspections of the service installation upon the CUSTOMER'S premise at a reasonable time. The TOWN assumes no liability operation or maintenance of the CUSTOMER'S plumbing.
7. The CUSTOMER agrees to keep access to the property at the service address accessible and free from impediments including but not limited to: not be fenced-in, clear of trees, bushes, shrubs, structures, vehicle and equipment to the TOWN access, maintenance and meter reading. Upon notification from the TOWN, the CUSTOMER agrees to remove any impediments to the TOWN access. If such impediments are not removed within such reasonable time after requested by the TOWN, service will be disconnected. Service shall be reinstated after any impediments are removed and all bills, reconnection fees and other such fees are paid by the CUSTOMER. The length of time to be considered "reasonable time" shall be determined solely by the TOWN considering the circumstances **hence** and there existing.
8. The TOWN shall have the right to restrict, control or discontinue service at any time during emergencies or repairs. The TOWN shall not be liable for failure to furnish service for any reason beyond its control or for any loss, injury or damage to persons, plumbing or property resulting from such service curtailment or discontinuance.
9. The TOWN makes no guarantees, expressed or implied, as to service quality, quantity, pressure, consistency or continuity.
10. The TOWN shall at its discretion, specify how and what uses may be made of service provided to CUSTOMER. If the CUSTOMER fails to comply with the uses so specified, service shall be discontinued.
11. All pressure regulators, valves, service lines, backflow preventors and other devices located on the CUSTOMER'S side of the meter are the responsibility of the CUSTOMER.

No pump may be installed on potable water lines without the written permission of the TOWN.

12. **CUSTOMER agrees: not to allow any cross-connection between the TOWN service and a private well or spring or any other connection, either inside or outside of any building, in such manner that a flow of water from such connection may potentially be introduced into the TOWN service lines.**
13. All requests for disconnection of service shall be made in person. The TOWN will make every effort to respond within a reasonable time.
14. If the applicant fails to connect to the system, when service is available and tap is made, the CUSTOMER will pay the minimum bill.
15. CUSTOMER will pay minimum bill even if there is no usage of water.
16. The CUSTOMER shall be responsible for installing and maintaining a pressure regulator device and cutoff valve on their line.
17. If the TOWN discontinues service for non-payment or any other reason and the service is reconnected without authority of the TOWN, the TOWN shall charge a reconnection fee and penalty charge according to its Rates and Fees Schedule.
18. The CUSTOMER agrees that in the event any TOWN property is damaged, destroyed or tampered with due to the fault of the CUSTOMER, it shall be repaired or replaced at the CUSTOMER'S expense and shall be subject to the fees and charges set forth in the TOWN'S "Theft & Tampering Policy".
19. The TOWN shall have the right to estimate or prorate any bill when conditions beyond the control of the TOWN prevent the normal billing procedure.
20. If the CUSTOMER after signing this CONTRACT does not implement the water/sewer service for any reason, the CUSTOMER shall reimburse the TOWN for any expenses incurred.
21. The receipt by the TOWN of the application for service of the prospective CUSTOMER, regardless of whether or not accompanied by payment of fees, shall not obligate the TOWN to render such service. If the service cannot be supplied in accordance with the TOWN'S policies, rules, regulations and general practice or those of any state or federal agency with oversight regarding service, the liability of the TOWN to the applicant for such service shall be limited to the return of any fees paid to the TOWN by such applicant.
22. CUSTOMER agrees: that this document is only an APPLICATION for service and shall not be effective as a CONTRACT until approved by an official of the TOWN which approval shall be evidenced by the authorized signature of a TOWN official hereon. If the service in the opinion of the TOWN cannot be supplied, the liability of the TOWN to the CUSTOMER shall be limited to the return of any fees, less any project development costs as incurred by the TOWN.
23. As a condition of service, the property owner shall provide at no cost to TOWN, a suitable place for the installation of the meter and related equipment and grant an easement to the TOWN for said location. If for any reason CUSTOMER Wishes to have their meter relocated (at any time after the initial installation) the CUSTOMER must pay all costs incurred in the relocation. If the TOWN at any time determines that the CUSTOMER has altered the area where the meter was initially installed, and this area is no longer a suitable location, as determined by the TOWN, the CUSTOMER must pay all costs incurred by the TOWN to relocate the meter.
24. The TOWN shall bill for services monthly, and bills are mailed in bulk at the US Post Office. The TOWN cannot guarantee the delivery of its bills. Failure to receive a bill does not relieve the CUSTOMER of the responsibility of paying the bill.

25. If the TOWN damages any underground facilities the CUSTOMER cannot or does not locate for TOWN, the CUSTOMER will be responsible for all repairs.
26. CUSTOMER shall pay a service charge fee, as specified on the Rate and Fee Schedule, for all work performed by the TOWN at the service locatton at the request of CUSTOMER when such repair work is necessitated by a condition determined by TOWN to not be a responsibility of TOWN.
27. CUSTOMER shall be charged a returned check service fee, as specified on the Rate and Fee Schedule, for all checks made payable to TOWN which checks are dishonored by the paying financial institution and returned unpaid to the TOWN. When check has been returned, CUSTOMER will not be allowed to write checks for a period of one (1) year.
28. In the event the TOWN shall employ the services of an attorney and/or file suit to enforce the provisions of this contract CUSTOMER shall pay all reasonable attorney's fees and court cost incurred therein.
29. The CUSTOMER agrees to be bound by the Town of Rogersville Water and Sewer Deposit Policy, a copy of which has been provided to CUSTOMER.

Signature: _____ Date: _____

Customer

Signature: _____ Date: _____

Town

By: _____

Title: _____

APPENDIX E

ROGERSVILLE EXISTING CAPITALIZATION POLICY

Town of Rogersville-Capitalization Policy

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of the donation. Estimated historical cost was used to value a majority of the governmental activity assets acquired prior to June 30, 2003. In the government-wide financial statements, capital assets are defined by the Town for governmental activities as assets with an initial individual cost greater than \$5,000. **For business-type activities, capital assets are defined as assets with an estimated useful life greater than one year.**

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated used lives by type of asset is as shown below:

Buildings & Improvements	10-50 years
Machinery/Equipment/Vehicles	5-20 years
Utility System	40-60 years
Infrastructure	25-50 years

APPENDIX F

CAPITALIZATION POLICY MODIFICATIONS

TOWN OF ROGERSVILLE-CAPITALIZATION POLICY

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of the donation. Estimated historical cost was used to value a majority of the governmental activity assets acquired prior to June 30, 2003. In the government-wide financial statements, capital assets are defined by the Town for governmental activities as assets with an initial individual cost greater than \$5,000. **For business-type activities, capital assets are defined as assets with an estimated useful life greater than one year.**

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated used lives by type of asset is as shown below:

Buildings & Improvements	10-50 years
Machinery/Equipment/Vehicles	5-20 years
Utility System	50-100 years
Infrastructure	25-50 years

APPENDIX G

ROGERSVILLE EXISTING LEAK ADJUSTMENT POLICY

POLICY B
Effective June 13, 2018
Rogersville Water Department Leak Policy

SUMMARY

Water and/or sewer charges *may* be eligible for adjustment when a leak is found on the customer's side of the meter

A leak adjustment is a financial adjustment to water and waste water (sewer) usage charges on a customer's bill caused by a leak on the customer's side of the meter.

Leak adjustments will cover no more than two (2) consecutive months. Only one (1) financial adjustment associated to billed usage will be allowed every 12 consecutive calendar months per premise, and excessive charges over 60 days old will not be considered.

GUIDELINES

A leak adjustment may be granted when ALL of the following conditions are present:

- Customer notifies the Town of Rogersville Water Department of an excessive utility bill that may be related to a leak.
- Water consumption for the period in question is at least twice the average monthly usage for the past 12 months. Simply stated, the bill for the month the leak occurred must be at least twice the average bill for that premise over the last year.
- The leak in question occurred on the customer's side of the meter.

However, *no adjustments will be granted* where any of the following situations exist:

- Usage above the customer's average monthly consumption is due to seasonal trends such as watering of sod, gardening, washing vehicles, house pressure washing, etc.
- When a leak continues for three (3) or more months, there will be no adjustment for the third or subsequent months. Bills over 60 days old will not be considered.
- The meter at said property has been accessed, repaired, tampered with, or turned on/off by anyone other than a Town of Rogersville Water Department employee and that action results in loss of water.
- A leak adjustment was issued within the past 12 months for the same premise.
- No adjustment will be considered unless bills prior to the high consumption bill are paid in full.

1.0 POLICY

1.1 Once a customer notifies the Town of Rogersville Water Department about a possible high bill that may be related to a leak, the policy is to provide consideration for leak adjustments for water and waste water usage charges caused by a leak that occurred on the customer's side of the meter.

1.1.1 The consumption must exceed twice the average monthly usage over the previous twelve (12) month period in order to be considered for adjustment. This monthly average will not include any bills that have been estimated or that have fewer days than the normal billing cycle, or for periods when service had been discontinued and no bill issued.

1.1.2 The source of the leak must be verified by agreement of the customer and Rogersville Water Department. Excessive seasonal use or other use not due to a legitimate leak will not be considered for an adjustment.

1.2 If a leak meets the above qualifications, ***the water consumption charges will be adjusted by deducting 10% of that month's total bill including both water and sewer charges.***

1.3 If the customer desires, the amount of the bill incurred during the leak can be paid as per the following scale:

BILL AMOUNT	PAYMENT
Up to \$200	\$25/month plus customer's current bill until paid in full
\$201 to \$600	\$50/month plus customer's current bill until paid in full
\$601 to \$900	\$75/month plus customer's current bill until paid in full
\$901 and over	\$100/month plus customer's current bill until paid in full

1.4 If there is usage registered that is above the monthly average on the meter and no plumbing related problem is proven, ***the customer will be responsible for the bill in full.***

1.5 Once a Rogersville Water Department employee or representative notifies a customer of a water leak and it is not repaired in forty-eight hours, it may result in the disconnection of service until such time as the leak is repaired.

1.6 Financial adjustments associated to billed usage/consumption will be allowed once per each consecutive 12 months per customer's Account/Premise. Customer's account must be paid in full up to the point of the excessive water bill to be considered for adjustment.

2.0 PROCEDURES

2.1 Water leak adjustments must be requested by contacting the Rogersville Water Department and will require proof the leak has been fixed by providing receipts, photos, or other acceptable documentation.

2.2 A leak adjustment may occur only after all leaks have been repaired or any exceptional unexplained consumption has been verified by Rogersville Water Department staff, usage has returned to its previous norm/average, and a verified meter read by the Rogersville Water Department.

2.2.1 Customers are responsible to pay the entire amount due within the normal payment period or enter into payment arrangements as specified in paragraph 1.3 above for the billed amount in order to remain in good standing on all current billings. If this does not occur, the customer is subject to all current and applicable collection and termination of services, processes, and procedures.

2.4 Average monthly usage will be calculated using twelve consecutive bills. This average will not include any bills that have been estimated or that have fewer days than the normal billing cycle, or for periods of no service to the premise.

2.5 Average monthly usage for customers that do not have a 12-month usage history will be estimated at the current system-wide average.

2.6 No adjustments will be granted where the following situations exist:

2.6.1 Usage above the customer's average monthly consumption is due to seasonal usage such as watering of sod, gardening, washing vehicles, etc.

2.6.2 Leak was caused by a third party from whom the customer is able to recover their costs. Examples of these are included but are not limited to theft, vandalism, and construction damage.

2.6.3 Leak continues for three (3) or more months. Leak adjustments will cover a two-month consecutive period only.

2.6.4 The meter at said property, has been accessed, tampered with, or turned on/off by anyone other than a Rogersville Water Department employee or a licensed plumber and resulting in further loss of water.

APPENDIX H

LEAK ADJUSTMENT POLICY MODIFICATIONS

Rogersville Water Department Leak Policy

Effective June 13, 2018

SUMMARY

Water and/or sewer charges may be eligible for adjustment when a leak is found on the customer's side of the meter.

A leak adjustment is a financial adjustment to water and waste water (sewer) usage charges on a customer's bill caused by a leak on the customer's side of the meter.

Leak adjustments will cover no more than two (2) consecutive months. Only one (1) financial adjustment associated to billed usage will be allowed every 12 consecutive calendar months per premise, and excessive charges over 60 days old will not be considered.

GUIDELINES

A leak adjustment may be granted when ALL of the following conditions are present:

- Customer notifies the Town of Rogersville Water Department of an excessive utility bill that may be related to a leak.
- Water consumption for the period in question is at least twice the average monthly usage for the past 12 months. Simply stated, the bill for the month the leak occurred must be at least twice the average bill for that premise over the last year.
- The leak in question occurred on the customer's side of the meter.

However, *no adjustments will be granted* where any of the following situations exist:

- Usage above the customer's average monthly consumption is due to seasonal trends such as watering of sod, gardening, washing vehicles, house pressure washing, etc.
- When a leak continues for three (3) or more months, there will be no adjustment for the third or subsequent months. Bills over 60 days old will not be considered.
- The meter at said property has been accessed, repaired, tampered with, or turned on/off by anyone other than a Town of Rogersville Water Department employee and that action results in loss of water.
- A leak adjustment was issued within the past 12 months for the same premise.
- No adjustment will be considered unless bills prior to the high consumption bill are paid in full.

1.0 POLICY

1.1 Once a customer notifies the Town of Rogersville Water Department about a possible high bill that may be related to a leak, the policy is to provide consideration for leak adjustments for water and waste water usage charges caused by a leak that occurred on the customer's side of the meter.

1.1.1 The consumption must exceed twice the average monthly usage over the previous twelve (12) month period in order to be considered for adjustment. This monthly average will not include any bills that have been estimated or that have fewer days than the normal billing cycle, or for periods when service had been discontinued and no bill issued.

1.1.2 The source of the leak must be verified by agreement of the customer and Rogersville Water Department. Excessive seasonal use or other use not due to a legitimate leak will not be considered for an adjustment.

1.2 If a leak meets the above qualifications, *the water consumption charges will be adjusted by deducting 10% of that month's total bill including both water and sewer charges.*

1.3 If the customer desires, **and upon approval from the Department**, the amount of the bill incurred during the leak can be paid as per the following scale:

Bill Amount	Payment
Up to \$200	\$25/ month plus customer's current bill until paid in full
\$201 to \$600	\$50/ month plus customer's current bill until paid in full
\$601 to \$900	\$75/ month plus customer's current bill until paid in full
\$901 and over	\$100/ month plus customer's current bill until paid in full

1.4 If there is usage registered that is above the monthly average on the meter and no plumbing related problem is proven, *the customer will/ be responsible for the bill in full.*

1.5 Once a Rogersville Water Department employee or representative notifies a customer of a water leak and it is not repaired in forty-eight hours, it may result in the disconnection of service until such time as the leak is repaired.

1.6 Financial adjustments associated to billed usage/consumption will be allowed once per each consecutive 12 months per customer's Account/Premise. Customer's account must be paid in full up to the point of the excessive water bill to be considered for adjustment.

2.0 PROCEDURES

2.1 Water leak adjustments must be requested by contacting the Rogersville Water Department and will require proof the leak has been fixed by providing receipts, photos, or other acceptable documentation.

2.2 A leak adjustment may occur only after all leaks have been repaired or any exceptional unexplained consumption has been verified by Rogersville Water Department staff, usage has returned to its previous norm/average, and a verified meter read by the Rogersville Water Department.

2.2.1 Customers are responsible to pay the entire amount due within the normal payment period or enter into payment arrangements as specified in paragraph 1.3 above for the billed amount in order to remain in good standing on all current billings. If this does not occur, the customer is subject to all current and applicable collection and termination of services, processes, and procedures.

2.3 Average monthly usage will be calculated using twelve consecutive bills. This average will not include any bills that have been estimated or that have fewer days than the normal billing cycle, or for periods of no service to the premise.

2.4 Average monthly usage for customers that do not have a 12-month usage history will be estimated at the current system-wide average.

2.5 No adjustments will be granted where the following situations exist:

2.5.1 Usage above the customer's average monthly consumption is due to seasonal usage such as watering of sod, gardening, washing vehicles, etc.

2.5.2 Leak was caused by a third party from whom the customer is able to recover their costs. Examples of these include but are not limited to theft, vandalism, and construction damage.

2.5.3 Leak continues for three (3) or more months. Leak adjustments will cover a two-month consecutive period only.

2.5.4 The meter at said property, has been accessed, tampered with, or turned on/off by anyone other than a Rogersville Water Department employee or a licensed plumber and resulting in further loss of water.

Sharon

	Water and Sewer	County: Weakley		
	2016	2017	2018	2019
Unrestricted Net Position	\$327,252.00	\$352,681.00	\$387,171.00	\$460,653.00
Operating Revenues	\$219,272.00	\$216,700.00	\$222,174.00	\$243,360.00
Net Sales	\$85,543.00	\$84,204.00	\$92,043.00	\$91,041.00
Operating Expenses	\$209,438.00	\$210,476.00	\$236,315.00	\$216,699.00
Operating Income	\$9,834.00	\$6,224.00	(\$14,141.00)	\$26,661.00
Depreciation Expense	\$62,785.00	\$67,678.00	\$67,481.00	\$65,723.00
Non-Operating Rev. (Exp.)	\$330.00	\$379.00	\$445.00	\$1,644.00
Operating Profit	\$10,164.00	\$6,603.00	(\$13,696.00)	\$28,305.00
Grants and Capital Contribution	\$0.00	\$0.00	\$0.00	\$-00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	(\$14,527.00)	(\$13,665.00)	(\$13,168.00)	(\$13,567.00)
GAAP Change in Net Position	(\$4,363.00)	(\$7,062.00)	(\$26,864.00)	\$14,738.00
Statutory Change in NP (2017)	(\$4,363.00)	(\$7,062.00)	(\$26,864.00)	\$14,738.00
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		(\$7,062.00)	(\$26,864.00)	\$14,738.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Town of Sharon**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

On September 30, 2019, the Board issued the attached order regarding the Town's financial distress.

The Town engaged TAUD to complete the directives of the Board order. TAUD's resulting report and recommendations are attached.

The Town has complied with all TAUD recommendations and therefore all Board directives.

Staff Recommendations:

Order the Town to comply with the following:

1. The Town shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2021, until the Board releases the Town from its oversight.

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:

TOWN OF SHARON

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**TENN. CODE ANN. § 68-221-1010
-FINANCIAL DISTRESS**


ORDER

On September 19, 2019, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the Town of Sharon (“the Town”) pursuant to Tenn. Code Ann. § 68-221-1010. Board staff informed the Board that although the Town has increased its rates, the Town’s audit indicated that its financial situation did not improve. Board staff feels that the Town does not have the expertise to set its own rates without the assistance of an expert. Therefore, based on Staff’s statements, recommendations, and supporting documentation, the Board hereby orders the following:

1. The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study to include the following:
 - a. a review of the capitalization policy, including any recommended modifications;
 - b. the creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and
 - c. a review of the leak adjustment policy, including any recommended modifications.

2. By October 31, 2019, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.
3. By February 28, 2020, the Town shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town.

ENTERED this 30th day of September, 2019.



ANN V. BUTTERWORTH, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 30th day of September, 2019:

Mayor Monroe Ary
Ms. Donna Stricklin, City Recorder
143 East Main St.
P.O. Box 235
Sharon, TN 38255



Rachel E. Buckley
Counsel to the Board



Tennessee Utility Assistance, LLC
840 Commercial Court
Murfreesboro, TN 37129
Voice (615) 896-9022
Fax (615) 898-8283

REPORT FOR TOWN OF SHARON, TENNESSEE

WATER AND WASTEWATER FINANCING BOARD ORDER DATED SEPTEMBER 30, 2019

**March 30, 2020
Submitted by Mark Butler**

Introduction

The Town of Sharon, Tennessee (“the Town”) provides water service to approximately 520 customers and sewer services to approximately 480 customers. The Town was referred to the Water and Wastewater Financing Board (WWFB) upon the submission of its audit for its fiscal year ending June 30, 2018, because it met the statutory definition for a financially distressed municipal water and sewer system. The system had a negative change in net position for two consecutive years without regard to any grants or capital contributions for its fiscal years ending June 30, 2017 and June 30, 2018.

On September 30, 2019, the WWFB entered an order directing the Town to do the following:

- 1) The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study to include the following:
 - a. A review of the capitalization policy, including any recommended modifications;
 - b. The creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and
 - c. A review of the leak adjustment policy, including any recommended modifications.
- 2) By October 31, 2019, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.
- 3) By February 28, 2020, the Town shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
- 4) Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town.

For its fiscal year ending June 30, 2019, the Town’s Water and Sewer fund had a positive change in net position for \$14,738, excluding grants and capital contributions.

Recommendations

Recommendation #1

To meet its annual revenue requirements, TUA recommends that the Town make the following two rate adjustments:

(1) The Town eliminate the second rate tier in its current water rate schedule which includes usage between 1,001-11,000 gallons which will result in water customers paying the current rate of \$2.55 per 1,000 gallons for all usage in excess of the 1,000 gallons included in the minimum water bill. The Mayor and Board of Aldermen adopted this rate recommendation March 9, 2020 to become effective on April 1, 2020.

(2) The Town increase the usage rates for both water and sewer service by \$1.00 per 1,000 gallons effective July 1, 2021.

Recommendation # 2

TUA recommended that the Town amend its current capitalization policy to incorporate the useful service lives recommended by the WWFB for municipal water and sewer system assets. The Mayor and Board of Aldermen made this change by resolution on March 9, 2020.

Recommendation #3

TUA recommended that the Town amend and update its new leak adjustment policy. On March 9, 2020, the Mayor and Board of Aldermen adopted Ordinance 2020-2-10 to adopt a new leak adjustment policy with the terms and conditions recommended by TUA.

Recommendation #4

TUA recommends that the Town begin restricting the cash generated by annual depreciation for future capital improvements to the Town's water and sewer system.

Relevant History of the Town's Water and Sewer Rates

Rates in Effect on June 30, 2017

On June 30, 2017, the Town's rates for water service and sewer service were as follows:

Water

Minimum bill (includes 2,000 gallons)	\$10.08
2,000 - 3,000 gallons	\$2.55 per 1,000 gallons
3,000 - 20,000 gallons	\$1.74 per 1,000 gallons
Over 20,000 gallons	\$1.39 per 1,000 gallons

Sewer

Minimum bill (includes 2,000 gallons)	\$17.98
Over 2,000 gallons	\$1.74 per 1,000 gallons

These rates had been in effect for several years.

Rate Changes Since June 30, 2017

The City has implemented three rates changes since June 30, 2017:

(1) Effective July 1, 2017, the Town reduced the amount of gallons included in its minimum water bill from 2,000 gallons to 1,000 gallons.

(2) Effective July 1, 2017, the Town changed the usage amounts of its rate tiers for water service to the following:

1,000 -11,000 gallons	\$2.55 per 1,000 gallons
Over 11,000 gallons	\$1.74 per 1,000 gallons

(3) Effective July 1, 2019, the Town increased the amount of its minimum bill for sewer service from \$17.98 to \$23.98.

Before these three rate changes were implemented, the monthly water and sewer bill for a residential customer using 4,000 gallons was:

Water	\$14.37
Sewer	<u>\$21.46</u>
Total	\$35.83

After these three rate changes, the monthly water and sewer bill for a residential customer using 4,000 gallons of water was:

Water	\$17.73
Sewer	<u>\$27.46</u>
Total	\$45.19

This represents an overall increase in the monthly water and sewer bill of 20.7% since June 30, 2017.

Five Year Capital Asset Plan

Mark Butler met with the Mayor, Board of Alderman, Town Recorder and Public Waterworks Director, to discuss potential capital improvements and the purchase of other capital assets the Town wanted to make to its water and sewer system over the next five years. They discussed the options for funding these capital expenditures over the next five years.

Based upon these discussions, the Town's water and sewer department accepted the Five-Year Capital Asset Plan attached to this Report as **Exhibit 1**, and the rate study incorporated this Plan. The Town plans to fund the purchase and installation of the capital assets on the Plan with the cash reserves of the water and sewer fund.

Rate Study and Proposed Plan of Action

To determine whether existing rates will produce sufficient revenues to make the Town's water and sewer system self-supporting, TUA first projected a Statement of Revenues and Expenses and Changes in Net Position for the Town's water and sewer fund for its current fiscal year ending June 30, 2020. TUA projected the revenues for the system using existing rates. TUA projected operation and maintenance expenses and payments-in-lieu of taxes by reviewing historical information from the five previous years, reviewing the Town's budget for the water and sewer fund for the current fiscal year, and taking into account any known and anticipated changes for this fiscal year. The Town's water and sewer system has no debt.

Then, TUA projected Statements of Revenues and Expenses and Changes in Net Position for the City's water and sewer fund for its fiscal years ending June 30 of 2021, 2022, 2023, 2024, and 2025. TUA projected the revenues for the system using existing rates and projected operation and maintenance expenses, and payments-in-lieu of taxes for the system. See **Exhibit 2** attached to this Report.

Revenue Projections:

- Water sales for the fiscal year ending June 30, 2020, were projected based upon the average of water sales for the fiscal years ending June 30th of 2018 and 2019.
- Sewer service charges were based upon sewer revenues for the fiscal year ending June 30, 2019.
- Since 2015 the City has experienced minimal annual customer growth and does not plan to expand its existing water or sewer system in the near future. Therefore, the water sales and sewer service fee projections for the fiscal years ending June 30th of 2021, 2022, 2023, 2024, and 2025 do not include any revenue increases based annual customer growth.

Expense Projections:

- All operating expenses for fiscal year ending June 30, 2020, were projected based upon the Town's budget for its water and sewer system for this fiscal year, except for those discussed below.
- The projection for repairs and maintenance supplies expense for the current fiscal year was based upon the Town's budget for this fiscal year plus an additional \$3,000.
- The operating expenses projected for fiscal year ending June 30, 2020, include three new expenses: tank maintenance; meter replacement/water loss and I & I maintenance.

- For the remaining fiscal years in the five year projection, all operating expenses were increased by 3% annually over the projected amount for the current fiscal year.
- Annual depreciation expenses were projected based upon the Town’s existing fixed asset schedule and the useful service lives used on this schedule for depreciation. TUA confirmed with the Town that all water and sewer system assets on the Town’s fixed asset list were still in service. Depreciation on new capital assets in the capital asset plan are based upon the new capitalization policy adopted by the Town on March 9, 2020.
- In-lieu-of-tax-payments for the fiscal year ending June 30, 2020, were based upon the Town’s budget for this year. TUA projected no increase in in-lieu-of-tax-payments for the projected fiscal years after June 30, 2020.

Revenue Sufficiency and Rate Modifications Required

Based upon the projected Statements, the Town’s water and sewer fund will have a negative change in net position each year at current rates for the next five fiscal years. To meet its revenue requirement, TUA recommends the following two rate changes.

(1) TUA recommends eliminating the second rate tier in the Town’s current water rate schedule which has a rate of \$1.74 per 1,000 gallons for usage between 1,001-11,000 gallons. This change will result in water customers paying the current rate of \$2.55 per 1,000 gallons for all usage in excess of the 1,000 gallons included in the minimum water bill. This change should produce water sales revenue by approximately \$13,004 annually. The Mayor and Board of Aldermen adopted this rate recommendation on March 9, 2020 to become effective on April 1, 2020.

(2) TUA recommends increasing the usage rates for both water and sewer by \$1.00 per 1,000 gallons effective July 1, 2021. This should increase annual water sales revenue by \$30,544, and annual sewer revenue by \$17,530.

If the Town adopts the rate changes recommended by TUA, the Town’s water and sewer fund should continue to have a positive change in net position for its next five fiscal years. See **Exhibit 2**.

The Town’s new rate schedule effective April 1, 2020, will be as follows:

Water

Minimum bill (includes 1,000 gallons)	\$10.08
Over 1,000 gallons	\$2.55 per 1,000 gallons

Sewer

Minimum bill (includes 2,000 gallons)	\$23.98
Over 2,000 gallons	\$1.74 per 1,000 gallons

When both of these rate adjustments are made the monthly water and sewer bill for a residential customer using 4,000 gallons of water will be:

Water	\$20.73
Sewer	<u>\$32.20</u>
Total	\$52.93

This will represent an overall increase in the monthly water and sewer bill of 14.6% increase over existing rates.

The Water and Sewer Fund – Projected Cash Balance Schedule is attached as **Exhibit 3**. The Town agreed to begin restricting cash generated by annual depreciation to help fund capital improvements. The cash restricted for this purpose is set forth in the Project Cash Balance Schedule.

TUA recommends that the Town review its rates annually as a part of the budgetary process beginning in the Spring of 2021 to ensure that the current rates adopted on March 9, 2020, and the rates recommended to become effective July 1, 2021, will continue to produce sufficient revenues to give it a positive change in net position for future fiscal years.

Amendment to Town's Capitalization Policy

TUA reviewed the Town's capitalization policy. The Town's current capitalization policy was adopted in 2004 by Resolution No. 2004-6-15 which is attached as **Exhibit 4** to this Report. TUA recommended that the Town amend its current capitalization policy to incorporate the service lives for its water and sewer systems using the recommended service lives adopted by the WWFB for municipal water and sewer systems. TUA prepared a resolution for the Town to adopt to make this change. This resolution was adopted by the Mayor and Board of Aldermen on March 9, 2020, which is attached as **Exhibit 5** to this Report.

New Leak Adjustment Policy

TUA reviewed the Town's current leak adjustment policy and recommended changes to the policy. On March 9, 2020, the Mayor and Board of Aldermen adopted Ordinance 2020-2-10 to adopt the new leak adjustment policy recommended by TUA which is attached as **Exhibit 6** to this Report.

**Sharon, Tennessee - Water & Sewer Fund
Five Year Capital Asset Plan**

	Estimated Cost				
	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>
<u>Water</u>					
100 Water Meters		5,000	5,000	5,000	5,000
High Service Pump		5,000			
High Service Pump			5,000		
East Side Water Tank - painting			50,000		
Well				300,000	
Backhoe - water/sewer			102,000		
<u>Sewer</u>					
Waste water pumps					5,000
Total	-	10,000	162,000	305,000	10,000
Cumulative Depreciation	-	833	12,667	25,167	26,000
Total Capital Outlay & Depreciation	-	10,833	174,667	330,167	36,000
<u>Source of Funds</u>					
Loans	-	-	-	-	-
Grants	-	-	-	-	-
Cash	-	10,000	162,000	305,000	10,000
Total Funding Sources	-	10,000	162,000	305,000	10,000

Sharon, Tennessee - Projected Statements of Revenues and Expenses and Changes in Net Position
Water Fund & Sewer Fund

	Projected 6/30/2020	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023	Projected 6/20/2024
Operating Revenues:					
Metered Water Sales	92,000	92,000	92,000	92,000	92,000
Forfeits and Service Charges	5,000	5,000	5,000	5,000	5,000
Customers Installations	5,000	5,000	5,000	5,000	5,000
Sewer Service Charges	142,000	142,000	142,000	142,000	142,000
Miscellaneous	200	200	200	200	200
Total Operating Revenues	244,200	244,200	244,200	244,200	244,200
Operating Expenses:					
Salaries	43,560	44,867	46,213	47,599	49,027
Health Insurance	7,200	7,416	7,638	7,868	8,104
Payroll Taxes	3,200	3,296	3,395	3,497	3,602
Postage	2,900	2,987	3,077	3,169	3,264
Printing, Duplicating, etc.	300	309	318	328	338
Publicity, Subscriptions, etc.	1,800	1,854	1,910	1,967	2,026
Utilities	28,700	29,561	30,448	31,361	32,302
Audit Services	3,000	3,090	3,183	3,278	3,377
Other Professional Services	25,400	26,162	26,947	27,755	28,588
Repairs and Maintenance Services	12,000	12,360	12,731	13,113	13,506
Miscellaneous	500	515	530	546	563
Office Supplies	900	927	955	983	1,013
Operating Supplies	12,800	13,184	13,580	13,987	14,407
Repairs and Maintenance Supplies	15,000	15,450	15,914	16,391	16,883
Fuel	14,000	14,420	14,853	15,298	15,757
Insurance	9,200	9,476	9,760	10,053	10,355
Raw Materials	300	309	318	328	338
Machinery and Equipment Rental	200	206	212	219	225
Sundry	225	232	239	246	253
Capital Outlay	3,500	3,605	3,713	3,825	3,939
Depreciation	70,332	66,915	78,749	91,249	92,082
Tank Maintenance	10,000	10,000	10,000	10,000	10,000
Meter Replacement / Water Loss	5,000	5,000	5,000	5,000	5,000
I & I Sewer Maintenance	2,500	2,500	2,500	2,500	2,500
Total Operating Expenses	272,517	274,641	292,181	310,559	317,447
Operating Income (Loss)	(28,317)	(30,441)	(47,981)	(66,359)	(73,247)
Nonoperating Revenues (Expenses)					
Interest Income	1,400	1,400	1,400	1,400	1,400
Total Nonoperating Revenues (Expenses)	1,400	1,400	1,400	1,400	1,400
In Lieu of Tax Transfer	(13,700)	(13,700)	(13,700)	(13,700)	(13,700)
Change in Net Position before Contributed Capital	(40,617)	(42,741)	(60,281)	(78,659)	(85,547)
Capital Contributions	-	-	-	-	-
Change in Net Position	(40,617)	(42,741)	(60,281)	(78,659)	(85,547)
Revenue Generated from Suggested Rate Increase	40,774	47,276	95,350	95,350	95,350
Change in Net Position after Suggested Rate Increase	157	4,535	35,069	16,691	9,803

Sharon, Tennessee - Water & Sewer Fund - Projected Cash Balance Schedule

	Projected <u>6/30/2020</u>	Projected <u>6/30/2021</u>	Projected <u>6/30/2022</u>	Projected <u>6/30/2023</u>	Projected <u>6/30/2024</u>
Beginning Balance	367,528	438,017	499,467	451,285	254,225
Sources of Funds					
Charge for Services ***	274,774	281,276	329,350	329,350	329,350
Miscellaneous	10,200	10,200	10,200	10,200	10,200
Interest Revenue	1,400	1,400	1,400	1,400	1,400
Loans	-	-	-	-	-
Grants	-	-	-	-	-
Total Sources of Funds	286,374	292,876	340,950	340,950	340,950
Uses of Funds					
Operating Expenses	272,517	274,641	292,181	310,559	317,447
Depreciation	(70,332)	(66,915)	(78,749)	(91,249)	(92,082)
Capital Outlay	-	10,000	162,000	305,000	10,000
In Lieu of Tax Transfer	13,700	13,700	13,700	13,700	13,700
Total Uses of Funds	215,885	231,426	389,132	538,010	249,065
Ending Balance	438,017	499,467	451,285	254,225	346,110
Cash Reserves	367,685	432,552	372,536	162,976	254,028
Restricted - Capital Projects	70,332	66,915	78,749	91,249	92,082
Total	438,017	499,467	451,285	254,225	346,110

NOTE: This synopsis from beginning funds to ending funds does not include accounts receivable, accounts payable, fixed asset or any other adjustments made to the balance sheet. This is a "cash basis" summary.

*** Includes revenue from suggested rate increase

RESOLUTION NO. 2004-6-15
 A RESOLUTION TO ESTABLISH CAPITALIZATION THRESHOLDS
 FOR FINANCIAL REPORTING PURPOSES AS REQUIRED BY
 GOVERNMENTAL ACCOUNTING STANDARDS BOARD
 STATEMENT 34 – *BASIC FINANCIAL STATEMENTS – AND
 MANAGEMENT’S DISCUSSION AND ANALYSIS – FOR STATE
 AND LOCAL GOVERNMENTS*

WHEREAS, the Governmental Accounting Standards Board has issued its Statement 34 – *Basis Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, hereinafter referred to as GASB 34 in June 1999, and

Whereas, certain provisions of GASB 34 require that capital assets, including general infrastructure assets, of each local government, be capitalized and recorded on the new financial statements of the reporting model outlined in GASB 34, and

Whereas, further guidance contained in GASB 34 allow local governments to establish reasonable capitalization thresholds at which capital assets, including general infrastructure assets be capitalized and recorded in the financial statements, and

Whereas, it is the responsibility of the city(town) of Sharon, through its elected and appointed officials to establish the threshold amounts discussed above,

NOW, THEREFORE BE IT RESOLVED by the Mayor and Board (Council) of the city (town) of Sharon meeting in regular (special) session on June 14, 2004, that:

Section 1. The following threshold amounts are established for the purpose of recording and reporting general capital assets, including general infrastructure assets, in the new financial statements as required by GASB 34.

<u>Capital Asset</u>	<u>Capitalize & Depreciate</u>
Land and	
Land Improvements	\$1 and above – capitalize only
All other capital assets	
Including Buildings, Machinery and	
Equipment, Vehicles and	
Infrastructure	\$5,000

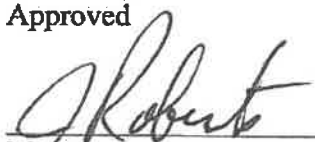
Section 2. Assets in the above categories must have an estimated useful life of more than two years to be considered for capitalization and depreciation. Assets that are consumed, used-up, habitually lost or worn-out in two years or less shall not be capitalized. Assets having a useful life of more than two years but that have a historical or estimated cost of less than the threshold limit established in Section 1. may, at the discretion of the City Recorder (Finance Director) and other Department Heads, be inventoried for tracking purposes.

Section 3. The City Recorder (Finance Director) is authorized to consult with department

heads, external auditors and accountants, the University of Tennessee's Municipal Technical Advisory Service, and other professionals for the purpose of determining information necessary to record and report capital assets as required by GASB 34. This information shall include, but not be limited to, estimated useful life, asset historical or estimated cost, date placed in service, salvage value, and depreciation method to be used. It is the intent of this resolution to adopt a process for the purpose of complying with the capital asset requirements of GASB 34 and at the same time minimizing the costs associated with its implementation.

Section 4. All other resolutions in conflict with the requirements of this resolution are hereby declared null and void. The resolution shall take effect upon final passage, the public welfare requiring it.

Approved



Mayor



City Recorder (Clerk)

RESOLUTION NO. 2020- 3-9

A RESOLUTION TO AMEND CAPITALIZATION THRESHOLDS ESTABLISHED BY RESOLUTION NO. 2004-6-15

Whereas, the Town of Sharon, Tennessee adopted Resolution No. 2004-6-15 to establish capitalization thresholds at which assets will be capitalized and recorded as capital assets in the Town's financial statements; and


Whereas, the Town desires to amend its capitalization policy to establish appropriate capitalization thresholds and service lives for its water and sewer system assets which are consistent with the directives of the Water and Wastewater Financing Board for municipal water and sewer systems.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Board of Aldermen that the language in Section 3 of Resolution No. 2004-6-15 should be deleted and the following language should be adopted as a new Section 3 in its place.


Section 3.

(a) Capital assets are depreciated over the following useful lives using the straight- line method.

<u>Asset Type</u>	<u>Useful Life in Years</u>
Land and Easements	No depreciation
Buildings	25 - 50
Infrastructure (Other than water and sewer assets)	20 - 50
Vehicles and Equipment	3 - 10
<u>Water Systems</u>	
Buildings (Office and Plant)	30 - 50
Equipment and Tools	10 - 15
Furniture and Fixtures	5 - 10
Machinery, Equipment and Service Vehicles	5 - 15
Pumps and Treatment Equipment	15 - 20
Transportation Equipment	5 - 10
Water Lines and Storage	40 - 50
Well / Dam	Engineer's Estimate



 Mayor



 ATTEST:

Ordinance No. 2020-2-10**An Ordinance Authorizing Leak Adjustments for Water and Sewer Customers of the Town of Sharon, Tennessee**

Whereas, the Mayor and Board of Aldermen desires to have a fair, consistent and equitable procedure to adjust high water and sewer bills caused by leak on the customer's side of the Town's water meter.

Be It Ordained by the Mayor and Board of Aldermen of the Town of Sharon, Tennessee, that the following policy be adopted for the adjustment of high water and sewer bills caused by a leak on the customer's side of the meter as a new Section 18-328 to the Sharon Municipal Code.

18-328. Leak Adjustments

- (1) The customer is responsible for paying for all metered water usage at the customer's service address and for paying all sewer charges based upon metered water usage. Customers are responsible for keeping their plumbing repaired and in good working order.
- (2) The Town will adjust a high monthly water bill caused by a water leak in the customer's service line or plumbing when the following conditions are be met.
 - (a) The water usage in the high monthly water bill must be more than one-and one-half times the customer's average monthly water usage for the preceding three months. The month in which the leak occurred shall be excluded in calculating the customer's average monthly water usage for the preceding three-month period. When a customer does not have three months of water usage history with the Town, the customer's average water usage will be based upon the customer's water usage for the number of full months the customer has actually received water service at the service address.
 - (b) The customer must locate and timely repair the water leak which must be verified by the Town. The repair may be verified one of the following methods.
 - (i) The customer must present the Town with an affidavit or written statement from a plumber that the leak has been located and repaired.
 - (ii) A Town employee is able to verify that the customer was able to repair the leak.
 - (c) A leak must be repaired within 30 days of the due date of the bill which shows the customer has a water leak. When a customer is notified of a leak by the Town, the leak must be repaired within 30 days of receiving such notice. The customer must submit a leak adjustment request form to the Town office which form can be obtained by calling the Town office.

(d) When the customer has a chronic leak, the Town may require the replacement of the pipe before a leak adjustment is made.

(e) The leak must have been concealed and not readily detectable by a reasonable person such as a leak in an underground water service line between the meter and the exterior of a building or within walls or under the floors of a building.

(f) No leak adjustment will be made for leaks which are readily detectable by the customer. These include the following:

- (i) Leaking faucets and toilets;
- (ii) Faucets, hoses and other water outlets left running;
- (iii) Water used for filling swimming pools, washing cars and irrigating lawns gardens; or
- (iv) Leaks from swimming pool systems and from irrigation systems.

(g) Only one bill will be adjusted for a qualifying leak in any consecutive twelve-month period. The leak adjustment will only be made in the billing cycle in which the leak is repaired.

(4) The leak adjustment for the water bill will be calculated as follows:

STEP 1: Determine the customer's average monthly water usage from the customer's three preceding monthly bills, excluding the month in which the leak occurred. When a customer does not have three months of water usage history with the Town, the customer's average monthly water usage will be based upon the customer's average water usage for the number of full months the customer has actually received water service at the service address.

STEP 2: Subtract the customer's average monthly gallons water usage from STEP 1 from the total water usage included in the high bill being adjusted to establish the amount of the overage in gallons.

STEP 3: Divide the overage gallons by two to determine the amount of gallons to be used to make the leak adjustment to the bill.

STEP 4: The adjusted water bill will be computed using the customer's average monthly water usage plus the water usage from STEP 3, plus sales tax and any other charges that may apply.

Example: The customer's water usage on the high bill being adjusted is 20,000 gallons. The customer's average monthly water usage is 4,000 gallons. The leak adjustment is computed as follows:

Water usage included in high bill	20,000
Average monthly water usage	<u>-4,000</u>
Overage gallons	16,000

$(16,000)/2 = 8,000$ – Overage gallons used to make water bill adjustment

Gallons used for adjusted bill - $(4,000) + (8,000) = 12,000$

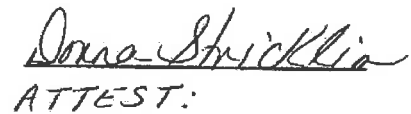
(5) When the Town determines that the water from the leak did not enter the Town's sewer system, the Town will adjust the customer's sewer bill to the customer's average using the customer's average monthly water usage as defined in section 4.

(6) When a high sewer bill is caused by a water leak which does not qualify for a water leak adjustment under section (2) and the Town determines the water from the non-qualifying leak did not enter the Town's sewer system, the Town will adjust the customer's high sewer bill to the customer's average sewer bill using the customer's average monthly water usage as defined in section 4.

(7) In hardship cases the Town's Mayor and Board of Aldermen may approve monthly installment payments for the adjusted bill not to exceed twelve (12) consecutive monthly installments.



Mayor



ATTEST:

Smithville

	Water and Sewer	County: DeKalb		
	2016	2017	2018	2019
Unrestricted Net Position	\$4,399,298.00	\$2,615,859.00	\$2,866,753.00	\$3,490,558.00
Operating Revenues	\$2,550,889.00	\$2,490,519.00	\$2,432,004.00	\$2,430,507.00
Net Sales	\$2,424,992.00	\$2,417,469.00	\$2,323,218.00	\$2,300,270.00
Operating Expenses	\$2,477,265.00	\$2,476,310.00	\$2,429,072.00	\$2,547,070.00
Operating Income	\$73,624.00	\$14,209.00	\$2,932.00	(\$116,563.00)
Depreciation Expense	\$601,192.00	\$631,305.00	\$703,857.00	\$774,235.00
Non-Operating Rev. (Exp.)	\$7,983.00	\$10,949.00	\$4,018.00	\$38,172.00
Operating Profit	\$81,607.00	\$25,158.00	\$6,950.00	(\$78,391.00)
Grants and Capital Contribution	\$27,600.00	\$458,889.00	\$66,111.00	\$-00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	(\$18,000.00)	(\$18,000.00)	(\$18,000.00)	(\$18,000.00)
GAAP Change in Net Position	\$91,207.00	\$466,047.00	\$55,061.00	(\$96,391.00)
Statutory Change in NP (2017)	\$63,607.00	\$7,158.00	(\$11,050.00)	(\$96,391.00)
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		\$7,158.00	(\$11,050.00)	(\$96,391.00)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **City of Smithville**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

Board staff sent a financial distress questionnaire to the City on February 10, 2020 and asked that it be returned by April 10, 2020. The City has not returned the questionnaire.

Staff Recommendation:

Order the City to comply with the following:

1. The City shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, assist in completing the financial questionnaire previously sent by Board staff.
2. By October 31, 2020, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.
3. By December 31, 2020, the City shall send the completed financial questionnaire and all supporting documentation to Board staff.
4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the City.



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Monday, February 10, 2020

Mayor Josh Miller
104 East Main Street
Smithville, TN 37166

Dear Mayor Miller,

The Tennessee Comptroller of the Treasury has referred the Town of Smithville to the Water & Wastewater Financing Board (hereinafter "Board") for financial distress pursuant to Tennessee Code Annotated § 68-221-1010(a).

Please fill out the enclosed questionnaire and return it and all supporting documentation to our office no later than April 10, 2020. Please submit this to either utilities@cot.tn.gov and/or the following mailing address:

TN Comptroller of the Treasury
Attention: John Greer/Ross Colona
Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243

If you wish to submit this information via mail, **do not send stapled documents.**

While we recognize that this questionnaire may be difficult to fill out, it is necessary to determine how we can help you achieve long-term financial success. If you are having trouble filling this out, please contact our office for additional assistance. After we receive your information, we will decide whether it is necessary for the Town to meet with our staff or go directly before the Board.

If you need further assistance or have any questions, please feel free to contact us at (615) 747-5260 or utilities@cot.tn.gov.

Sincerely,
John Greer

John Greer
Technical Secretary

Ross Colona
Ross Colona
Utilities Specialist

South Fulton

	Water and Sewer	County: Obion		
	2016	2017	2018	2019
Unrestricted Net Position	\$1,701,989.00	\$1,892,919.00	\$2,027,385.00	
Operating Revenues	\$1,232,082.00	\$1,302,004.00	\$1,238,063.00	
Net Sales	\$1,151,893.00	\$1,222,688.00	\$1,167,024.00	
Operating Expenses	\$1,315,211.00	\$1,273,100.00	\$1,260,204.00	
Operating Income	(\$83,129.00)	\$28,904.00	(\$22,141.00)	
Depreciation Expense	\$333,735.00	\$317,594.00	\$303,533.00	
Non-Operating Rev. (Exp.)	(\$68,519.00)	(\$66,301.00)	(\$63,973.00)	
Operating Profit	(\$151,648.00)	(\$37,397.00)	(\$86,114.00)	
Grants and Capital Contribution	\$0.00	\$0.00	\$90,115.00	
Transfers In	\$0.00	\$0.00	\$0.00	
Transfers Out	\$0.00	\$0.00	\$0.00	
GAAP Change in Net Position	(\$151,648.00)	(\$37,397.00)	\$4,001.00	
Statutory Change in NP (2017)	(\$151,648.00)	(\$37,397.00)	(\$86,114.00)	
Pension and OPEB Asset	\$115,783.00	\$105,034.00	\$121,523.00	
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	
Statutory Change in NP (2018)		(\$26,648.00)	(\$102,603.00)	





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **City of South Fulton**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

The Board issued orders on April 2, 2019, and September 30, 2019, directing the City to take various action steps. Those orders are attached.

The City engaged TAUD to assist in completing the directives of the Board's orders. The resulting TAUD report and recommendations are attached.

The City received the TAUD report on July 24, 2020, but Staff is not aware whether the City plans to implement the its recommendations.

Staff Recommendations:

1. By November 30, 2020, the City shall implement all recommendations contained in the TAUD report dated July 24, 2020.
2. By December 31, 2020, the City shall send Board staff proof that all recommendations contained in the TAUD report dated July 24, 2020, have been implemented.
3. The City shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2021, until the Board releases the City from its oversight.

4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the City.

ENTERED this 30th day of September, 2019.

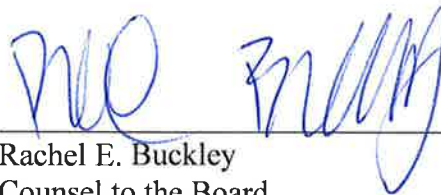


ANN V. BUTTERWORTH, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 30th day of September, 2019:

Mayor David Lamb
Ms. Jackie Potter, City Recorder
700 Milton Counce Rd.
South Fulton, TN 38257



Rachel E. Buckley
Counsel to the Board

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:

CITY OF SOUTH FULTON

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)
)
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**TENN. CODE ANN. § 68-221-1010
-FINANCIAL DISTRESS**

ORDER

On March 14, 2019, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the City of South Fulton (“the City”) pursuant to Tenn. Code Ann. § 68-221-1010. Board staff indicated that although the City has raised rates and consulted with the Municipal Technical Advisory Service (“MTAS”), the City has not had an expert perform a rate study. Based on the City’s continued financial deficiencies, the Board hereby orders the following:

1. By April 15, 2019, the City shall have MTAS, the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff to perform a rate study and assist with creating a leak adjustment policy.
2. The City shall provide an update to Board staff with the completed rate study and an implemented or proposed plan of action by June 30, 2019.

ENTERED this 2nd day of April, 2019.



ANN V. BUTTERWORTH, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 30th day of April, 2019:

Mayor David Lamb
Ms. Jackie Potter, City Recorder
City of South Fulton
700 Milton Counce Rd.
South Fulton, TN 38257


Rachel E. Buckley
Counsel to the Board



Tennessee Utility Assistance, LLC
840 Commercial Court
Murfreesboro, TN 37129
Voice (615) 896-9022
Fax (615) 898-8283

REPORT FOR CITY OF SOUTH FULTON, TENNESSEE

WATER AND WASTEWATER FINANCING BOARD ORDER DATED SEPTEMBER 30, 2019

July 24, 2020

INTRODUCTION

Description of the South Fulton Water and Sewer System

The City of South Fulton, Tennessee (“the City”) operates a water and sewer system. The City provides water service to approximately 1,600 customers and sewer service to approximately 940 customers. The operation of the City’s water and sewer system is vested in the City’s Mayor and Board of Commissioners which has five members.

The City was referred to the Water and Wastewater Financing Board (WWFB) upon the submission of its audit for its fiscal year ending June 30, 2018, because it met the statutory definition for a financially distressed municipal water and sewer system. The City’s water and sewer fund had a negative change in net position for its fiscal years ending June 30, 2017, and June 30, 2018, without regard to any grants or capital contributions.

The City’s audit for its fiscal year ending June 30, 2019, has not been completed. TUA expects that the City’s water and sewer fund will have a negative change in net position of approximately \$290,000, excluding grants and capital contributions.

WWFB Orders

The WWFB has issued two orders to the City dated April 2, 2019 and on September 30, 2019, directing the City to do the following:

- 1) By February 28, 2020, the City shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
- 2) The City will obtain assistance with creating a leak adjustment policy.

FIVE YEAR CAPITAL ASSET PLAN

TUA discussed potential capital improvements and the purchase of other capital assets the City wanted to make to its water and sewer system over the next five years and the options for funding these capital expenditures.

The City needs to approve the Five-Year Capital Asset Plan attached to this Report as **Exhibit 1**. TUA understands that the City plans to fund the purchase and installation of the capital assets on the Plan with the cash reserves of the water and sewer fund.

RECOMMENDATIONS

Recommendation # 1

The City approve the Five-Year Capital Asset Plan attached as **Exhibit 1** to this Report.

Recommendation # 2

The City adopt the following schedule of rates to become effective October 1, 2020.

Water – Inside-City

Minimum bill (1,000 gallons)	\$20.20
Over 1,000 gallons	\$ 2.90 per 1,000 gallons

Water- Outside-City

Minimum bill (1,000 gallons)	\$24.55
Over 1,000 gallons	\$ 4.08 per 1,000 gallons

Sewer

Minimum bill (1,000 gallons)	\$20.20
Over 1,000 gallons	\$ 6.81 per 1,000 gallons

Recommendation # 3

TUA recommends that the City go ahead and adopt the following water and sewer rates to become effective July 1, 2021.

Water – Inside

Minimum bill (1,000 gallons)	\$20.20
Over 1,000 gallons	\$ 3.40 / 1,000 gallons

Water – Outside

Minimum bill (1,000 gallons)	\$24.55
Over 1,000 gallons	\$ 4.58 / 1,000 gallons

Sewer

Minimum bill	\$20.20
Over 1,000 gallons	\$ 7.31 / 1,000 gallons

Recommendation # 4

TUA recommends the City adopt an ordinance which sets forth the terms and conditions for the leak adjustments the City is currently making or desires to make to its water and sewer bills for water leaks behind the customer's meter.

RATE STUDY AND PROPOSED PLAN OF ACTION

To determine whether existing rates will produce sufficient revenues to make the City's water and sewer system self-supporting, TUA first projected a Statement of Revenues and Expenses and Changes in Net Position for the City's water and sewer fund for its current fiscal year ending June 30, 2020. TUA projected the revenues for the system using existing rates. TUA projected operation and maintenance expenses by reviewing historical information from the five previous years, reviewing the City's budget for the water and sewer fund for the current fiscal year, and taking into account any known and anticipated changes for this fiscal year.

Then, TUA projected Statements of Revenues and Expenses and Changes in Net Position for the City's water and sewer fund for its fiscal years ending June 30 of 2021, 2022, 2023, 2024, and 2025. TUA projected the revenues for the system using existing rates. See **Exhibit 2** attached to this Report.

Revenue Projections:

- Water and sewer revenues (charges for services) for the fiscal year ending June 30, 2020, were projected using gallons sold for the fiscal year June 30, 2019 at current rates.
- All other operating revenues were projected based upon the average of these operating revenues the fiscal years ending June 30 of 2018 and 2019.
- Since 2015 the City has experienced minimal annual customer growth. Therefore, the water sales and sewer charges projections for the fiscal years ending June 30 of 2021, 2022, 2023, 2024, and 2025 do not include any revenue increases based annual customer growth.

Expense Projections:

- The operating expenses for fiscal year ending June 30, 2020, were based upon the average for the past two fiscal years ending June 30 of 2018 and 2019.
- For the remaining fiscal years in the five-year projection, all operating expenses, other than depreciation, were increased by 3% annually over the projected amount for the current fiscal year.

- Annual depreciation expenses were projected based upon the City’s existing fixed asset schedule and the useful service lives used on this schedule for depreciation plus the depreciation attributable to the new capital assets in the proposed Five-Year Capital Asset Plan.
- Interest income for the year ending June 30, 2020, was based upon the average for the past two fiscal years ending June 30 of 2018 and 2019. For the remaining five years of the projection, interest income is assumed to be the same each year.
- Interest expense projections were made based upon the amortization schedules of the bonds and loans of the City’s water and sewer fund.

Revenue Sufficiency and Rate Modifications Required

Based upon the projected Statements, the City’s water and sewer fund will have a negative change in net position each year at current rates beginning with the City’s next fiscal year which begins July 1, 2020.

Rate Changes Effective October 1, 2020

- TUA recommends the following changes to the City’s existing rates:
 - (1) The City increase the minimum bill for both inside-city and outside-city water customers by \$0.60.
 - (2) The City increase the minimum sewer bill by \$0.60.
 - (3) The City increase the usage rate for both inside-city and outside-city water customers by \$0.55 per 1,000 gallons.
 - (4) The City increase the usage rate for sewer customers by \$0.60 per 1,000 gallons.
- These rate changes should give the City’s water and sewer fund a positive change in net position for its fiscal year ending June 30, 2021. See **Exhibit 2**.
- The City’s schedule of rates on October 1, 2020, will be as follows:

Water – Inside-City

Minimum bill (1,000 gallons)	\$20.20
Over 1,000 gallons	\$ 2.90 per 1,000 gallons

Water- Outside-City

Minimum bill (1,000 gallons)	\$24.55
Over 1,000 gallons	\$ 4.08 per 1,000 gallons

Sewer

Minimum bill (1,000 gallons)	\$20.20
Over 1,000 gallons	\$ 6.81 per 1,000 gallons

Rate Changes Effective July 1, 2021

TUA recommends that the City go ahead and adopt the following water and sewer rates to become effective July 1, 2021.

Water – Inside

Minimum bill (1,000 gallons)	\$20.20
Over 1,000 gallons	\$ 3.40 / 1,000 gallons

Water – Outside

Minimum b(1,000 gallons)	\$24.55
Over 1,000 gallons	\$ 4.58 / 1,000 gallons

Sewer

Minimum bill	\$20.20
Over 1,000 gallons	\$ 7.31 / 1,000 gallons

Rate Changes for the Fiscal Years Beginning July 1, 2022

TUA recommends a series of small annual rate increases in water rates through July 1, 2024 to ensure the City's water and sewer fund continues to have a positive change in net position. See **Exhibit 3** attached to this Report.

The annual rate recommendations for the fiscal years beginning July 1, 2022, are based upon revenue and expense projections which are subject to change. Therefore, the rate recommendations should be reviewed annually as a part of the budgetary process each year to ensure that rates recommended will continue to produce sufficient revenues to give the water and sewer fund a positive change in net position in future fiscal years.

Projected Cash and Investments Schedule

The Water and Sewer Fund – Projected Cash and Investments Schedule is attached as **Exhibit 4**. If the Town adopts the rate increases recommended by TUA and funds its capital improvements as set forth in the Five-Year Capital Asset Plan, the water and sewer fund should have a cash balance of \$ _____ as of June 30, 2025.

NEW LEAK ADJUSTMENT POLICY

The City does not have an existing ordinance which authorizes the leak adjustments the City is currently making to customer bills due to water line breaks behind a customer's meter. TUA has prepared a suggested ordinance governing leak adjustments for consideration by the Mayor and Board of Aldermen which is attached as **Exhibit 5** to this Report.

South Fulton, Tennessee - Water & Sewer Fund
Five Year Capital Asset Plan

	<u>Estimated Cost</u>					
	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2025</u>
250 KW Generator - Water Plant	-		-	-	-	60,000
300 KW Generator - Waste Water Plant	-	50,000	-	-	-	-
Repairs/Maintenance Digester, diffusers, sludge	-	-	175,000	-	-	-
SCADA - 3 lift stations	-	-	-	36,000	-	-
Climate control - Effluent room	-	-	-	15,000	-	-
Redundancy Pump - Influent Building	-	-	-	-	30,000	-
Polymer Mixer for sludge	-	-	-	-	15,000	-
Total	-	50,000	175,000	51,000	45,000	60,000
Cumulative Depreciation	-	2,500	11,250	15,150	18,650	21,650
Total Capital Outlay & Depreciation	-	52,500	186,250	66,150	63,650	81,650
Source of Funds						
Loans	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Cash	-	50,000	175,000	51,000	45,000	60,000
Total Funding Sources	-	50,000	175,000	51,000	45,000	60,000

South Fulton, Tennessee- Projected Statements of Revenues and Expenses and Changes in Net Position

Water & Sewer Fund

	Projected <u>6/30/2020</u>	Projected <u>6/30/2021</u>	Projected <u>6/30/2022</u>	Projected <u>6/30/2023</u>	Projected <u>6/20/2024</u>	Projected <u>6/20/2025</u>
Operating Revenues:						
Charge for Services	1,205,716	1,205,716	1,205,716	1,205,716	1,205,716	1,205,716
Service Fees	5,562	5,562	5,562	5,562	5,562	5,562
Late Payment Penalties	13,979	13,979	13,979	13,979	13,979	13,979
Rental Revenue	43,711	43,711	43,711	43,711	43,711	43,711
Miscellaneous Revenue	12,399	12,399	12,399	12,399	12,399	12,399
Total Operating Revenues	1,281,367	1,281,367	1,281,367	1,281,367	1,281,367	1,281,367
Operating Expenses:						
Salaries & Related Benefits	277,913	286,250	294,838	303,683	312,794	322,177
Depreciation	284,152	286,652	295,402	299,302	302,802	308,302
Building Rent	95,805	98,679	101,640	104,689	107,829	111,064
Repairs & Maintenance	13,724	14,136	14,560	14,997	15,446	15,910
Utilities	115,765	119,238	122,815	126,500	130,295	134,203
Advertising	200	206	212	219	225	232
Professional Services	302,582	311,659	321,009	330,640	340,559	350,775
Operating Supplies	30,911	31,838	32,793	33,777	34,791	35,834
Insurance	25,047	25,798	26,572	27,370	28,191	29,036
Chemicals	33,614	34,622	35,661	36,731	37,833	38,968
Telephone	57,125	58,839	60,604	62,422	64,295	66,224
Gas & Oil	15,962	16,441	16,934	17,442	17,965	18,504
Data Processing Services	12,845	13,230	13,627	14,036	14,457	14,891
Office Supplies	3,950	4,069	4,191	4,316	4,446	4,579
Travel & Training	139	143	147	152	156	161
Membership Dues	7,326	7,546	7,772	8,005	8,245	8,493
Bad Debts	4,711	4,852	4,998	5,148	5,302	5,461
Miscellaneous	3,909	4,026	4,147	4,271	4,400	4,532
Total Operating Expenses	1,285,680	1,318,226	1,357,923	1,393,699	1,430,031	1,469,347

Operating Income (Loss)	(4,313)	(36,859)	(76,556)	(112,332)	(148,664)	(187,980)
Nonoperating Revenues (Expenses)						
Interest Income	13,208	13,208	13,208	13,208	13,208	13,208
Interest Expense	(69,808)	(66,671)	(63,378)	(59,922)	(56,292)	(52,483)
Total Nonoperating Revenues (Expenses)	(56,600)	(53,463)	(50,170)	(46,714)	(43,084)	(39,275)
Change in Net Position before Contributed Capital	(60,913)	(90,322)	(126,726)	(159,046)	(191,748)	(227,255)
Capital Contributions / Grants	-	-	-	-	-	-
Change in Net Position before Suggested Rate	(60,913)	(90,322)	(126,726)	(159,046)	(191,748)	(227,255)
Revenue Generated from Suggested Rate Increase	N/A	96,012	131,364	166,717	202,069	237,421
Change in Net Position after Suggested Rate Increase	(60,913)	5,690	4,638	7,671	10,321	10,165

EXHIBIT 3

Recommended Rates Effective July 1, 2022

Water – Inside

Minimum Bill (1,000 gallons)	\$20.20
Over 1,000 gallons	\$ 3.40 / 1,000 gallons

Water – Outside

Minimum Bill (1,000 gallons)	\$24.55
Over 1,000 gallons	\$ 4.58 / 1,000 gallons

Sewer

Minimum Bill	\$20.20
Over 1,000 gallons	\$ 7.31 / 1,000 gallons

Recommended Rates Effective July 1, 2023

Water – Inside

Minimum Bill (1,000 gallons)	\$20.20
Over 1,000 gallons	\$ 3.65 / 1,000 gallons

Water – Outside

Minimum Bill (1,000 gallons)	\$24.55
Over 1,000 gallons	\$ 4.83 / 1,000 gallons

Sewer

Minimum Bill	\$20.20
Over 1,000 gallons	\$ 7.56 / 1,000 gallons

Recommended Rates Effective July 1, 2024

Water – Inside

Minimum Bill (1,000 gallons)	\$20.20
Over 1,000 gallons	\$ 3.90 / 1,000 gallons

Water – Outside

Minimum Bill (1,000 gallons)	\$24.55
Over 1,000 gallons	\$ 5.08 / 1,000 gallons

Sewer

Minimum Bill	\$20.20
Over 1,000 gallons	\$ 7.81 / 1,000 gallons

Ordinance No. _____

An Ordinance Authorizing Leak Adjustments for Water and Sewer Customers of the City of South Fulton, Tennessee

Whereas, the Mayor and Board of Commissioners desires to have a fair, consistent and equitable procedure to adjust high water and sewer bills caused by leak on the customer's side of the City's water meter.

Be It Ordained by the Mayor and Board of Commissioners of the City of South Fulton, Tennessee, that the following policy be adopted for the adjustment of high water and sewer bills caused by a leak on the customer's side of the meter as a new Section _____ to the South Fulton Municipal Code.

Section _____. Leak Adjustments

- (1) The customer is responsible for paying for all metered water usage at the customer's service address and for paying all sewer charges based upon metered water usage. Customers are responsible for keeping their plumbing repaired and in good working order.
- (2) The City will adjust a high monthly water bill caused by a water leak in the customer's service line or plumbing when the following conditions are be met.
 - (a) The water usage in the high monthly water bill must be more than 1.5 times the customer's average monthly water usage for the preceding three months. The month in which the leak occurred shall be excluded in calculating the customer's average monthly water usage for the preceding three-month period. When a customer does not have three months of water usage history with the City, the customer's average water usage will be based upon the customer's water usage for the number of full months the customer has actually received water service at the service address.
 - (b) The customer must locate and timely repair the water leak which must be verified by the City. The repair may be verified one of the following methods.
 - (i) The customer must present the City with an affidavit or written statement from a plumber that the leak has been located and repaired.
 - (ii) The customer verifies that the customer fixed the leak and provides a copy of an invoice for the materials used to fix the leak.
 - (iii) A City employee is able to verify that the customer was able to repair the leak.
 - (c) A leak must be repaired within 30 days of the due date of the bill which shows the customer has a water leak. When a customer is notified of a leak by the City, the

leak must be repaired within 30 days of receiving such notice. The customer must submit a leak adjustment request form to the City.

(d) When the customer has a chronic leak, the City may require the replacement of the pipe before a leak adjustment is made.

(e) The leak must have been concealed and not readily detectable by a reasonable person such as a leak in an underground water service line between the meter and the exterior of a building or within walls or under the floors of a building.

(f) No leak adjustment will be made for leaks which are readily detectable by the customer. These include the following:

- (i) Leaking faucets and toilets;
- (ii) Faucets, hoses and other water outlets left running;
- (iii) Leaks from frozen pipes;
- (iv) Water used for filling swimming pools, washing cars and irrigating lawns or gardens; or
- (v) Leaks from swimming pool systems and from irrigation systems.

(g) Only one bill will be adjusted for a qualifying leak in any consecutive twelve-month period. The leak adjustment will only be made in the billing cycle in which the leak is repaired.

(4) The leak adjustment for the water bill will be calculated as follows:

STEP 1: Determine the customer's average monthly water usage from the customer's three preceding monthly bills, excluding the month in which the leak occurred. When a customer does not have three months of water usage history with the City, the customer's average monthly water usage will be based upon the customer's average water usage for the number of full months the customer has actually received water service at the service address.

STEP 2: Subtract the customer's average monthly gallons water usage from STEP 1 from the total water usage included in the high bill being adjusted to establish the amount of the overage in gallons.

STEP 3: Divide the overage gallons by two to determine the amount of gallons to be used to make the leak adjustment to the bill.

STEP 4: The adjusted water bill will be computed using the customer's average monthly water usage plus the water usage from STEP 3, plus sales tax and any other charges that may apply.

Example: The customer's water usage on the high bill being adjusted is 20,000 gallons. The customer's average monthly water usage is 4,000 gallons. The leak adjustment is computed as follows:

Water usage included in high bill	20,000
Average monthly water usage	<u>-4,000</u>
Overage gallons	16,000

$(16,000)/2 = 8,000$ – Overage gallons used to make water bill adjustment

Gallons used for adjusted bill - $(4,000) + (8,000) = 12,000$

- (5) When the City determines that the water from the leak did not enter the City's sewer system, the City will adjust the customer's sewer bill to the customer's average using the customer's average monthly water usage as defined in section 4.
- (6) When a high sewer bill is caused by a water leak which does not qualify for a water leak adjustment under section (2) and the City determines the water from the non-qualifying leak did not enter the City's sewer system, the City will adjust the customer's high sewer bill to the customer's average sewer bill using the customer's average monthly water usage as defined in section 4.
- (7) In hardship cases the City's Mayor and Board of Commisionser may approve monthly installment payments for the adjusted bill not to exceed twelve (12) consecutive monthly installments.

Tellico Plains

	Water and Sewer	County: Monroe		
	2016	2017	2018	2019
Unrestricted Net Position	\$757,900.00	\$751,864.00	\$898,448.00	
Operating Revenues	\$801,688.00	\$840,230.00	\$837,523.00	
Net Sales	\$646,106.00	\$670,803.00	\$678,889.00	
Operating Expenses	\$800,203.00	\$850,145.00	\$831,053.00	
Operating Income	\$1,485.00	(\$9,915.00)	\$6,470.00	
Depreciation Expense	\$207,787.00	\$228,364.00	\$238,094.00	
Non-Operating Rev. (Exp.)	(\$16,158.00)	(\$10,565.00)	(\$10,002.00)	
Operating Profit	(\$14,673.00)	(\$20,480.00)	(\$3,532.00)	
Grants and Capital Contribution	\$379,866.00	\$487,831.00	\$85,953.00	
Transfers In	\$0.00	\$0.00	\$0.00	
Transfers Out	(\$11,475.00)	(\$11,895.00)	(\$12,971.00)	
GAAP Change in Net Position	\$353,718.00	\$455,456.00	\$69,450.00	
Statutory Change in NP (2017)	(\$26,148.00)	(\$32,375.00)	(\$16,503.00)	
Pension and OPEB Asset	\$51,900.00	\$61,146.00	\$66,801.00	
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	
Statutory Change in NP (2018)		(\$41,621.00)	(\$22,158.00)	





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Town of Tellico Plains**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

The Town of Tellico Plains was referred for financial distress and has since returned its questionnaire, which is attached.

The Town received a rate recommendation from the TAUD in 2018, but never enacted the recommendations.

Instead, the Town raised rates \$1.00 on the minimum bill effective July 1, 2020, but no capital asset needs were considered.

The current board has completed no training according to Town staff.

Staff Recommendation:

Order the Town to comply with the following:

1. The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - i. a justification for the differing rates for customers outside the Town as opposed to those inside the Town, or if no justification is possible, a recommendation involving a singular rate for the two types of customers;
 - ii. the creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs;
 - iii. a review of the capitalization policy to include recommended modifications if needed;
 - iv. a review of the leak adjustment policy to include recommended modifications if needed;
 - v. a review of connection fees, customer deposits and tap fees to include recommended modifications if needed;
 - vi. a review of the new customer contract to include recommended modifications if needed; and

- vii. the feasibility of creating an independent utility board separate from the Town council.
2. By October 31, 2020, the Town or qualified expert shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.
3. By December 31, 2020, the Town or qualified expert shall send Board staff proof that all its board members have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).
4. By February 28, 2021, the Town or qualified expert shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
5. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town or qualified expert.

Section B: Wastewater Utility Information

1. Does your utility offer wastewater? *yes*
 - a. If yes, please complete the following section.
2. Have you had any rate changes in the previous five years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your current rate ordinance/structure and the justification for why the rates are set this way- including any recent rate studies performed for the utility.
 - b. Please provide a copy of previous rate ordinances/structures from the previous five years if you answered yes to Question #2.
 - c. If you have differing rate classes (inside/outside city limits, residential/commercial/industrial, new developments, etc.), please provide justification as to why these rates are set the way they are.
3. Do you have any current plans for a rate change?
 Yes or No (Circle your answer)
 - a. If yes, please provide a written answer to the following questions:
 - i. Are you planning for a rate increase or decrease? *increase*
 - ii. Are you planning this change across all customer classes or only on a certain customer class? *all*
 - iii. Has your Board voted on this rate change yet? *they will Feb. 6*
 - iv. If your Board has discussed a rate change at recent meetings, please attach a copy of the relevant minutes at which this meeting took place.
4. Have you had any utility fee changes in the previous five years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your current utility fee schedule.
 - b. Please provide a copy of previous utility fee schedules if you answered yes to Question #3.
 - c. Please provide a written rationale for the charges for tap fees, reconnect fees, etc.
5. Has your debt management policy been reviewed in the last 5 years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your debt management policy. If you do not have a debt management policy, please provide a written rationale for why a debt management policy has not been adopted.
6. Has your capitalization policy been reviewed in the last 5 years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your capitalization policy. If you do not have a capitalization policy, please provide a written rationale for why a capitalization policy has not been adopted.

7. Please provide the most recent 3 months of balance sheets and income statements for your utility.
- a. If you are a water and wastewater utility and are having difficulty breaking out the accounts, please use percentages or estimate for accounts for the most accurate depiction of the financial status of the utility.
8. Do you have a plan to remedy your financially distressed position for your wastewater fund?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed copy.
- b. If no, please provide a justification for why not.
9. Who has the authority to set rates and fees?

Answer:

City Council

- a. Is this a board or committee separate from your local legislative body? (City Council, Board of Mayor and Alderman, etc.)
Yes or No (Circle your answer)
- b. Please provide a list containing the following information for the aforementioned individuals: Same as water
- Name
 - Title
 - Mailing Address
 - Phone Number
 - Date of Initial Election or Appointment
 - Have they fulfilled their initial 12 hour training requirement within the first year of service, if applicable? Yes or No
 - If so, please provide proof that the training requirement has been satisfied.

10. How many total customers do you currently have?

Answer:

392

- a. Please provide a numerical break-down of the totals for each type of customer:
- Billed 392
 - Unbilled
 - Metered 392
 - Unmetered
 - Breakdown by Rate Class (inside, outside, (321) inside residential, inside (72) commercial, outside residential, outside commercial, etc.)

11. What percentage of your sales do your largest 10 customers account for annually?
(Largest 10 Customer Revenues Total / Total Annual Wastewater Revenue)

Answer:

\$27,440.95

\$99,060.40

27.70%

12. What percentage of your volume do your largest 10 customers account for annually?
(Wastewater Revenue for Largest 10 Customers / Total Wastewater Revenue)

Answer:

6,771,390

22,493,390

30.10%

13. Do you adjust wastewater bills for customers with water leaks?

Yes or No (Circle your answer)

- a. If yes, how many leak adjustments were performed based on your leak adjustment policy in the last 12 months? What is the cost associated with these leaks?

Answer:

20

\$2,434.53

- a. If yes, please attach a copy of your adjustment policy.
b. If no, please move on to the next question.

14. Have you incurred any new debt during the current fiscal year for your wastewater utility, or do you plan on incurring any debt during the current fiscal year for your water utility?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding the debt.
b. If no, please move on to the next question.

15. Have you received any grants or capital contributions during the current fiscal year for your wastewater utility, or do you plan on receiving any grants or capital contributions during the current fiscal year for your water utility?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding these grants or capital contributions.
b. If no, please move on to the following question.

16. Have you applied for any grants that will be received over the next two years?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding these potential grants.
b. If no, please move on to the following question.

17. Are your customers made aware of the rates and fees you have in place annually?

Yes or No (Circle your answer)

- a. If yes, how is this accomplished? *Public Council Meetings*
b. If no, please provide a written justification as to why not.

18. Do you review your capital asset list?

Yes or No (Circle your answer)

- a. If yes, how often is this list reviewed and by whom? *annually by City Council*
b. If no, please provide a written justification as to why not.

19. Do you keep a copy of your capital asset list on file?

Yes or No (Circle your answer)

20. Excluding any customers on wells, are all of your customers billed based on water usage?

Yes or No (Circle your answer)

- a. If yes, who supplies the usage data, and are there multiple water suppliers for your customers?

Answer:

We do. and no

- b. If no, but **some** of your customers are billed based on water usage, then answer the above question regarding usage data, but also provide a written explanation on how these customers are billed that are not billed based on water usage.
- c. If no, and **none** of your customers are based on water usage, then provide a written explanation on how these customers are billed.

21. Do you have any customers on wells?

Yes or No (Circle your answer)

- a. If yes, how are these customers billed?

Answer:

- b. If no, please move on to the following question.

22. Do you have any wastewater customers you classify as wholesale?

Yes or No (Circle your answer)

- a. If yes, please provide the contract(s) with these customer(s) or a detailed explanation as to why a contract does not exist and the rate at which wastewater is treated for this customer?
- b. If no, please move on to the following question.

23. Do you treat your own wastewater?

Yes or No (Circle your answer)

- a. If yes, please provide the following:
 - i. Cost to treat per thousand gallons. *estimate 2.430\$ per thousand*
 - ii. The design capacity of your treatment facility and the percentage of the design capacity currently being used. *1,500 mgcl*
 - iii. The average operating capacity of your treatment facility.
- b. If no, please provide the following:
 - i. List of entities wastewater is treated by
 - ii. Rates at which wastewater is treated by entity
 - iii. Wastewater treatment contract with these entities, if no contract exists please give an explanation as to why there is no contract.

24. Do you have a plan to improve your infiltration and inflow (I&I)?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation as to how this will be improved along with your current I&I data.
- b. If no, please provide a detailed justification as to why the current I&I does not need to be improved along with your current I&I data.

25. Are there any environmental concerns currently or forthcoming that will put a financial burden on the system?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation as to what the concern or issue is and the extent of the financial burden that will be incurred.
- b. If no, please move on to the next question.

26. In regard to your governing body, how frequently do you meet and what is your practice of providing notice of your meetings?

Answer:

monthly and local newspaper

27. Do you have a sewer use ordinance?

Yes or No (Circle your answer)

- a. If yes, please provide a copy and description of how this is enforced.
- b. If no, please provide a justification for the lack thereof.

Tracy City

	Water and Sewer	County: Grundy		
	2016	2017	2018	2019
Unrestricted Net Position	\$835,536.00	\$836,463.00	\$803,922.00	\$958,775.00
Operating Revenues	\$1,121,566.00	\$1,204,990.00	\$1,287,021.00	\$1,370,086.00
Net Sales	\$979,083.00	\$1,045,217.00	\$1,115,309.00	\$1,184,366.00
Operating Expenses	\$1,075,734.00	\$1,111,813.00	\$1,145,063.00	\$1,126,498.00
Operating Income	\$45,832.00	\$93,177.00	\$141,958.00	\$243,588.00
Depreciation Expense	\$315,845.00	\$273,450.00	\$279,973.00	\$294,544.00
Non-Operating Rev. (Exp.)	(\$120,372.00)	(\$131,796.00)	(\$180,920.00)	\$735.00
Operating Profit	(\$74,540.00)	(\$38,619.00)	(\$38,962.00)	\$244,323.00
Grants and Capital Contribution	\$1,941,600.00	\$19,180.00	\$0.00	\$9,555.00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	\$1,867,060.00	(\$19,439.00)	(\$38,962.00)	\$253,878.00
Statutory Change in NP (2017)	(\$74,540.00)	(\$38,619.00)	(\$38,962.00)	\$244,323.00
Pension and OPEB Asset	\$89,242.00	\$45,277.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		\$5,346.00	\$6,315.00	\$244,323.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Town of Tracy City**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

On September 30, 2019, the Board issued the attached order regarding the town’s financial distress.

The Town engaged TAUD to complete the directives of the order. The resulting report and recommendations are attached.

The Town has implemented TAUD recommendations and has completed all Board directives .

Staff Recommendations:

1. The Town shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2021, until the Board releases the Town from its oversight.

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:

TOWN OF TRACY CITY

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**TENN. CODE ANN. § 68-221-1010
-FINANCIAL DISTRESS**

ORDER

On September 19, 2019, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the Town of Tracy City (“the Town”) pursuant to Tenn. Code Ann. § 68-221-1010. Board staff informed the Board that although the Town plans to increase rates, such increases are arbitrary. Staff is unable to determine whether the rate increases will sufficiently correct the financial deficiencies or that will be justifiable and fair to the customers. Therefore, based on Staff’s statements, recommendations, and all supporting documentation, the Board hereby orders the following:

1. The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study.
2. By October 31, 2019, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the rate study.
3. By February 28, 2020, the Town shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town.

ENTERED this 30th day of September, 2019.

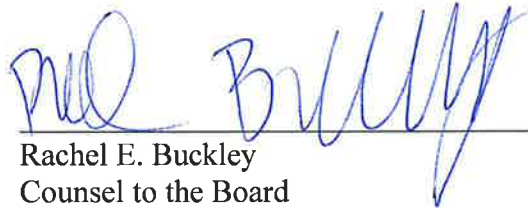


ANN V. BUTTERWORTH, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 30th day of September, 2019:

Mayor Nadene F. Moore
Ms. Roxanna Fults, City Recorder
Town Hall
50 Main St.
Tracy City, TN 37387



Rachel E. Buckley
Counsel to the Board



Tennessee Utility Assistance, LLC
840 Commercial Court
Murfreesboro, TN 37129
Voice (615) 896-9022
Fax (615) 898-8283

**REPORT FOR TOWN OF TRACY CITY,
TENNESSEE**

**WATER AND WASTEWATER
FINANCING BOARD
ORDER DATED SEPTEMBER 30, 2019**

May 12, 2020

Rate Study and Proposed Plan of Action

To determine whether existing rates will produce sufficient revenues to make the Town's water and sewer system self-supporting, TUA first projected a Statement of Revenues and Expenses and Changes in Net Position for the Town's water and sewer fund for its current fiscal year ending June 30, 2020. TUA projected the revenues for the system using existing rates. TUA projected operation and maintenance expenses by reviewing historical information from the five previous years, reviewing the Town's budget for the water and sewer fund for the current fiscal year, and taking into account any known and anticipated changes for this fiscal year.

Then, TUA projected Statements of Revenues and Expenses and Changes in Net Position for the Town's water and sewer fund for its fiscal years ending June 30 of 2021, 2022, 2023, 2024, and 2025. TUA projected the revenues for the system using existing rates. See **Exhibit 2** attached to this Report.

Revenue Projections:

- All operating revenues except for sewer charges, service charges and penalties for the fiscal year ending June 30, 2020, were projected based upon the average of these operating revenues the fiscal years ending June 30 of 2018 and 2019.
- Sewer charges, service charges and penalties were based the Town's budget for its fiscal year ending June 30, 2020.
- Since 2015 the Town has experienced minimal annual customer growth. Therefore, the water sales and sewer charges projections for the fiscal years ending June 30 of 2021, 2022, 2023, 2024, and 2025 do not include any revenue increases based annual customer growth.

Expense Projections:

- Most of the operating expenses for fiscal year ending June 30, 2020, were projected using actual operating expenses incurred from July 1, 2019 through February 29, 2020 and estimating the expenses for the remaining four months of the Town's current fiscal year.
- Professional services and fees, utilities, telephone, and insurance for the fiscal year ending June 30, 2020, were based upon the Town's budget for the water and sewer fund for the Town's current fiscal year.
- System supplies and repairs (water), supplies and repairs (sewer), and travel and seminars for the fiscal year ending June 30, 2020, were projected based upon the average of these expenses for the fiscal years ending June 30 of 2018 and 2019.
- For the remaining fiscal years in the five-year projection, all operating expenses, other than depreciation, were increased by 3% annually over the projected amount for the current fiscal year.

- The Town's schedule of rates on July 1, 2020, will be as follows:

<u>Water- Residential</u>	<u>Inside</u>	<u>Outside</u>
Minimum bill (1,500 gallons)	\$27.56	\$30.69
Over 1,500 gallons	\$ 9.64 per 1,000 gal.	\$ 9.88 per 1,000 gal.
<u>Water- Commercial</u>	<u>Inside</u>	<u>Outside</u>
Minimum bill (1,500 gallons)	\$28.32	\$36.99
Over 1,500 gallons	\$10.68 per 1,000 gal.	\$10.71 per 1,000 gal.
<u>Sewer- Residential</u>	<u>Inside</u>	
Minimum bill (1,500 gallons)	\$58.45	
Over 1,500 gallons	\$19.74 per 1,000 gal.	
<u>Sewer- Commercial</u>	<u>Inside</u>	
Minimum bill (1,500 gallons)	\$63.15	
Over 1,500 gallons	\$23.11 per 1,000 gal.	

Rate Changes for the Fiscal Year Beginning July 1, 2021

TUA recommends a series of small annual rate increases in water rates through July 1, 2024 to ensure the Town's water and sewer fund continues to have a positive change in net position. See **Exhibit 4** attached to this Report. In its meeting on April 30, 2020, the Tracy City Water Board approved this plan for annual rate increases through July 1, 2024, but the Board will vote on future annual rate increases in connection with its budget process each spring.

TUA agrees that the Town review its rates annually as a part of the budgetary process beginning in the spring of each year to ensure that the annual rate increases set forth in **Exhibit 4** will continue to produce sufficient revenues to give it a positive change in net position for future fiscal years as projected. The assumptions upon which future rate increases are projected could change during the next five years.

Projected Cash and Investments Schedule

The Water and Sewer Fund – Projected Cash and Investments Schedule is attached as **Exhibit 5**.

Tracy City - Projected Statements of Revenues and Expenses and Changes in Net Position

	Projected 6/30/2020	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023	Projected 6/20/2024	Projected 6/20/2025
Operating Revenues:						
Water Sales	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
Sewer Charges	98,100	98,100	98,100	98,100	98,100	98,100
Penalties	25,000	25,000	25,000	25,000	25,000	25,000
Connection Fees	37,000	37,000	37,000	37,000	37,000	37,000
Service Charges	11,000	11,000	11,000	11,000	11,000	11,000
Lab Services	3,000	3,000	3,000	3,000	3,000	3,000
Other Operating	4,000	4,000	4,000	4,000	4,000	4,000
Total Operating Revenues	1,328,100	1,328,100	1,328,100	1,328,100	1,328,100	1,328,100
Operating Expenses:						
Water Distribution & Pumping						
Salaries	192,000	197,760	203,693	209,804	216,098	222,581
Office Supplies	18,700	19,261	19,839	20,434	21,047	21,678
Professional Services & Fees	48,400	49,852	51,348	52,888	54,475	56,109
Utilities	56,000	57,680	59,410	61,193	63,028	64,919
Telephone	1,900	1,957	2,016	2,076	2,138	2,203
System Supplies & Repairs	156,000	160,680	165,500	170,465	175,579	180,847
Insurance	60,000	61,800	63,654	65,564	67,531	69,556
Vehicle Repairs & Maintenance	1,000	1,030	1,061	1,093	1,126	1,159
Travel & Seminars	1,000	1,030	1,061	1,093	1,126	1,159
Contract Labor	19,500	20,085	20,688	21,308	21,947	22,606
Fuel	9,300	9,579	9,866	10,162	10,467	10,781
Miscellaneous	800	824	849	874	900	927
Total Water Distribution & Pumping	564,600	581,538	598,984	616,954	635,462	654,526
Sewer Collection						
Collection	6,100	6,283	6,471	6,666	6,866	7,072
Utilities	12,100	12,463	12,837	13,222	13,619	14,027
Supplies & Repairs	500	515	530	546	563	580
Infrastructure Planning Grant Expenses	-	45,000	-	-	-	-
Total Sewer Collection	18,700	64,261	19,839	20,434	21,047	21,678
Administration						
Salaries	87,300	89,919	92,617	95,395	98,257	101,205
Salaries - Manager	50,000	51,500	53,045	54,636	56,275	57,964
Payroll Taxes	27,500	28,325	29,175	30,050	30,951	31,880
Retirement	13,600	14,008	14,428	14,861	15,307	15,766
Insurance - Health	55,000	56,650	58,350	60,100	61,903	63,760
Utilities	4,800	4,944	5,092	5,245	5,402	5,565
Telephone	4,900	5,047	5,198	5,354	5,515	5,680
Office Supplies & Expenses	14,000	14,420	14,853	15,298	15,757	16,230
Administration	3,000	3,090	3,183	3,278	3,377	3,478
Miscellaneous	800	824	849	874	900	927
Travel & Seminars	1,300	1,339	1,379	1,421	1,463	1,507
Total Administration	262,200	270,066	278,168	286,513	295,108	303,962
Depreciation - Water	264,533	266,233	285,833	287,900	300,333	309,600
Depreciation - Sewer	36,600	36,600	36,600	36,600	36,600	36,600
Total Operating Expenses	1,146,633	1,218,698	1,219,424	1,248,400	1,288,551	1,326,366
Operating Income (Loss)	181,467	109,402	108,676	79,700	39,549	1,734
Nonoperating Revenues (Expenses)						
Intergovernmental Revenue	(14,500)	(14,500)	(14,500)	(14,500)	(14,500)	(14,500)
Interest Income	1,900	1,900	1,900	1,900	1,900	1,900
Interest Expense	(131,953)	(127,509)	(122,990)	(118,420)	(113,847)	(108,993)
Loss on pension asset	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	(144,553)	(140,109)	(135,590)	(131,020)	(126,447)	(121,593)

**TRACY CITY PUBLIC UTILITY
BOARD MEETING MINUTES**

{Special called meeting}

April 30th 2020

The Tracy City Public Utility met on April 30th 2020 at 6:00 pm in a special call meeting. The meeting was called to order by Chairman Charles Fults, Jr. The prayer was delivered by Randy Littell.

Sharon Cochran read the minutes of the last meeting.

A motion to approve the minutes as read was made by Randy Littell & seconded by Bill Roddy.

Under Old Business:

The motion was made by Randy Littell to pass the five year plan for the rate structure with the amount of rate increase, as suggested by our municipal advisor from TUAD in response from the state comptrollers office.

This plan is to be re-evaluated annually. The motion was seconded by Bill Roddy.

Motion was made by Bill Roddy to adjourn Randy Littell seconded the motion. Meeting adjourned at 6:52 pm.

Board Chairman: Charles Fults Jr.
Secretary: Sharon Cochran
Randy Littell: R. Littell
Bill Roddy: Bill B. Roddy

Effective July 1, 2023

Inside - Residential

Minimum - First 1,500 gallons	\$0.25
Over 1,500 gallons	\$0.25 per 1,000 gallons

Inside - Commercial

Minimum - First 1,500 gallons	\$0.25
Over 1.500 gallons	\$0.25 per 1,000 gallons

Outside – Residential

Minimum - First 1,500 gallons	\$0.25
Over 1,500 gallons	\$0.50 per 1,000 gallons

Outside - Commercial

Minimum - First 1,500 gallons	\$0.25
Over 1.500 gallons	\$0.25 per 1,000 gallons

Effective July 1, 2024

Inside - Residential

Minimum - First 1,500 gallons	\$0.25
Over 1,500 gallons	\$0.65 per 1,000 gallons

Inside - Commercial

Minimum - First 1,500 gallons	\$0.25
Over 1.500 gallons	\$0.65 per 1,000 gallons

Outside – Residential

Minimum - First 1,500 gallons	\$0.25
Over 1,500 gallons	\$0.65 per 1,000 gallons

Outside - Commercial

Minimum - First 1,500 gallons	\$0.25
Over 1.500 gallons	\$0.65 per 1,000 gallons



Tennessee Utility Assistance, LLC
840 Commercial Court
Murfreesboro, TN 37129
Voice (615) 896-9022
Fax (615) 898-8283

May 12, 2020

Tracy City Water Board
Tracy City Waterworks
14371 US Highway 41
Tracy City, TN 37387

Via email and first class mail

Re: Report for Water and Wastewater Financing Board

Dear Board Members:

I have enclosed the Report for the Town of Tracy City prepared by Tennessee Utility Assistance, LLC on the directives of the Water and Wastewater Financing Board (WWFB) in its September 30, 2019 Order. The original of this Report will be mailed to you. Please mail and email this Report to John Greer at the WWFB. His email address is john.greer@cot.tn.gov.

I have enclosed an invoice from TUA for \$3,000 for the Report pursuant to the fee set forth in our engagement letter.

Thank you for allowing TUA to assist you with complying with the WWFB's Order.

Sincerely yours,

Donald L. Scholes

Enclosures

Trimble

	Water and Sewer	County: Dyer		
	2016	2017	2018	2019
Unrestricted Net Position	\$281,150.00	\$341,575.00	\$383,046.00	\$380,418.00
Operating Revenues	\$195,354.00	\$190,707.00	\$187,676.00	\$194,074.00
Net Sales	\$191,734.00	\$186,934.00	\$183,253.00	\$190,336.00
Operating Expenses	\$179,180.00	\$174,978.00	\$174,464.00	\$193,686.00
Operating Income	\$16,174.00	\$15,729.00	\$13,212.00	\$388.00
Depreciation Expense	\$75,274.00	\$79,611.00	\$80,125.00	\$82,002.00
Non-Operating Rev. (Exp.)	(\$19,235.00)	(\$15,346.00)	(\$15,629.00)	\$(17,501.00)
Operating Profit	(\$3,061.00)	\$383.00	(\$2,417.00)	(\$17,113.00)
Grants and Capital Contribution	\$0.00	\$0.00	\$0.00	\$-00
Transfers In	\$0.00	\$0.00	\$0.00	\$2,535.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	(\$3,061.00)	\$383.00	(\$7,520.00)	(\$14,578.00)
Statutory Change in NP (2017)	(\$3,061.00)	\$383.00	(\$7,520.00)	(\$17,113.00)
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		\$383.00	(\$7,520.00)	(\$17,113.00)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Town of Trimble**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

The Town of Trimble was referred for financial distress. Its financial distress questionnaire is attached.

The Town raised water rates by 20% in 2019, but did not raise sewer rates. Staff is unable to determine whether the rates are sufficient to meet costs.

Staff Recommendations:

Order the Town to comply with the following:

1. The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - i. the creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs;
 - ii. a review of the new customer contract to include recommended modifications if needed;
 - iii. a review of tap fees to include recommended modifications if needed; and
 - iv. a review of the leak adjustment policy to include recommended modifications if needed.
2. By October 31, 2020, the Town or qualified expert shall send Board Staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.
3. By February 28, 2021, the Town or qualified expert shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town or qualified expert.

***TOWN OF TRIMBLE
P.O. BOX 215
TRIMBLE, TENNESSEE 38259***

Mayor-Jon McFarland
City Administrator-David Norsworthy
City Recorder-Christy Belonio

Telephone: 731-297-3955

Fax: 731-297-3172

February 27, 2020

TN Comptroller of the Treasury
Attention: John Greer/Ross Colona
Cordell Hull Building
425 Fifth Avenue North
Nashville, TN. 37243

RE: Questionnaire for financial distress

To Whom It May Concern:

Enclosed you will find our responses to the questionnaire we received from your office regarding the referral of the Tennessee Comptroller of the Treasury to the Water & Wastewater Financing Board for the Town of Trimble.

If there is any additional information is needed concerning this matter, please feel free to contact us at 731-297-3955.

Sincerely,



Jon McFarland
Mayor



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Tuesday, November 26, 2019

Town of Trimble
Mayor Don Byrd
P.O. Box 215
Trimble, TN 38259

Dear Mayor Byrd,

The Tennessee Comptroller of the Treasury has referred the Town of Trimble to the Water & Wastewater Financing Board (hereinafter "Board") for financial distress pursuant to Tennessee Code Annotated § 68-221-1010(a).

Please fill out the enclosed questionnaire and return it and all supporting documentation to our office no later than February 28, 2020. Please submit this to either utilities@cot.tn.gov and/or the following mailing address:

TN Comptroller of the Treasury
Attention: John Greer/Ross Colona
Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243

If you wish to submit this information via mail, **do not send stapled documents.**

While we recognize that this questionnaire may be difficult to fill out, it is necessary to determine how we can help you achieve long-term financial success. If you are having trouble filling this out, please contact our office for additional assistance. After we receive your information, we will decide whether it is necessary for the Town to meet with our staff or go directly before the Board.

If you need further assistance or have any questions, please feel free to contact us at (615) 747-5260 or utilities@cot.tn.gov.

Sincerely,

John Greer
Technical Secretary

Ross Colona
Ross Colona
Utilities Specialist

WWFB Financial Questionnaire

The following questionnaire is composed of three sections- a contact information section, a water utility information section, and a wastewater utility information section. If you do not have a water utility, then the corresponding section does not need to be filled out. If you do not have a wastewater utility, then the corresponding section does not need to be filled out.

If you are a utility that has both a water system and a wastewater system, then you may find that some of these questions are redundant in both sections. If this is the case, you do not need to provide duplicate information. It is okay to indicate that the answer is the same in both sections.

The questions will be answered as follows:

- a. Yes or No (circle your answer),
- b. Short answer; or
- c. Provide a response as an attachment to this questionnaire.

You will find a list at the end of Section B and Section C that will detail the manner in which attachments should be sent in.

Section A: Contact Information

Please provide contact information for the utility by responding to the fields below.

Utility Address Information	
Utility Contact Address Line 1:	
Utility Contact Address Line 2:	
Utility Contact Address City:	
Utility Contact Address State:	
Utility Contact Address Zip Code:	
Contact Person 1 Information	
Contact Person 1 Title:	
Contact Person 1 Name:	
Contact Person 1 Email Address:	
Contact Person 1 Phone Number:	
Contact Person 2 Information	
Contact Person 2 Title:	
Contact Person 2 Name:	
Contact Person 2 Email Address:	
Contact Person 2 Phone Number	

Section B: Water Utility Information

1. Does your utility offer water?
 - a. If yes, please complete the following section. If no, please proceed to Section C: Wastewater Utility Information.
2. Have you had any rate changes in the previous five years?

Yes or No (Circle your answer)

 - a. Please provide a copy of your current rate ordinance/structure and the justification for why the rates are set this way- including any recent rate studies performed for the utility.
 - b. Please provide a copy of previous rate ordinances/structures from the previous five years if you answered yes to Question #2.
 - c. If you have differing rate classes (inside/outside city limits, residential/commercial/industrial, new developments, etc.), please provide justification as to why these rates are set the way they are.
3. Do you have any current plans for a rate change?

Yes or No (Circle your answer)

 - a. If yes, please provide a written answer to the following questions:
 - i. Are you planning for a rate increase or decrease?
 - ii. Are you planning this change across all customer classes or only on a certain customer class?
 - iii. Has your Board voted on this rate change yet?
 - iv. If your Board has discussed a rate change at recent meetings, please attach a copy of the relevant minutes at which this meeting took place.
4. Have you had any utility fee changes in the previous five years?

Yes or No (Circle your answer)

 - a. Please provide a copy of your current utility fee schedule.
 - b. Please provide a copy of previous utility fee schedules if you answered yes to Question #3.
 - c. Please provide a written rationale for the charges for tap fees, reconnect fees, etc.
5. Has your debt management policy been reviewed in the last 5 years?

Yes or No (Circle your answer)

 - a. Please provide a copy of your debt management policy. If you do not have a debt management policy, please provide a written rationale for why a debt management policy has not been adopted.
6. Has your capitalization policy been reviewed in the last 5 years?

Yes or No (Circle your answer)

 - a. Please provide a copy of your capitalization policy. If you do not have a capitalization policy, please provide a written rationale for why a capitalization policy has not been adopted.

7. Please provide the most recent 3 months of balance sheets and income statements for your water fund.
 - a. If you are a water and wastewater utility and are having difficulty breaking out the accounts, please use percentages or estimate for accounts for the most accurate depiction of the financial status of the utility.
8. Do you have a plan to remedy your financially distressed position for your water fund?
Yes or No (Circle your answer)
 - a. If yes, please provide a detailed copy.
 - b. If no, please provide a justification for why not.
9. Who has the authority to set rates and fees?

Answer:

-
- a. Is this a board or committee separate from your local legislative body? (City Council, Board of Mayor and Alderman, etc.)
Yes or No (Circle your answer)
 - b. Please provide a list containing the following information for the aforementioned individuals:
 - i. Name
 - ii. Title
 - iii. Mailing Address
 - iv. Phone Number
 - v. Date of Initial Election or Appointment
 - vi. Have they fulfilled their initial 12 hour training requirement within the first year of service, if applicable? Yes or No
 - vii. If so, please provide proof that the training requirement has been satisfied.

10. How many total customers do you currently have?

Answer:

-
- a. Please provide a numerical break-down of the totals for each type of customer:
 - i. Billed
 - ii. Unbilled
 - iii. Metered
 - iv. Unmetered
 - v. Breakdown by Rate Class (inside, outside, inside residential, inside commercial, outside residential, outside commercial, etc.)

11. What percentage of your sales do your largest 10 customers account for annually?
(Largest 10 Customer Sales Total / Total Annual Water Sales)

Answer:

-
12. What percentage of your volume do your largest 10 customers account for annually?
(Gallons of Water sold to Largest 10 Customers / Total Gallons of Water Sold)

Answer:

-
13. Do you have a leak adjustment policy?

Yes or No (Circle your answer)

- a. If yes, how many leak adjustments were performed based on your leak adjustment policy in the last 12 months? What is the cost associated with these leaks?

Answer:

- b. If yes, please attach a copy of your leak adjustment policy.
 - c. If no, please move on to the next question.
14. Have you incurred any new debt during the current fiscal year for your water utility, or do you plan on incurring any debt during the current fiscal year for your water utility?
Yes or No (Circle your answer)
- a. If yes, please provide a detailed explanation regarding the debt.
 - b. If no, please move on to the next question.
15. Have you received any grants or capital contributions during the current fiscal year for your water utility, or do you plan on receiving any grants or capital contributions during the current fiscal year for your water utility?
Yes or No (Circle your answer)
- a. If yes, please provide a detailed explanation regarding these grants or capital contributions.
 - b. If no, please move on to the following question.
16. Have you applied for any grants that will be received over the next two years?
Yes or No (Circle your answer)
- a. If yes, please provide a detailed explanation regarding these potential grants.
 - b. If no, please move on to the following question.
17. Are your customers made aware of the rates and fees you have in place annually?
Yes or No (Circle your answer)
- a. If yes, how is this accomplished?
 - b. If no, please provide a written justification as to why not.
18. Do you review your capital asset list?
Yes or No (Circle your answer)
- a. If yes, how often is this list reviewed and by whom?
 - b. If no, please provide a written justification as to why not.
 - c. Please provide a copy of your capital asset plan, or a justification as to why you do not have one.
19. Do you keep a copy of your capital asset list on file?
Yes or No (Circle your answer)
20. Do you produce your own water supply?
Yes or No (Circle your answer)
- a. If yes, what is the cost per thousand gallons to produce?

Answer:

- b. If no, please move on to the next question.
21. Do you purchase your water supply?

- a. If yes, please provide the following:
 - i. List of entities water is purchased from
 - ii. Rates at which water is purchased at
 - iii. Water purchase contract with these entities, if no contract exists please give an explanation as to why there is no contract.
 - b. If no, please move on to the following question.
22. Do you have any wholesale customers?
Yes or No (Circle your answer)
- a. If yes, please provide the contract(s) with these customer(s) or a detailed explanation as to why a contract does not exist and the rate at which water is sold to this customer.
 - b. If no, please move on to the following question.
23. Do you have a plan to improve your non-revenue water percentage?
Yes or No (Circle your answer)
- a. If yes, please provide a detailed explanation as to how this will be improved along with your current non- revenue water percentages by cost and by volume.
 - b. If no, please provide a detailed justification as to why the current non-revenue water percentage does not need to be improved along with your current non-revenue water percentages by cost and by volume.
24. Are there any environmental concerns currently or forthcoming that will put a financial burden on the system?
Yes or No (Circle your answer)
- a. If yes, please provide a detailed explanation as to what the concern or issue is and the extent of the financial burden that will be incurred.
 - b. If no, please move on to the next question.
25. In regard to your governing body, how frequently do you meet and what is your practice of providing notice of your meetings?

Answer:

Section B: Wastewater Utility Information

1. Does your utility offer wastewater?
 - a. If yes, please complete the following section.
2. Have you had any rate changes in the previous five years?

Yes or No (Circle your answer)

 - a. Please provide a copy of your current rate ordinance/structure and the justification for why the rates are set this way- including any recent rate studies performed for the utility.
 - b. Please provide a copy of previous rate ordinances/structures from the previous five years if you answered yes to Question #2.
 - c. If you have differing rate classes (inside/outside city limits, residential/commercial/industrial, new developments, etc.), please provide justification as to why these rates are set the way they are.
3. Do you have any current plans for a rate change?

Yes or No (Circle your answer)

 - a. If yes, please provide a written answer to the following questions:
 - i. Are you planning for a rate increase or decrease?
 - ii. Are you planning this change across all customer classes or only on a certain customer class?
 - iii. Has your Board voted on this rate change yet?
 - iv. If your Board has discussed a rate change at recent meetings, please attach a copy of the relevant minutes at which this meeting took place.
4. Have you had any utility fee changes in the previous five years?

Yes or No (Circle your answer)

 - a. Please provide a copy of your current utility fee schedule.
 - b. Please provide a copy of previous utility fee schedules if you answered yes to Question #3.
 - c. Please provide a written rationale for the charges for tap fees, reconnect fees, etc.
5. Has your debt management policy been reviewed in the last 5 years?

Yes or No (Circle your answer)

 - a. Please provide a copy of your debt management policy. If you do not have a debt management policy, please provide a written rationale for why a debt management policy has not been adopted.
6. Has your capitalization policy been reviewed in the last 5 years?

Yes or No (Circle your answer)

 - a. Please provide a copy of your capitalization policy. If you do not have a capitalization policy, please provide a written rationale for why a capitalization policy has not been adopted.

7. Please provide the most recent 3 months of balance sheets and income statements for your utility.
 - a. If you are a water and wastewater utility and are having difficulty breaking out the accounts, please use percentages or estimate for accounts for the most accurate depiction of the financial status of the utility.
8. Do you have a plan to remedy your financially distressed position for your wastewater fund?

Yes or No (Circle your answer)

 - a. If yes, please provide a detailed copy.
 - b. If no, please provide a justification for why not.
9. Who has the authority to set rates and fees?

Answer:

-
- a. Is this a board or committee separate from your local legislative body? (City Council, Board of Mayor and Alderman, etc.)

Yes or No (Circle your answer)
 - b. Please provide a list containing the following information for the aforementioned individuals:
 - i. Name
 - ii. Title
 - iii. Mailing Address
 - iv. Phone Number
 - v. Date of Initial Election or Appointment
 - vi. Have they fulfilled their initial 12 hour training requirement within the first year of service, if applicable? Yes or No
 - vii. If so, please provide proof that the training requirement has been satisfied.

10. How many total customers do you currently have?

Answer:

-
- a. Please provide a numerical break-down of the totals for each type of customer:
 - i. Billed
 - ii. Unbilled
 - iii. Metered
 - iv. Unmetered
 - v. Breakdown by Rate Class (inside, outside, inside residential, inside commercial, outside residential, outside commercial, etc.)

11. What percentage of your sales do your largest 10 customers account for annually?
(Largest 10 Customer Revenues Total / Total Annual Wastewater Revenue)

Answer:

-
12. What percentage of your volume do your largest 10 customers account for annually?
(Wastewater Revenue for Largest 10 Customers / Total Wastewater Revenue)

Answer:

13. Do you adjust wastewater bills for customers with water leaks?
Yes or No (Circle your answer)
- If yes, how many leak adjustments were performed based on your leak adjustment policy in the last 12 months? What is the cost associated with these leaks?

Answer:

- If yes, please attach a copy of your adjustment policy.
 - If no, please move on to the next question.
14. Have you incurred any new debt during the current fiscal year for your wastewater utility, or do you plan on incurring any debt during the current fiscal year for your water utility?
Yes or No (Circle your answer)
- If yes, please provide a detailed explanation regarding the debt.
 - If no, please move on to the next question.
15. Have you received any grants or capital contributions during the current fiscal year for your wastewater utility, or do you plan on receiving any grants or capital contributions during the current fiscal year for your water utility?
Yes or No (Circle your answer)
- If yes, please provide a detailed explanation regarding these grants or capital contributions.
 - If no, please move on to the following question.
16. Have you applied for any grants that will be received over the next two years?
Yes or No (Circle your answer)
- If yes, please provide a detailed explanation regarding these potential grants.
 - If no, please move on to the following question.
17. Are your customers made aware of the rates and fees you have in place annually?
Yes or No (Circle your answer)
- If yes, how is this accomplished?
 - If no, please provide a written justification as to why not.
18. Do you review your capital asset list?
Yes or No (Circle your answer)
- If yes, how often is this list reviewed and by whom?
 - If no, please provide a written justification as to why not.
19. Do you keep a copy of your capital asset list on file?
Yes or No (Circle your answer)
20. Excluding any customers on wells, are **all** of your customers billed based on water usage?
Yes or No (Circle your answer)
- If yes, who supplies the usage data, and are there multiple water suppliers for your customers?

Answer:

- b. If no, but **some** of your customers are billed based on water usage, then answer the above question regarding usage data, but also provide a written explanation on how these customers are billed that are not billed based on water usage.
- c. If no, and **none** of your customers are based on water usage, then provide a written explanation on how these customers are billed.

21. Do you have any customers on wells?

Yes or No (Circle your answer)

- a. If yes, how are these customers billed?

Answer:

- b. If no, please move on to the following question.

22. Do you have any wastewater customers you classify as wholesale?

Yes or No (Circle your answer)

- a. If yes, please provide the contract(s) with these customer(s) or a detailed explanation as to why a contract does not exist and the rate at which wastewater is treated for this customer?
- b. If no, please move on to the following question.

23. Do you treat your own wastewater?

Yes or No (Circle your answer)

- a. If yes, please provide the following:
 - i. Cost to treat per thousand gallons.
 - ii. The design capacity of your treatment facility and the percentage of the design capacity currently being used.
 - iii. The average operating capacity of your treatment facility.
- b. If no, please provide the following:
 - i. List of entities wastewater is treated by
 - ii. Rates at which wastewater is treated by entity
 - iii. Wastewater treatment contract with these entities, if no contract exists please give an explanation as to why there is no contract.

24. Do you have a plan to improve your infiltration and inflow (I&I)?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation as to how this will be improved along with your current I&I data.
- b. If no, please provide a detailed justification as to why the current I&I does not need to be improved along with your current I&I data.

25. Are there any environmental concerns currently or forthcoming that will put a financial burden on the system?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation as to what the concern or issue is and the extent of the financial burden that will be incurred.
- b. If no, please move on to the next question.

26. In regard to your governing body, how frequently do you meet and what is your practice of providing notice of your meetings?

Answer:

27. Do you have a sewer use ordinance?

Yes or No (Circle your answer)

- a. If yes, please provide a copy and description of how this is enforced.
- b. If no, please provide a justification for the lack thereof.

Section B: Water Utility Information – Answers

1. Yes, our utility offers water.
2. Yes, we have had rate changes in the previous 5 years.
 - a. See attachment 1 & 3
 - b. See attachment 2
 - c. There is only one rate of customers
3. Yes, we have plans for a rate change
 - i. Yes. Rate Increase.
 - ii. The Town of Trimble only has one class of customers
 - iii. No, the Board has not voted on the rate changes.
 - iv. The Board of Mayor and Aldermen have not discussed these proposed rate changes. Recommendations for these changes are to be discussed at the March meeting.
4. No utility fee changes in previous five years
 - a. See Attachment #4
 - b. See Attachment #5
 - c. See Attachment #6
5. Yes, our Debt Management Policy has been reviewed in the last 5 years
 - a. See Attachment #7
6. Yes, our Capitalization Policy has been reviewed in the last 5 years.
 - a. See attachment #8
7. See attachment #9 (multiple documents)
 - a. The Town of Trimble Public Works Director uses 50% of the expenses to account for the Wastewater expense.
8. Yes, increased the water rate 20% in July 2019 and are planning a 2% increase each year or the percentage necessary to match increased cost.
 - a. See attachment #10
9. The Board of Mayor and Aldermen have the authority to set rates and fees.
 - a. No
 - b. See Attachment #11 (multiple documents)
10. See attachment #12
11. Percentage of 4 largest customers 4%
12. Percentage of volume for 4 largest customers 9%
13. Yes, we have a Leak Adjustment Policy.
 - a. 5 adjustments. \$439.46 water adjustment
 - b. See attachment # 13 (multiple documents)
14. No new debt incurred.
15. No grants received.
16. No, have not applied for any grants.
17. No, we haven't informed the customers of the rates annually.
18. Yes, the Capital Assets lists is reviewed.
 - a. Once a year by the Mayor and Public Works Director

- b. N/A
 - c. See attachment # 18 (multiple documents)
19. Yes, the capital asset list is kept on file.
 20. Yes, we produce our own water supply.
 - a. $\frac{1}{2}$ total water and wastewater expense divided by total water produced equals \$4.32 per 1,000 gallons.
 21. No, we don't purchase our water supply.
 22. No wholesale customers.
 23. See attachment #22
 24. No environmental concerns.
 25. Monthly. Posted online via Town of Trimble Facebook Page, printed on water bills, notices are hung at Post Office, Front door or City Hall, and at the bank. The agenda is emailed to the State Gazette.

#1

**TOWN OF TRIMBLE, TENNESSEE
SCHEDULE OF CURRENT UTILITY RATES IN FORCE
AND UTILITY CUSTOMERS IN SERVICE**

June 30, 2019

Utility rates in force:

Water:	Base rate-all customers	\$ 22.50	per month
	Each 1,000 gallons	2.50	per month
Sewer:	Base rate-all customers	14.00	per month
	Each 1,000 gallons	2.00	per month
Garbage:	All customers	16.00	per month

Utility customers in service:

Water	286
Sewer	274
Garbage	270

See independent auditor's report.

#2

**TRIMBLE CITY HALL
P.O. BOX 215
TRIMBLE, TENNESSEE 38259**

Mayor-James A. Davis
City Administrator-David Norsworthy
City Recorder-Joyce Scobey

Telephone:
731-297-3955
Fax:
731-297-3172

June 18, 2010

**ATTN: Joyce Welborn
State of Tn. - Comptroller of the Treasury
Office of State and Local Finance
Water and Wastewater Financing Board
505 Deaderick St, Suite 1600
Nashville, Tn. 37243-1402**

Dear Ms. Welborn,

Beginning July 1, 2010, we have changed our water rate schedule to a minimum bill of \$22.00 and 2.50 per 1,000 gallons. Last year's rate was \$22.00 for the first 3,000 gallons then \$3.00 per 1,000 gallons.

The new sewer rate is \$14.00 minimum, then \$2.00 per 1,000 gallons. Last year's rate was a flat \$16.75.

We believe this will result in a change in net assets of +9,236.00.

Sincerely,

**David Norsworthy
City Adm.**

#3

**Special Called Meeting of the Board of Mayor and Aldermen
Trimble, Tennessee
June 25, 2018
5:30 p.m.**

Public Hearing

No one from the public was in attendance for the public hearing.

Special Called Meeting

The Board of Mayor and Aldermen met in a Special Called meeting with Mayor Jon McFarland calling the Meeting to order. Aldermen present were Don Byrd, David Faulkner, Scotty Funderburk, Ben Sturdivant, and Alex Capps.

The first item of business on the agenda was the discussion to make a slight raise in water rates per gallon. The current rate per gallon is .0025 and the proposed increase would be .0030 per gallon. Customers pay at the current rate \$2.50 for 1,000 gallons of water; the increase would raise that to \$3.00 for 1,000 gallons. A motion to make this raise in water rates was made by Don Byrd and seconded by Ben Sturdivant, all in favor, motion carried. The second item on the agenda was Ordinance 062518-A An Ordinance to Amend the 2017-2018 fiscal year budget. A motion to adopt this Ordinance was made by Don Byrd and seconded by Ben Sturdivant, all in favor, motion carried. The third item of business on the agenda was to adopt Ordinance 062518-B An Ordinance to adopt fiscal year 2018-2019 budget. A motion to adopt this Ordinance was made by Alex Capps and seconded by Scotty Funderburk, all in favor, motion carried. Last thing discussed on the agenda was the yearly 3% increase on the contractual services with Republic Services; the board agreed that they need to visit in the near future raising rates on the solid waste rate to keep up with the rising cost from Republic Services.

Next board meeting will be July 9th at 5:30 p.m.

A motion to adjourn was made by Ben Sturdivant and seconded by Alex Capps, all in favor, motion carried. Meeting adjourned.



Christy Belonio
City Recorder

425

water tap fee	present Tap Fee	Customer pays	proposed 2020 Tap fee	Customer pays					
3/4 inch	\$0.00	Cost	\$350.00	Plus cost					
1 inch	\$0.00	Cost	\$450.00	Plus Cost					
2 inch	\$0.00	Cost	\$500.00	Plus Cost					
Sewer Tap	\$250.00	plus cost	\$250.00	plus cost					

#6

Attachment #6

Charging a tap fee plus cost of installation for new connections to our system will help pay for existing infrastructure.

11

**Town of Trimble
Elected Officials
Term of Office 2016-2020**

Mayor

Jon McFarland
235 College St.
Trimble, TN. 38259
731-693-0502

Yes, fulfilled their initial 12-hour training requirement within the 1st year of service.

Aldermen

Scotty Funderburk
P.O. Box 234
Trimble, TN. 38259
731-676-7022
Elected in 2016

Yes, fulfilled their initial 12-hour training requirement within the 1st year of service.

Alex Capps
634 Pierce Street
Trimble, TN. 38259
731-334-3564
Elected in 2016

Yes, fulfilled their initial 12-hour training requirement within the 1st year of service.

Don Byrd
P.O. Box 175
Trimble, TN. 38259
731-589-1981
Elected in 2014

Yes, fulfilled their initial 12-hour training requirement within the 1st year of service.

Ben Sturdivant
546 Mitchell Street
Trimble, TN. 38259
731-445-1608
Elected in 2016

Yes, fulfilled their initial 12-hour training requirement within the 1st year of service.

David Faulkner
188 Church St.
Trimble, TN. 38259
731-676-2833
Elected in 2016

No, has not completed their initial 12-hour training requirement

Attachment #12

Total customers #289

- i. Billed 285
- ii. Unbilled 4 (These unbilled supply water to the water & sewer departments)
- iii. Metered 289
- iv. Unmetered 0
- v. N/A there is only one class of customers

Town of Trimble Water Dept.

WATER LEAK ADJUSTMENT POLICY

(Revised September 2010)

Summary

This policy provides for a billing adjustment for residential customers only who have experienced a large and unexpected increase in their water consumption due to fixture leaks, pipe breaks, vandalism, or similar occurrence(s). The billing adjustment is limited to a maximum of \$300 and is calculated at 60% of the excess water use over a maximum two-month period. It is only available once every five years for the same customer at the same location.

Scope

Water is a limited resource and it is the responsibility of all water customers to maintain their home irrigation systems, pipes and fixtures to minimize the unintended loss of water.

Nevertheless, on rare occasions, unexpected water use can occur through no fault of the customer. It is Trimble Water dept. policy to provide a partial credit to the water bill for eligible water loss.

A water customer shall be eligible for an adjustment, under this policy, if he or she has not had a prior adjustment for the same meter location in the prior five years.

Utility Billing Customer Service Staff shall determine if the water customer is eligible for an adjustment and then proceed to calculate the adjustment. If the excess water use is due to a leak at the meter connection, it is the Water dept. responsibility and the limit on eligibility shall not apply.

This Water Leak Adjustment policy applies only to residential and commercial water customers as follows:

- 1 For excessive water use, due to fixture leaks, pipe breaks, vandalism or similar Unexpected loss of water limited to a two-month period. The policy does not apply to new landscaping irrigation, pool / spa filling/ spray tank filling or other similar uses of water.
2. To receive a credit, water customers must complete an Excess Water Use Adjustment Claim form and correct the cause of the excess water use prior to any adjustment to the water bill. Excessive water use is defined as greater than 7500 gallons over the average monthly use calculated from The three prior years for the same month.
3. Adjustment is limited to once every five years for the same customer at the same meter location.
3. Adjustments to water account billings are limited to the volume charges for water use and are based on the average monthly use. The credit to the customer's account will be 60% of the excess water use leaving 40% of the cost to be paid by the customer.
4. This policy is applicable only for leaks on the customer's side of the water meter. Any leaks on City water mains and connections leading up to the customer's meter and the meter connections up to the customer service line connection will be the responsibility of the City. Customers will receive a 100%

credit for excessive water use resulting from faulty meter connection. The calculation of the billing adjustment shall be based on the water rate applied to the excess use and limited to a maximum of \$300.

Procedure:

Eligible water customer who suspects or discovers a leak shall contact Trimble Water Dept at 297 3955 to request an inspection by water dept personal. As a Customer courtesy, the cost of the first visit to the customer's property will be provided at no charge.

Trimble staff will prepare a work order requesting Public Works staff to contact the customer for a consultation and inspection of the property to determine if there is a leak. If a leak is found at the meter, it is a city responsibility and Public Works staff shall repair the leak, and request Utility Billing Staff to make an adjustment, if necessary, to the next billing. If there is no leak at the meter and with the customer's permission, Public Works staff will perform a brief survey of the property for any fixtures, pipes or irrigation systems that may visibly be leaking and shall inform customers of the results. Any repairs or a more comprehensive surveying or testing of the customer's water System is the responsibility of the customer. Public Works staff shall write a note on the work order explaining the result of the visit and whether an Adjustment to the customer's water bill is recommended.

In order to receive a leak credit, the customer must complete an Excess Water Use Adjustment form indicating the problem and provide a contractor's invoice, repair parts invoice or other documentation that the leak was repaired. These documents may be scanned and E-mailed to trimble@west-tenn.com.

Documentation may also be faxed to 731 297 3172 or mailed to Po Box 215 Trimble TN. 38259 The Mayor or his designee will be responsible for adjudicating the request and notifying the customer.

The billing adjustment shall be calculated only for the excess water use up to a two-month period. The excess shall be calculated on a monthly basis and the average of the same months in the prior three years for the service at the meter location. The excess water use must be greater than 7,500 gallons over the average monthly use. If the customer has not lived at the address for three years, then water usage from the prior customer will be used in the adjustment calculation. If this is a new tap credit may be received after a three month billing history is generated.

If the excess water use is greater than 7,500 for the month, then the adjustment to the billing, for a one or two month period, shall be made as follows:

1. Schedule the excess consumption along with the same month(s) for the prior three years.
2. Determine the average monthly use over the past three years.
3. Subtract the average use from the total consumption to determine excess Consumption. If amount is 7,500 gallons or less, customer is not eligible for a credit.
4. If excess consumption is over 7,500 gallons, multiply the excess consumption by the water rate to determine the cost of the excess water use. Multiply it by the Leak Credit of 60% to determine customer's credit.

5. Notify the customer of the adjustment and apply it on the next billing cycle .The customer that receives water credit may be eligible for a sewer credit.
See adjustment form and sample calculation.

Water Leak Calculation Example

	December 2009	December 2008	December 2007	December 2006
Assume leak in December 2009				
Consumption in gallons	50,000	6,000	5,000	7,000
Average monthly use over prior 3 years	6,000			
Excess Consumption for DEC 2009	44,000			
Water rate per 1,000 gallons	\$ 2.50			
Cost of Excess Consumption	\$110.00			
Trimble Credit Percentage	60 %			
Customer Credit Excess Water	\$66.00			
Cost of Excess Consumption	\$110.00			
Customer Credit Excess Water	\$66.00			
Customer would pay difference of	\$44.00			
Plus min bill of	\$22.00			
Plus avg bill for 6000 gal of	\$15.00			
Customer Total for Dec 2009	\$81.00			
Customers original bill	\$147.00			

#13

**Town of Trimble
Excess Water Use Adjustment Form**

Customer Name:
Service Address:
**Mailing Address if
Different:**
No. Street City ZIP
Water Service Account Number:

I have read the City's Water Leak adjustment policy and confirm that I am eligible for a credit based on the following situation:

I certify that the above information is true and accurate. I have not had a water leak credit at the above service address for the past five years and understand that there is only one credit allowed every five years. I have attached invoices and receipts to document my request.

Signature: _____ Date: _____

Trimble Water Dept. USE ONLY

Request Approved Not Approved

Signature: _____

Date: _____

Trimble Wastewater Billing Adjustments Policy:

The purpose of this procedure is to establish Town of Trimble policy regarding adjustments to customers' monthly billing for sewer usage; to establish guidelines for application of adjustments to customers' monthly bills; and to ensure that the use of billing adjustments is correctly authorized and applied.

It is Trimble's policy to provide the highest standard of service to our community in a customer friendly manner. The application of adjustments to customers' monthly billings provides assistance to those customers who may have experienced hidden plumbing problems or to those customers who own and fill a swimming pool. Utilizing an adjustment process supports Trimble Water Dept's efforts to provide high quality, customer friendly service delivery to the public. For this reason, establishing guidelines should help preserve the benefits provided to our customers from billing adjustments.

Procedure:

Leaks that are in an outside line or due to a faulty water heater (i.e. water metered that does not enter into the wastewater collection system) will be adjusted. The following process must be followed:

Complete a sanitary sewer credit application form if approved then, an adjustment will be made by reviewing the previous 12-month period and using the average of the lowest 6 months as the Adjusted Consumption for the billing cycle in question. Sewer customers shall only be charged for the Adjusted Consumption based on current rates and no additional amount shall be charged for the excess water used. Only one sewer adjustment will be made during any 12-month period.

Customers that plan on using 10,000 gallons or more, that does not enter the wastewater system, may be eligible for a credit. If notice is given 1 working day in advance of usage so that water meter can be read and a \$20.00 fee is paid then adjustment will be made for above normal usage for that time period, otherwise the adjusted consumption shall be computed and charged as discussed above. If this is a swimming pool, credit will be issued after the customer fills out a Sewer credit for pool filling request form and is approved for credit.

Further, adjustments for leaks created by faulty inside plumbing (i.e. faucets, toilets, etc.) and adjustments for gardening/lawn maintenance will not be considered. If gardening/lawn maintenance were metered separately, that usage would be eligible for credit.

#13

**Town of Trimble
Water and Wastewater Dept
SANITARY SEWER CREDIT APPLICATION FORM**

Date of Application: _____
Account number: _____ -
Applicant's name: _____
Phone: _____
Address: _____

City/State/Zip: _____

Account address if different than above: _____

Reason for request: ___ water did not enter sewer and was discharged on the ground
___ water did not enter sewer, went to basement no floor drain/sump
___ water meter not functioning properly
___ water did not enter sewer-other. Please explain where the water went:

Date(s) of occurrences: _____ **Amount of credit requested**
\$ _____

Applicant's signature: _____
Date _____

*City use only
Comments*

Credit approved Credit not approved Amount of credit \$ _____
for _____ Gallons

Public Works Director _____ *Date* _____

#13

SEWER CREDIT FOR POOL FILLING REQUEST FORM

Name: _____

Town of Trimble Utilities Account Number: _____

Address: _____

Phone: _____

Pool Information

Does pool have drain which empties into a sanitary sewer? ____ YES ____ NO

Dimensions of pool in feet: _____

Capacity of pool in gallons: _____

Does the pool have a drain? ____ YES ____ NO

Where is discharge location of the drain? _____

Pool Filling Start Date: _____

Pool Filling End Date: _____

If filled out completely, this form will provide enough information for the City of Trimble Water Department to issue a credit to your wastewater account. The credit will be posted after your next meter reading is posted.

Due to automated billing, it is not possible to get a credit on the month containing the extra charges for filling your pool. It will be on next month's bill.

If you have any questions, please call 297 3955 between the hours of 10 a.m. and 5 p.m.

Thank you!

Signature: _____

Date: _____

Mail this form to:

Trimble Water Dept

PO Box 215

Trimble Tn 38259

Attachment #22

1. Yes, Non-revenue water is 37% by cost and 37% by volume.
 - a. The Town of Trimble is presently replacing 1700 feet of 85 year old cast iron main. The pipe sections are connected with lead joints and have lead goosenecks that connect to the old steel service lines. This should eliminate some water loss. When this project is completed since 2005 we have replaced over 85% of our water mains and service lines to the meters. In the fall of 2019 we also replace all the water meters in our system.

Section B: Waste Water Utility Information – Answers

1. Yes, our utility offers wastewater.
2. No, we have not had rate changes in the previous 5 years.
 - a. See Attachment #1
 - b. See Attachment #2
 - c. NA
3. Yes, we have plans for a rate change
 - i. Yes. Rate Increase.
 - ii. The Town of Trimble only has one class of customers
 - iii. No, the Board has not voted on the rate changes.
 - iv. The Board of Mayor and Aldermen have not discussed these proposed rate changes. Recommendations for these changes are to be discussed at the March meeting.
4. No utility fee changes in previous five years
 - a. See Attachment #4
 - b. See Attachment #5
 - c. See Attachment #6
5. Yes, our Debt Management Policy has been reviewed in the last 5 years
 - a. See Attachment #7
6. Yes, our Capitalization Policy has been reviewed in the last 5 years.
 - a. See attachment #8
7. See attachment #9 (multiple documents)
 - a. The Town of Trimble Public Works Director uses 50% of the expenses to account for the Wastewater expense.
8. Yes, we are planning for rate increases immediately to make wastewater rate per gallon the same as the water per gallon plus a 2% increase each year or the percentage necessary to match increased cost.
 - a. See attachment #10
9. The Board of Mayor and Aldermen have the authority to set rates and fees.
 - a. No
 - b. See Attachment #11 (multiple documents)
10. See Attachment #12
11. Percentage of 4 largest customers 4.4%
12. Percentage of volume for 4 largest customers 9%
13. Yes, we have a Leak Adjustment Policy.
 - a. 5 adjustments - \$229.76 sewer adjustment
 - b. See attachment # 13 (multiple documents)
14. No new debt incurred.
15. No grants received.
16. No, have not applied for any grants.
17. No, we haven't informed the customers of the rates annually.
18. Yes, the Capital Assets lists is reviewed.
 - a. Once a year by the Mayor and Public Works Director

- b. N/A
- 19. Yes, the capital asset list is kept on file.
- 20. Yes, the customers are billed on the water usage
 - a. Trimble Water Department
- 21. No
- 22. No
- 23. Yes, we treat our own wastewater
 - a.
 - i. $\frac{1}{2}$ total water and wastewater expense divided by total water produced equals \$4.32 per 1,000 gallons.
 - ii. Trimble Lagoon system with a NPDES annual permitted discharge of 73 mg. We annually discharge at 37.7% of that volume.
- 24. Yes, we have a plan to improve the infiltration and inflow (I & I).
 - a. We recently purchased a machine to smoke test our system to locate our points of I & I. We do not have any current I & I data.
- 25. No
- 26. Monthly. Posted online via Town of Trimble Facebook Page, printed on water bills, notices are hung at Post Office, Front door or City Hall, and at the bank. The agenda is emailed to the State Gazette.
- 27. Yes, we have a sewer ordinance.
 - a. See attachment #24

#1

TOWN OF TRIMBLE, TENNESSEE
SCHEDULE OF CURRENT UTILITY RATES IN FORCE
AND UTILITY CUSTOMERS IN SERVICE
June 30, 2019

Utility rates in force:

Water:	Base rate-all customers	\$ 22.50	per month
	Each 1,000 gallons	2.50	per month
Sewer:	Base rate-all customers	14.00	per month
	Each 1,000 gallons	2.00	per month
Garbage:	All customers	16.00	per month

Utility customers in service:

Water	286
Sewer	274
Garbage	270

See independent auditor's report.

#2

**TRIMBLE CITY HALL
P.O. BOX 215
TRIMBLE, TENNESSEE 38259**

Mayor-James A. Davis
City Administrator-David Norsworthy
City Recorder-Joyce Scobey

Telephone:
731-297-3955
Fax:
731-297-3172

June 18, 2010

**ATTN: Joyce Welborn
State of Tn. - Comptroller of the Treasury
Office of State and Local Finance
Water and Wastewater Financing Board
505 Deaderick St, Suite 1600
Nashville, Tn. 37243-1402**

Dear Ms. Welborn,

Beginning July 1, 2010, we have changed our water rate schedule to a minimum bill of \$22.00 and 2.50 per 1,000 gallons. Last year's rate was \$22.00 for the first 3,000 gallons then \$3.00 per 1,000 gallons.

The new sewer rate is \$14.00 minimum, then \$2.00 per 1,000 gallons. Last year's rate was a flat \$16.75.

We believe this will result in a change in net assets of +9,236.00.

Sincerely,

**David Norsworthy
City Adm.**

485

water tap fee	present Tap Fee	Customer pays	proposed 2020 Tap fee	Customer pays					
3/4 inch	\$0.00	Cost	\$350.00	Plus cost					
1 inch	\$0.00	Cost	\$450.00	Plus Cost					
2 inch	\$0.00	Cost	\$500.00	Plus Cost					
Sewer Tap	\$250.00	plus cost	\$250.00	plus cost					

#6

Attachment # 6

Charging a tap fee plus cost of installation for new connections to our system will help pay for existing infrastructure.

Troy

	Water and Sewer	County: Obion		
	2016	2017	2018	2019
Unrestricted Net Position	\$620,521.00	\$109,477.00	\$91,674.00	\$176,320.00
Operating Revenues	\$316,474.00	\$326,048.00	\$367,970.00	\$379,889.00
Net Sales	\$298,034.00	\$311,430.00	\$346,181.00	\$363,597.00
Operating Expenses	\$320,987.00	\$417,784.00	\$383,496.00	\$411,010.00
Operating Income	(\$4,513.00)	(\$91,736.00)	(\$15,526.00)	(\$31,121.00)
Depreciation Expense	\$80,547.00	\$132,535.00	\$174,840.00	\$182,268.00
Non-Operating Rev. (Exp.)	\$1,120.00	(\$9,573.00)	(\$13,951.00)	\$(11,855.00)
Operating Profit	(\$3,393.00)	(\$101,309.00)	(\$29,477.00)	(\$42,976.00)
Grants and Capital Contribution	\$589,731.00	\$519,155.00	\$0.00	\$167,404.00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	\$586,338.00	\$426,943.00	(\$29,245.00)	\$124,428.00
Statutory Change in NP (2017)	(\$3,393.00)	(\$92,212.00)	(\$29,245.00)	(\$42,976.00)
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		(\$92,212.00)	(\$29,245.00)	(\$42,976.00)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Town of Troy**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

On December 4, 2019, the Board issued the attached order regarding the Town's financial distress.

The Town has complied with all directives of the Board's order.

Staff Recommendations:

Order the Town to comply with the following:

1. The Town shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2021, until the Board releases the Town from its oversight.

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:

TOWN OF TROY

)
)
)
)
)
)
)

**TENN. CODE ANN. § 68-221-1010
-FINANCIAL DISTRESS**


ORDER

On November 21, 2019, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the Town of Troy (“the Town”) pursuant to Tenn. Code Ann. § 68-221-1010. Staff stated that when the Town was referred to the Board, it contracted with the Municipal Technical Advisory Service (“MTAS”) to perform a rate study. When reviewing the completed rate study, Staff noticed a 50% discrepancy between rates for customers inside the Town and rates for customers outside the Town. The Town was unable to justify this discrepancy. MTAS and the Town have agreed to attempt to establish a uniform rate. Therefore, based on Staff’s statements, recommendations, and all supporting documentation, the Board hereby orders the following:

1. The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, assist in the following:
 - a. the creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;
 - b. the creation of a capitalization policy; and
 - c. the creation of a leak adjustment policy.

2. By January 10, 2020, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.
3. By December 31, 2019, the Town shall send Board staff proof that all its board members have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).
4. By January 31, 2020, the Town shall provide Board staff with the updated MTAS rate study and all resulting recommendations. After receiving notification of Staff's approval of the resulting recommendations, the Town shall implement them within 60 days.
5. By May 1, 2020, the Town shall provide Board staff with the completed items from paragraph 1 of this order, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
6. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town.

ENTERED this 4th day of December, 2019.

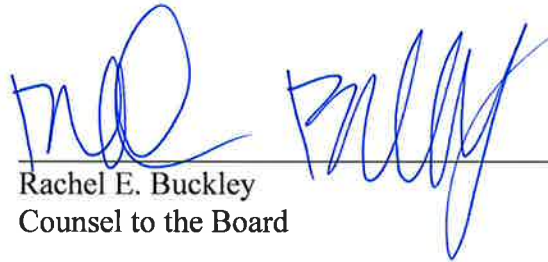


ANN V. BUTTERWORTH, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via U.S. mail to the following on this 14th day of December, 2019:

Mayor Deanna Chappell
Mr. John McTurner, City Recorder
116 West Harper
P.O. Box 246
Troy, TN 38260



Rachel E. Buckley
Counsel to the Board

ORDINANCE NO. 33C

AN ORDINANCE OF THE TOWN OF TROY, TENNESSEE, ESTABLISHING A FEE SCHEDULE FOR CUSTOMERS OF THE MUNICIPAL WATER AND WASTEWATER UTILITIES.

WHEREAS, the Troy Board of Mayor and Aldermen has identified the need to periodically adjust municipal utility rates to keep pace with inflation, thus avoiding the need for larger rate hikes associated with the irregular adjustment of utility rates; and

WHEREAS, the Troy Board of Mayor and Alderman has decided that making such adjustments automatically will best keep pace with inflation, said adjustments shall henceforth annually reflect an increase of 3 percent to the Minimum Bill and 3 percent to the Unit Cost per 1,00 gallons. The minimum charge and the cost per 1,000 gallons as set out in the schedule of rates shall be adjusted on an annual basis in an amount equal to a 3 percent increase to the previous year's rate. Said annual adjustment shall be effective January 1st each year;

WHEREAS, the Troy Board of Mayor and Aldermen has decided that the most equitable way to further adjust rates is to pay a unit price for all water and sanitary sewer service provided, minimum bills shall henceforth include 0 gallons of water and 0 gallons of sanitary sewer.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF MAYOR AND ALDERMEN OF THE TOWN OF TROY, TENNESSEE, AS FOLLOWS:

1. Municipal Water Rates. The Troy Board of Mayor and Aldermen hereby adopts the following monthly rate schedules applicable to all customers of the municipal water utility, exclusive of state and local sales taxes, said schedules to henceforth automatically be increased 3 percent on an annual basis:

Water Rates		
	\$22.00	minimum charge- 0 gallons included
	\$4.90	per 1,000 gallons over 0 gallons

2. Municipal Wastewater Rates. The Troy Board of Mayor and Aldermen hereby adopts the following monthly rate schedules applicable to all customers of the municipal wastewater utility, exclusive of state and local taxes, said schedules to henceforth automatically be

increased 3 percent on an annual basis:

Sewer Rates		
	\$15.98	minimum charge- 0 gallons included
	\$5.23	per 1,000 gallons over 0 gallons

Effective date. This ordinance shall be in full force and effect from and after its date of passage on Wednesday July 1, 2020 by the Board of Mayor and Aldermen.

Severability. Should any section, paragraph, sentence, clause, or phrase of this ordinance or its application to any person or circumstance be declared unconstitutional or otherwise Invalid for any reason, or should any portion of this ordinance be pre-empted by State or Federal law or regulation, such decision or legislation shall not affect the validity of the remaining portions of this ordinance or its application to other persons or circumstances.

Repealer. All ordinances and parts of ordinances which are inconsistent with the provisions of this ordinance are hereby repealed to the extent of such inconsistency.

PASSED AND APPROVED THIS 4th DAY OF May 2020 BY A ROLL CALL VOTE OF THE TROY BOARD OF MAYOR AND ALDERMEN.

1ST READING: 2-3-2020

2ND READING: 3-20-2020

3RD READING: 5-4-2020

X Deanna Chappell
DEANNA CHAPPELL
MAYOR

X Johnny McTurner
JOHNNY MCTURNER
CITY RECORDER

5-12-2020

Sewer Adjustments

Residents are allowed a one time a year sewer adjustment for filling pool based on how large pool is or what our system shows in the usage of water.

Any other sewer adjustments must be approved by myself or Lynn Jones.

A handwritten signature in cursive script that reads "Deanna Chappell".

Deanna Chappell

RESOLUTION TO SET STANDARDS FOR DEPRECIATION

Whereas this Resolution establishes a standard that dictates when expenditures may be capitalized in accordance with generally accepted accounting principles.

Whereas the Town of Troy needs to establish a different standard for each asset in order to maintain effective managerial control. To be classified as a fixed asset the item must have (1) a useful life of more than 1 year and (2) a cost of more than \$ 1000.00

Therefore, the Town of Troy resolves that these years set the standards that apply to these assets:

Any and all electrical equipment such as computers, copies, fax machines, calculators, TV's, VCR's, tape recorders and communication equipment and weather station equipment (pagers, walkies talkies)

5 years

Any and all equipment such as trucks, police cars, fire trucks, turnout gear and equipment for firemen, backhoes, tractors, mowers, generators, jacks, and air conditioning units

10 years

Any and all office furniture such as desks, chairs, tables, kitchen appliances, sofas, end tables, conference room tables, and credenza

10 years

Any and all recreation equipment for parks such as fences, tennis court equipment, playground equipment

10 years

Any and all paving

10 years

Any Mobile Homes

15 years

Any and all timber bridges

15 years

Any painting of water tank

20 years

Any older used buildings such as Wedding Chapel and First State Bank

25 years

Any and all concrete bridges and culverts

30 years

Any and all sidewalks

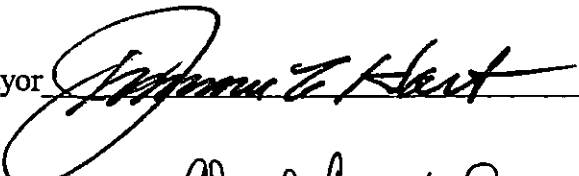
30 years

Any and all gas and water meters	40 years
Any and all lift stations and well pumps, fences	40 years
Any new water, gas, sewer line improvements and fire plugs	50 years
Any and all wells and water storage tanks	50 years
Any and all newly constructed buildings such as Fire Dept., Police Dept., City Hall, Blondie's, Senior Citizens Building	50 years
Any and all land improvements such as brick walls, fountain, monuments	50 years

Any and all old equipment 10 years or more are not subject to this resolution

This resolution will take effect immediately upon passage.

1st. Reading December 20, 2004

Mayor 

City Recorder 

Vanleer

	Water	County: Dickson		
	2016	2017	2018	2019
Unrestricted Net Position	\$272,717.00	\$117,389.00	\$325,502.00	\$240,520.00
Operating Revenues	\$671,393.00	\$746,507.00	\$796,859.00	\$788,377.00
Net Sales	\$652,383.00	\$698,987.00	\$731,169.00	\$726,556.00
Operating Expenses	\$591,264.00	\$649,842.00	\$733,095.00	\$791,064.00
Operating Income	\$80,129.00	\$96,665.00	\$63,764.00	(\$2,687.00)
Depreciation Expense	\$175,197.00	\$199,045.00	\$204,795.00	\$206,182.00
Non-Operating Rev. (Exp.)	(\$73,861.00)	(\$72,737.00)	(\$70,104.00)	\$(63,545.00)
Operating Profit	\$6,268.00	\$23,928.00	(\$6,340.00)	(\$66,232.00)
Grants and Capital Contribution	\$0.00	\$181,233.00	\$191,968.00	\$133,977.00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	\$6,268.00	\$205,161.00	\$185,628.00	\$67,745.00
Statutory Change in NP (2017)	\$6,268.00	\$23,928.00	(\$6,340.00)	(\$66,232.00)
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$3,595.00	\$5,179.00	\$3,185.00
Statutory Change in NP (2018)		\$27,523.00	(\$4,756.00)	(\$68,226.00)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Town of Vanleer**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water**

Staff Summary:

The Town of Vanleer was referred for financial distress. The Town's completed financial distress questionnaire is attached.

The Town raised rates in 2019, but staff is unable to determine whether the rates are sufficient to cover costs.

Staff Recommendations:

Order the Town to comply with the following:

1. The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - i. a justification for the differing rates for customers outside the Town as opposed to those inside the Town, or if no justification is possible, a recommendation involving a singular rate for the two types of customers;
 - ii. the creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs;
 - iii. a determination of the cost of producing 1,000 gallons of water, and of treating 1,000 gallons of wastewater;
 - iv. a review of the new customer contract to include recommended modifications if needed;
 - v. a review of the debt management policy to include recommended modifications if needed;
 - vi. a determination regarding whether a leak adjustment policy is necessary;
 - vii. the creation of a capitalization policy; and
 - viii. a review of tap fees to include recommended modifications if needed.

2. By October 31, 2020, the City or qualified expert shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.
3. By December 31, 2020, the City or qualified expert shall send Board staff proof that all board members have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).
4. By February 28, 2021, the City or qualified expert shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
5. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the City or qualified expert.

Section B: Water Utility Information

1. Does your utility offer water? *yes*
 - a. If yes, please complete the following section. If no, please proceed to Section C: Wastewater Utility Information.
2. Have you had any rate changes in the previous five years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your current rate ordinance/structure and the justification for why the rates are set this way- including any recent rate studies performed for the utility.
 - b. Please provide a copy of previous rate ordinances/structures from the previous five years if you answered yes to Question #2.
 - c. If you have differing rate classes (inside/outside city limits, residential/commercial/industrial, new developments, etc.), please provide justification as to why these rates are set the way they are.
3. Do you have any current plans for a rate change?
Yes or No (Circle your answer)
 - a. If yes, please provide a written answer to the following questions:
 - i. Are you planning for a rate increase or decrease?
 - ii. Are you planning this change across all customer classes or only on a certain customer class?
 - iii. Has your Board voted on this rate change yet?
 - iv. If your Board has discussed a rate change at recent meetings, please attach a copy of the relevant minutes at which this meeting took place.
4. Have you had any utility fee changes in the previous five years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your current utility fee schedule.
 - b. Please provide a copy of previous utility fee schedules if you answered yes to Question #3.
 - c. Please provide a written rationale for the charges for tap fees, reconnect fees, etc.
5. Has your debt management policy been reviewed in the last 5 years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your debt management policy. If you do not have a debt management policy, please provide a written rationale for why a debt management policy has not been adopted.
6. Has your capitalization policy been reviewed in the last 5 years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your capitalization policy. If you do not have a capitalization policy, please provide a written rationale for why a capitalization policy has not been adopted.

7. Please provide the most recent 3 months of balance sheets and income statements for your water fund.
 - a. If you are a water and wastewater utility and are having difficulty breaking out the accounts, please use percentages or estimate for accounts for the most accurate depiction of the financial status of the utility.
8. Do you have a plan to remedy your financially distressed position for your water fund?
Yes or No (Circle your answer)
 - a. If yes, please provide a detailed copy.
 - b. If no, please provide a justification for why not.
9. Who has the authority to set rates and fees?

Answer: *Town Board of Alderman*

- a. Is this a board or committee separate from your local legislative body? (City Council, Board of Mayor and Alderman, etc.)
Yes or No (Circle your answer)
- b. Please provide a list containing the following information for the aforementioned individuals:
 - i. Name
 - ii. Title
 - iii. Mailing Address
 - iv. Phone Number
 - v. Date of Initial Election or Appointment
 - vi. Have they fulfilled their initial 12 hour training requirement within the first year of service, if applicable? Yes or No
 - vii. If so, please provide proof that the training requirement has been satisfied.

10. How many total customers do you currently have?

Answer:

- a. Please provide a numerical break-down of the totals for each type of customer:
 - i. Billed
 - ii. Unbilled
 - iii. Metered
 - iv. Unmetered
 - v. Breakdown by Rate Class (inside, outside, inside residential, inside commercial, outside residential, outside commercial, etc.)

11. What percentage of your sales do your largest 10 customers account for annually?
(Largest 10 Customer Sales Total / Total Annual Water Sales) *7.62%*

Answer:

12. What percentage of your volume do your largest 10 customers account for annually?
(Gallons of Water sold to Largest 10 Customers / Total Gallons of Water Sold) *12.59%*

Answer:

13. Do you have a leak adjustment policy?

Yes or No (Circle your answer)

- a. If yes, how many leak adjustments were performed based on your leak adjustment policy in the last 12 months? What is the cost associated with these leaks?

Answer:

- b. If yes, please attach a copy of your leak adjustment policy.
c. If no, please move on to the next question.

14. Have you incurred any new debt during the current fiscal year for your water utility, or do you plan on incurring any debt during the current fiscal year for your water utility?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding the debt.
b. If no, please move on to the next question.

15. Have you received any grants or capital contributions during the current fiscal year for your water utility, or do you plan on receiving any grants or capital contributions during the current fiscal year for your water utility?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding these grants or capital contributions.
b. If no, please move on to the following question.

16. Have you applied for any grants that will be received over the next two years?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding these potential grants.
b. If no, please move on to the following question.

17. Are your customers made aware of the rates and fees you have in place annually?

Yes or No (Circle your answer)

- a. If yes, how is this accomplished?
b. If no, please provide a written justification as to why not.

18. Do you review your capital asset list?

Yes or No (Circle your answer)

- a. If yes, how often is this list reviewed and by whom?
b. If no, please provide a written justification as to why not.
c. Please provide a copy of your capital asset plan, or a justification as to why you do not have one.

19. Do you keep a copy of your capital asset list on file?

Yes or No (Circle your answer)

20. Do you produce your own water supply?

Yes or No (Circle your answer)

- a. If yes, what is the cost per thousand gallons to produce? \$5.34

Answer:

- b. If no, please move on to the next question.

21. Do you purchase your water supply? No

- a. If yes, please provide the following:
 - i. List of entities water is purchased from
 - ii. Rates at which water is purchased at
 - iii. Water purchase contract with these entities, if no contract exists please give an explanation as to why there is no contract.
 - b. If no, please move on to the following question.
22. Do you have any wholesale customers?
- Yes or No (Circle your answer)
- a. If yes, please provide the contract(s) with these customer(s) or a detailed explanation as to why a contract does not exist and the rate at which water is sold to this customer.
 - b. If no, please move on to the following question.
23. Do you have a plan to improve your non-revenue water percentage?
- Yes or No (Circle your answer)
- a. If yes, please provide a detailed explanation as to how this will be improved along with your current non- revenue water percentages by cost and by volume.
 - b. If no, please provide a detailed justification as to why the current non-revenue water percentage does not need to be improved along with your current non-revenue water percentages by cost and by volume.
24. Are there any environmental concerns currently or forthcoming that will put a financial burden on the system?
- Yes or No (Circle your answer)
- a. If yes, please provide a detailed explanation as to what the concern or issue is and the extent of the financial burden that will be incurred.
 - b. If no, please move on to the next question.
25. In regard to your governing body, how frequently do you meet and what is your practice of providing notice of your meetings?
- Answer: *Meetings are held once per month. Notice of meetings listed on Vanover Waterworks website and posted on Town's electronic sign.*

Additional Comments:

Our 2018-2019 fiscal year was an unusual year for us. During February 2019, we had a disastrous flood. The cost to us was conservatively \$51,000 plus. We had desired a grant from FEMA, however was surprised to be only offered a very small portion of the request which we eventually turned down as insignificant. That money would have really helped offset the expenses. We also had to pay about \$34,000 over our normal budget for water analysis fees due to "crypto testing."

The Water Department also incurs loan interest and a significant amount of depreciation expense resulting from capital projects. Our Department serves a large portion of the north side of our county and it has taken significant resources to provide that water to the customers.

We were fortunate enough during our 16-17 fiscal year to completely fund the painting of our main water tank at a cost of \$187,400 without the need of obtaining any additional funding from other sources. We also paid off early two Rural Development loans totaling slightly over \$94,000 during the 19-20 fiscal year. We knew this would help, if only slightly, cut down on some of our interest expenses.

We did raise our per gallon rate fees starting July, 2019 and that has helped this fiscal year. Our income has increased and we appear to be showing a profit so far for the year. Our operating bank balance now exceeds \$300,000 and may allow us to pay an additional principal portion of our debt this next fiscal year.

Watauga River Regional Water Authority

	Water	County: Carter		
	2016	2017	2018	2019
Unrestricted Net Position	\$672,498.00	\$999,308.00	\$2,077,658.00	\$2,437,483.00
Operating Revenues	\$2,020,426.00	\$2,108,386.00	\$2,263,493.00	\$2,275,586.00
Net Sales	\$1,961,203.00	\$2,061,893.00	\$2,206,726.00	\$2,226,021.00
Operating Expenses	\$1,487,898.00	\$1,502,917.00	\$1,532,306.00	\$1,590,365.00
Operating Income	\$532,528.00	\$605,469.00	\$731,187.00	\$685,221.00
Depreciation Expense	\$673,434.00	\$691,355.00	\$691,035.00	\$700,189.00
Non-Operating Rev. (Exp.)	(\$579,040.00)	(\$567,082.00)	(\$694,301.00)	\$(450,572.00)
Operating Profit	(\$46,512.00)	\$38,387.00	\$36,886.00	\$234,649.00
Grants and Capital Contribution	\$479,356.00	\$0.00	\$0.00	\$-00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	\$432,844.00	\$38,387.00	\$36,886.00	\$234,649.00
Statutory Change in NP (2017)	(\$46,512.00)	\$38,387.00	\$36,886.00	\$234,649.00
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		\$38,387.00	\$36,886.00	\$234,649.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Watauga River Regional Water Authority**

Referral Reason: **Negative Change in Net Position**

Utility Type Referred: **Water**

Staff Summary:

The Watauga River Regional Water Authority was referred on January 12, 2016 for decreases in net position in 2014 and 2015. These deficiencies have since been corrected.

Staff Recommendations:

The Authority should be released from Board oversight.

Watertown

	Water and Sewer	County: Wilson		
	2016	2017	2018	2019
Unrestricted Net Position	\$612,533.08	\$588,245.05	\$735,624.31	\$825,407.41
Operating Revenues	\$568,334.84	\$568,888.54	\$577,885.58	\$570,650.62
Net Sales	\$520,736.11	\$524,384.10	\$521,795.37	\$520,956.29
Operating Expenses	\$568,735.86	\$579,003.64	\$503,643.45	\$537,432.13
Operating Income	(\$401.02)	(\$10,115.10)	\$74,242.13	\$33,218.49
Depreciation Expense	\$103,302.61	\$96,455.25	\$86,412.47	\$84,749.12
Non-Operating Rev. (Exp.)	(\$7,096.96)	\$4,331.49	\$946.90	\$2,480.49
Operating Profit	(\$7,497.98)	(\$5,783.61)	\$75,189.03	\$35,698.98
Grants and Capital Contribution	\$0.00	\$0.00	\$0.00	\$-00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	(\$7,497.98)	(\$5,783.61)	\$75,189.03	\$35,698.98
Statutory Change in NP (2017)	(\$7,497.98)	(\$5,783.61)	\$75,189.03	\$35,698.98
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$4,017.00
Statutory Change in NP (2018)		(\$5,783.61)	\$75,189.03	\$39,715.98





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Watertown**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water and Sewer**

Staff Summary:

On September 30, 2019, the Board issued the attached order.

The City engaged TAUD to assist it with completing the Board's directives. TAUD's resulting report and recommendations are attached. The City has not implemented the recommendations of TAUD. The City has not completed any of the required board training.

Staff Recommendations:

1. By November 30, 2020, the City shall implement all TAUD recommendations.
2. By December 31, 2020, the City shall send Board staff proof of implementation of paragraph 1.
3. By December 31, 2020, the City shall send Board staff proof that all board members have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).
4. The City shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2021, until the Board releases the City from its oversight.



Tennessee Utility Assistance, LLC
840 Commercial Court
Murfreesboro, TN 37129
Voice (615) 896-9022
Fax (615) 898-8283

July 2, 2020

Via email

Honorable Michael Jennings
City of Watertown, Tennessee
8630 Sparta Pike
Watertown, TN 37184

Re: City of Watertown – Compliance with WWFB Order Dated
September 30, 2019

Dear Mayor Jennings:

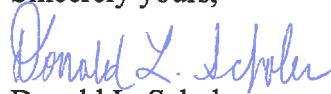
I have enclosed the Report for the City of Watertown prepared by Tennessee Utility Assistance, LLC (TUA) on the directives of the Water and Wastewater Financing Board (WWFB) in its September 30, 2019 Order. You need to email the Report to John Greer at john.greer@cot.tn.gov who works with the WWFB.

The recommendations of TUA for compliance with the directives of WWFB's Order are pages 4 and 5 of the Report. The WWFB will be meeting again on August 27, 2020. The City should act on these recommendations as soon as it can do so. You will probably receive a communication from Mr. Greer around the first of August to get an update from you on City's actions or plan of action on these recommendations. If I can answer any questions about the recommendations or how to move forward on the recommendations, please feel free to contact me.

I have enclosed an invoice from TUA for \$3,000 for the Report pursuant to the fee set forth in our engagement letter.

Thank you for allowing TUA to assist you with complying with the WWFB's Order.

Sincerely yours,


Donald L. Scholes

Enclosures



Tennessee Utility Assistance, LLC
840 Commercial Court
Murfreesboro, TN 37129
Voice (615) 896-9022
Fax (615) 898-8283

REPORT FOR CITY OF WATERTOWN, TENNESSEE

WATER AND WASTEWATER FINANCING BOARD ORDER DATED SEPTEMBER 30, 2019

July 2, 2020

INTRODUCTION

Relevant History of the City's Water and Sewer System and Rates

The City of Watertown, Tennessee (“the City”) provides water service to approximately 650 customers and sewer service to approximately 615 customers. Since the City’s water and sewer fund had a negative change in net position for its fiscal years ending June 30 of 2016 and 2017, the financial condition of the City’s water and sewer fund has improved. This improvement was primarily due to a decrease in interest expense from paying off the debt of the water and sewer fund and a decrease in annual depreciation expenses. As a result, the City’s water and sewer fund had a positive change in net position of \$75,189 for its fiscal year ending June 30, 2018, and a positive change in net position of \$35,699 and for its fiscal year ending June 30, 2019.

TUA projects that the City’s water and sewer fund will have a positive change in net position of \$4,619 for its current fiscal year ending June 30, 2020.

In 2015, the City entered into a Consent Order and Agreement with the Tennessee Department of Environment and Conservation (TDEC) to resolve enforcement actions in two Director’s Order and Assessment cases, WPC14-0120 and WPC15-0030. The Consent Order requires that the City make substantial improvements to its sewer collection system by the end of 2025. The City has contracted with Water Management Services, LLC to design the needed project and to assist it with obtaining the funding the project.

The City has elected to finance the sewer collection system improvements using a loan from the Clean Water State Revolving Fund (SRF). The City completed its loan application for \$2,300,000 with SRF in March of 2020. The City anticipates that its sewer system collection system rehabilitation project will be completed in late 2022.

The City’s water rates and sewer rates are the same. The City’s current rates for water service and sewer service are as follows:

Inside City

Minimum bill (includes 2,000 gallons)	\$15.39
0 - 2,000 gallons	\$4.12 per 1,000 gallons
2,001 - 10,000 gallons	\$5.64 per 1,000 gallons
Over 10,000 gallons	\$6.57 per 1,000 gallons

Outside City

Minimum bill (includes 2,000 gallons)	\$23.08
0 - 2,000 gallons	\$6.16 per 1,000 gallons
2,001 - 10,000 gallons	\$8.46 per 1,000 gallons
Over 10,000 gallons	\$9.86 per 1,000 gallons

These rates have been in effect since 2009.

WWFB Order

The City was referred to the Water and Wastewater Financing Board (WWFB) upon the submission of its audit for its fiscal year ending June 30, 2017, because it met the statutory definition for a financially distressed municipal water and sewer system. The system had a negative change in net position for two consecutive years without regard to any grants or capital contributions for its fiscal years ending June 30, 2016 and June 30, 2017.

On September 30, 2019, the WWFB entered an order directing the City to do the following:

- 1) The City shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study to include the following:
 - a. Creation of a capitalization policy;
 - b. A review of the cost of compliance with environmental issues;
 - c. The creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and
 - d. A review of the leak adjustment policy, including any recommended modifications.
- 2) By October 31, 2019, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.
- 3) By December 31, 2019, the City shall send Board staff proof that all members of the utility's governing body have compiled with the training requirements set out in Tenn. Code. Ann. 7-34-115(j).
- 4) By February 28, 2020, the City shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

RECOMMENDATIONS

Recommendation #1

To meet its annual revenue requirements for its fiscal year ending June 30, 2021, TUA recommends that the City make the following rate adjustments effective October 1, 2020.

- (1) The City should eliminate its outside-city water and sewer rate classes. The City only has 13 outside-city water customers. The City only has one outside-city sewer customer. With such a small number of outside-city customers, no cost justification exists to have separate outside-city rate classes.
- (2) The City should increase its minimum water bill and sewer bill by \$0.25 and should increase the usage rate in each rate block by \$0.25 per 1,000 gallons.

Recommendation # 2

Beginning July 1, 2021, the City will need to review existing rates annually to determine whether annual rate increases are needed so the water and sewer fund will continue to have a positive change in net position. The completion of the sewer collection system rehabilitation project in late 2021 will definitely require a rate increase for the fiscal year beginning July 1, 2022, due to the increased depreciation expense and debt costs of the project.

TUA suggests that the adoption of any rate increases to become effective on or after July 1, 2021 should be done annually as a part of the budgetary process each year to ensure that rates recommended later in this Report will continue to produce sufficient revenues to give the water and sewer fund a positive change in net position in future fiscal years.

Recommendation # 3

TUA recommends that the City adopt a resolution to establish a capitalization policy which incorporates the capitalization cost thresholds and service lives the City currently uses for all capital assets except its water and sewer system assets. The City's capitalization policy should adopt the service lives for its water and sewer system using the recommended service lives adopted by the WWFB for municipal water and sewer systems.

Currently, the City uses \$500 as a capitalization threshold. This threshold is low. Capitalizing each asset which cost more than \$500 and depreciating the asset over its useful life requires extra recordkeeping for the City which provides no real benefit to the City. The GFOA recommends that the capitalization threshold for local governments be no less than \$5,000. While a smaller city such as Watertown may not need to have \$5,000 as its capitalization threshold, something greater than \$500 seems warranted.

Recommendation # 4

TUA does not recommend any changes to the City's current leak adjustment policy. The City may want to incorporate the leak adjustment policy into an ordinance.

Recommendation # 5

TUA was informed that the Mayor and members of the City Council have had no municipal utility official training as mandated by T.C.A. § 7-34-115(j). TUA recommends the members get the required 12 hours of initial training as soon as they can.

FIVE YEAR CAPITAL ASSET PLAN AND COST OF COMPLIANCE WITH ENVIRONMENTAL ISSUES

The City expects to spend \$2,300,000 during the next five years to rehabilitate of the City's sewer collection system as required by the TDEC Consent Order. Because of this sizeable expenditure, the City desires to limit the capital improvements for the Five-Year Capital Asset Plan to this sewer collection system rehabilitation project. While the City may be entitled to some principal forgiveness on the SRF loan, the amount of any principal forgiveness is unknown at this time. Therefore, the Five Year Capital Asset Plan assumes the City's sewer collection system rehabilitation project will be financed by loan funds only. The City's suggested the Five-Year Capital Asset Plan is attached to this Report as **Exhibit 1**.

RATE STUDY AND PROPOSED PLAN OF ACTION

To determine whether existing rates will produce sufficient revenues to make the City's water and sewer system self-supporting, TUA first projected a Statement of Revenues and Expenses and Changes in Net Position for the City's water and sewer fund for its current fiscal year ending June 30, 2020. TUA projected the revenues for the system using existing rates. TUA projected operating expenses by reviewing historical information from the five previous years and reviewing expenses for the current fiscal year. The City's water and sewer system has no debt.

Then, TUA projected Statements of Revenues and Expenses and Changes in Net Position for the City's water and sewer fund for its fiscal years ending June 30 of 2021, 2022, 2023, 2024, and 2025. See **Exhibit 2** attached to this Report.

Revenue Projections:

- Water and sewer sales for the fiscal year ending June 30, 2020, were projected based upon nine months of actual water and sewer sales and plus projected sales for the remaining three months of the fiscal year based upon the previous nine months.
- Since 2015 the City has experienced minimal annual customer growth and does not plan to expand its existing water or sewer system in the near future. Therefore, the water and sewer sales projections for the fiscal years ending June 30th of 2021, 2022, 2023, 2024, and 2025 do not include any revenue increases based on annual customer growth.

Expense Projections:

- Except for depreciation, all operating expenses for the current fiscal year are projected based upon nine months of actual expenses plus estimated expenses for the remaining three months of the fiscal year based upon the previous nine months. Depreciation for the current fiscal year is based upon the City's fixed asset schedule which includes the annual depreciation of capital assets.
- For the remaining fiscal years in the five-year projection, all operating expenses, except depreciation, contracted services and miscellaneous expenses, are increased by 2% annually over the projected amount for the current fiscal year.
- Miscellaneous expense is projected to be \$13,725 for the fiscal year ending June 30, 2021 based upon the average of prior two fiscal years and is then increased by 2% for subsequent years.
- Contracted services expense was projected to be \$85,266 for the fiscal year ending June 30, 2021 based upon the average of prior two fiscal years and was then increased by 2% for subsequent years.
- Annual depreciation expenses are projected based upon the City's existing fixed asset schedule and the useful service lives used on the schedule for depreciation and upon the

new depreciation of the sewer collection system improvements which will be constructed as required by the TDEC Consent Order.

- Interest expenses for the fiscal years ending June 30, 2022, 2023, 2024 and 2025 are projected based on a new State Revolving Fund Loan assuming an interest rate of 1.75% with a life of 20 years. The fiscal year ending June 30, 2022 only includes one six month interest payment.

Revenue Sufficiency and Rate Modifications Required

Based upon the projected Statements, the City’s water and sewer fund will have a positive change in net position for its current fiscal year. However, at current rates the positive change in net position over the last two years and the current fiscal year are on a downward trend.

Rate Changes Effective October 1, 2020

Therefore, TUA recommends the City make the following rate modifications effective October 1, 2020:

- (1) The City should eliminate its outside-city water and sewer rate classes. The City only has 13 outside-city water customers which provide only 2.8% of the water revenues of the City. The City only has 1 outside-city sewer customer who provides only 0.26% of the City’s sewer revenues. With such a small number of outside-city customers, no cost justification exists to have separate outside-city rate classes. The elimination of the outside-city rates on the City’s total water and sewer revenues is immaterial in the establishment of rates for future years.
- (2) The City should increase its minimum water bill and sewer bill by \$0.25 and should increase the usage rate in each rate block by \$0.25 per 1,000 gallons.

These rate changes should produce a positive change in the net position of the City’s water and sewer fund for its next fiscal year ending June 30, 2021 of \$5,284.

The City’s new rate schedule effective October 1, 2020, will be as follows:

Water and Sewer

Minimum bill	\$15.64
0 – 2,000 gallons	\$4.37 per 1,000 gallons
2,001 – 10,000 gallons	\$5.89 per 1,000 gallons
Over 10,000 gallons	\$6.82 per 1,000 gallons

Future Rate Changes Beginning July 1, 2021

The City will have significant expense increases starting with its fiscal year beginning July 1, 2021 due to the depreciation of its sewer collection system rehabilitation project and debt payments on its SRF loan. To continue to meeting its revenue requirements, TUA recommends the following rate changes to become effective at the beginning of each fiscal year, July 1 as shown below:

The City's new rate schedule effective July 1, 2021, will be as follows:

Water and Sewer

Minimum bill	\$16.64
0 – 2,000 gallons	\$5.87 per 1,000 gallons
2,001 – 10,000 gallons	\$7.39 per 1,000 gallons
Over 10,000 gallons	\$8.32 per 1,000 gallons

The City's new rate schedule effective July 1, 2022, will be as follows:

Water and Sewer

Minimum bill	\$16.64
0 – 2,000 gallons	\$6.12 per 1,000 gallons
2,001 – 10,000 gallons	\$7.64 per 1,000 gallons
Over 10,000 gallons	\$8.57 per 1,000 gallons

The City's new rate schedule effective July 1, 2023, will be as follows:

Water and Sewer

Minimum bill	\$16.64
0 – 2,000 gallons	\$6.37 per 1,000 gallons
2,001 – 10,000 gallons	\$7.89 per 1,000 gallons
Over 10,000 gallons	\$8.82 per 1,000 gallons

The City's new rate schedule effective July 1, 2024, will be as follows:

Water and Sewer

Minimum bill	\$16.64
0 – 2,000 gallons	\$6.62 per 1,000 gallons
2,001 – 10,000 gallons	\$8.14 per 1,000 gallons
Over 10,000 gallons	\$9.07 per 1,000 gallons

If the City adopts the rate changes recommended by TUA, the City's water and sewer fund should continue to have a positive change in net position for its fiscal years ending June 30 of 2022, 2023, 2024 and 2025. See **Exhibit 2**.

The rate recommendations for the fiscal years beginning July 1, 2021 are based upon revenue and expense projections which include assumptions which are subject to change. Therefore, the rate recommendations should be reviewed annually as a part of the budgetary process each year to ensure that rates recommended will continue to produce sufficient revenues to give the water and sewer fund a positive change in net position in future fiscal years.

The Water and Sewer Fund – Projected Cash and Investment Schedule is attached as **Exhibit 3**.

CREATION OF A CAPITALIZATION POLICY

The City was unable to locate a resolution which set for the its City's capitalization policy. The City should adopt a resolution to establish a capitalization policy which incorporates the capitalization cost thresholds and service lives the City currently uses for all capital assets except its water and sewer system assets. The City's capitalization policy should adopt the service lives for its water and sewer system using the recommended service lives adopted by the WWFB for municipal water and sewer systems. TUA prepared a draft of a resolution for the City to adopt to establish a capitalization policy. This draft resolution is attached as **Exhibit 4** to this Report.

Currently, the City uses \$500 as a capitalization threshold. This threshold is low. Capitalizing each asset which cost more than \$500 and depreciating the asset over its useful life requires extra recordkeeping for the City which provides no real benefit to the City. The GFOA recommends that the capitalization threshold for local governments of no less than \$5,000. While a smaller city such as Watertown may not need to have \$5,000 as its capitalization threshold, something greater than \$500 seems warranted.

REVIEW OF LEAK ADJUSTMENT POLICY

TUA reviewed the City's current leak adjustment policy and discussed with the City any possible changes to the policy. TUA reviewed the leak adjustments for fiscal year ending June 30, 2019, and these leak adjustments were determined to be minimal. TUA believes the current policy is adequate and does not need any revisions. The policy is attached as **Exhibit 5** to this report.

Watertown, Tennessee - Water & Sewer Fund
Five Year Capital Asset Plan

	<u>Estimated Cost</u>					
	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2025</u>
Sewer Collection System Rehabilitation/Replace	-	-	2,300,000	-	-	-
Total	-	-	2,300,000	-	-	-
Cumulative Depreciation	-	-	28,750	57,500	57,500	57,500
Total Capital Outlay & Depreciation	-	-	2,328,750	57,500	57,500	57,500
Source of Funds						
Loans	-	-	2,300,000	-	-	-
Grants	-	-	-	-	-	-
Cash	-	-	-	-	-	-
Total Funding Sources	-	-	2,300,000	-	-	-

Watertown, Tennessee - Projected Statements of Revenues and Expenses and Changes in Net Position**Water & Sewer Fund**

	Projected 6/30/2020	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023	Projected 6/30/2024	Projected 6/30/2025
Operating Revenues:						
Water and Sewer Sales	521,557	521,557	521,557	521,557	521,557	521,557
Forfeited Discounts	24,380	24,380	24,380	24,380	24,380	24,380
Reconnection Fees	11,933	11,933	11,933	11,933	11,933	11,933
Tap Fees	12,000	12,000	12,000	12,000	12,000	12,000
Miscellaneous	(1,255)	(1,255)	(1,255)	(1,255)	(1,255)	(1,255)
Total Operating Revenues	568,615	568,615	568,615	568,615	568,615	568,615
Operating Expenses:						
Salaries	144,819	147,715	150,670	153,683	156,757	159,892
Payroll Taxes	11,079	11,301	11,527	11,757	11,992	12,232
Employee Insurance	24,883	25,381	25,888	26,406	26,934	27,473
Utilities	60,224	61,428	62,657	63,910	65,188	66,492
Materials and Supplies	42,055	42,896	43,754	44,629	45,522	46,432
Repairs and Maintenance	37,680	38,434	39,202	39,986	40,786	41,602
Insurance	40,000	40,800	41,616	42,448	43,297	44,163
Contracted Services	85,266	85,266	86,971	88,711	90,485	92,295
Depreciation	85,581	85,581	114,331	143,081	143,081	143,081
Office Supplies and Postage	3,823	3,899	3,977	4,057	4,138	4,221
Gas and Oil	4,180	4,264	4,349	4,436	4,525	4,615
Landfill Services	8,108	8,270	8,436	8,604	8,776	8,952
Professional Fees	3,900	3,978	4,058	4,139	4,221	4,306
Miscellaneous	13,275	13,541	13,811	14,088	14,369	14,657
Total Operating Expenses	564,873	572,754	611,247	649,935	660,072	670,412
Operating Income (Loss)	3,742	(4,139)	(42,632)	(81,320)	(91,457)	(101,797)
Nonoperating Revenues (Expenses)						
Interest Income	877	877	877	877	877	877
Recovery of Bad Debts	-	-	-	-	-	-
Interest Expense	-	-	(19,738)	(37,766)	(36,026)	(34,256)
Total Nonoperating Revenues (Expenses)	877	877	(18,861)	(36,889)	(35,149)	(33,379)
Change in Net Position before Contributed Capital	4,619	(3,262)	(61,493)	(118,209)	(126,606)	(135,176)
Capital Contributions & Transfers	-	-	-	-	-	-
Change in Net Position	4,619	(3,262)	(61,493)	(118,209)	(126,606)	(135,176)
Revenue Generated from Suggested Rate Increase	N/A	8,546	67,316	123,236	131,782	140,328
Change in Net Position after Suggested Rate Increase	4,619	5,284	5,823	5,027	5,176	5,152

Watertown, Tennessee - Water & Sewer Fund - Projected Cash and Investments Schedule

	Projected 6/30/2020	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023	Projected 6/30/2024	Projected 6/30/2025
Cash & Investments - Beginning Balance	743,188	833,388	924,253	995,955	1,045,450	1,093,354
Sources of Funds						
Water & Sewer Sales **	521,557	530,103	588,873	644,793	653,339	661,885
Other Revenues	47,058	47,058	47,058	47,058	47,058	47,058
Interest Income	877	877	877	877	877	877
SRF Loan	-	-	2,300,000	-	-	-
Total Sources of Funds	569,492	578,038	2,936,808	692,728	701,274	709,820
Uses of Funds						
Operating Expenses	564,873	572,754	611,247	649,935	660,072	670,412
Depreciation	(85,581)	(85,581)	(114,331)	(143,081)	(143,081)	(143,081)
Interest Expense	-	-	19,738	37,766	36,026	34,256
Principal Payment	-	-	48,452	98,614	100,353	102,124
Capital Outlay	-	-	2,300,000	-	-	-
Total Uses of Funds	479,292	487,173	2,865,105	643,234	653,370	663,711
Cash & Investments - Ending Balance	833,388	924,253	995,955	1,045,450	1,093,354	1,139,463

** Includes revenue from suggested rate increase

NOTE: This synopsis from beginning funds to ending funds does not include accounts receivable, accounts payable, fixed asset or any other adjustments made to the balance sheet. This is a "cash basis" summary.

RESOLUTION NO. 2020-_____

A RESOLUTION TO ESTABLISH CAPITALIZATION THRESHOLDS FOR ASSETS TO BE RECORDED AS CAPITAL ASSETS IN THE CITY'S FINANCIAL STATEMENTS

WHEREAS, the City of Watertown, Tennessee (the City) desires to formally adopt the capitalization thresholds at which its assets have historically been capitalized and recorded as capital assets in the City's financial statements; and

WHEREAS, the City desires to establish appropriate capitalization thresholds and service lives for its water system assets which are consistent with the directives of the Water and Wastewater Financing Board for municipal water systems.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Board of Aldermen that:

(a) **Capitalization Thresholds.** The capitalization thresholds for the City's assets are a cost of \$ _____ and an estimated useful life of one year. Land and Construction in Progress are capitalized but not depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

(b) **Asset Cost Basis.** Capital assets shall be recorded at historical cost when the cost is reasonably determinable. If historical cost data is not determinable, an estimated historical cost will be used.

- (1) Actual Cost – This cost will include the purchase or construction cost (which can be obtained through invoice, purchase order, and paid check files) and charges necessary to place the asset into service at its intended location. Such necessary costs may include costs such as freight and transportation, site preparation expenditures, interest costs, professional fees, and legal claims directly attributable to asset acquisition.
- (2) Estimated Cost – This cost will be based on as much documentary evidence as can be found to support the cost, such as interviews with vendors selling such assets engineers, or other personnel and price level adjustments based on the Consumer Price Index for each asset.
- (3) Donated Cost – These assets will be based on their estimated fair market value at time of acquisition. A determination as to the fair market value basis will be included with property records.
- (4) Interest on Debt Issued – Interest on debt issued for the construction of an asset will be capitalized as part of the asset's cost to the extent of the interest that was incurred during the construction period only.

(c) **Depreciation.**

- (1) Depreciation is a method for allocating the cost of capital assets over their useful lives. Generally accepted accounting principles dictate that the value of the capital asset must be written off as an expense over the useful life of the asset.
- (2) Annual depreciation expense will be calculated using the straight-line method.
- (3) When the asset is disposed of, the actual date of disposal is disregarded, and the disposal date is the end of the month prior to the month of disposal (i.e. no depreciation is taken for the month of disposal).
- (4) The salvage value of an asset is an estimate made by management of what the value of an asset will be at the end of its useful life. If the City intends to utilize a capital asset until it is literally worthless, a salvage value of zero (0) will be assigned.

(d) **Useful Lives of Capital Assets**

<u>Asset Type</u>	<u>Useful Life in Years</u>
Land and Easements	No depreciation
Infrastructure (Other than Water Plant in Service)	40 - 50
Buildings	10 - 50
Furniture and Fixtures	5 - 10
Water Plant in Service and Wastewater Plant in Service:	
Buildings (Office and Plant)	30 - 50
Equipment and Tools	10 - 15
Furniture and Fixtures	5 - 10
Machinery, Equipment and Service Vehicles	5 - 15
Pumps and Treatment Equipment	15 - 20
Transportation Equipment	5 - 10
Water Lines and Storage	40 - 50
Well / Dam	Engineer's Estimate

Adopted this ____ day of _____, 2020

Mayor

Attest: _____
City Recorder

NEW POLICY FOR ADJUSTMENT OF WATER AND SEWER BILLS

The utility system will take the average of the three previous months from the leak bill. Divide by two and add that amount back to the amount of the average bill of the previous three months.

This can be done once per twelve month period.

On tax relief the water and sewer bill with a leak will be adjusted to normal average monthly bill.

Water and sewer customer needs to provide proof that correctiva means have been taken to repair leak and prevent futher leaks.

EXAMPLE

Leak Bill \$84.99 12,330 Gallons

Step 1: Average of three previos months	33.94	3990 gallons
	32.96	3810 gallons
	33.45	3680 gallons
	<u>101.35</u>	

Average \$33.78

Step 2: 84.99
 -33.78
 51.21

Step 3: 2 $\overline{)51.21}$
 4
 11
 10
 12
 12
 1

Step 4: 25.60
 +33.78
 59.38

\$59.38 is the total after adjustment

Leak was in April of 93 no more adjustments until April of 94.



TENNESSEE UTILITY MANAGEMENT REVIEW BOARD AND TENNESSEE WATER AND WASTEWATER FINANCING BOARD JOINT RESOLUTION

A RESOLUTION to honor and to thank Ann V. Butterworth.

WHEREAS, it is fitting that members of these Boards should honor and commend those persons who have served the Boards, this State, and local utilities; and

WHEREAS, Ann V. Butterworth served for twenty two-years as a member of the Tennessee Water and Wastewater Financing Board and the Tennessee Utility Management Review Board, as chair of the Tennessee Water and Wastewater Financing Board for thirteen years, and as chair of the Tennessee Utility Management Review Board for eight years; and

WHEREAS, the current members of the Board who served alongside Ms. Butterworth, Board Staff and Counsel, feel honored to have served with and worked with her and note the sense of humor, financial expertise, and insight that she brought to both Boards; now, therefore,

BE IT RESOLVED BY THE UTILITY MANAGEMENT REVIEW BOARD AND THE WATER AND WASTEWATER FINANCING BOARD OF THE STATE OF TENNESSEE, that we hereby honor and thank Ann V. Butterworth for her twenty-two years of service on the Boards and extend to her our best wishes.

APPROVED this _____ day of _____, 2020

BETSY KNOTTS, Chair
Utility Management Review Board
Water and Wastewater Financing Board