



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Agenda
Utility Management Review Board
October 24, 2019
10:00 AM

- | | | |
|------|---|-----------------|
| I. | Call to Order | Ann Butterworth |
| II. | Approval of Minutes | Ann Butterworth |
| III. | Conflict of Interest Statement | Rachel Buckley |
| IV. | Staff Recommendations for Financially Distressed Entities | John Greer |
| | a. Copper Basin Utility District | Pg. 9 |
| | b. Griffith Creek Utility District | Pg. 16 |
| | c. Minor Hill Utility District | Pg. 26 |
| V. | Financial Release | |
| | a. Lakeview Utility District | Pg. 38 |
| | b. Springville Utility District | Pg. 39 |
| VI. | Water Loss Release | |
| | a. Non-Revenue Water | |
| | i. Belvidere Utility District | Pg. 42 |
| | ii. Cookeville Boat Dock Road Utility District | Pg.43 |
| | iii. Minor Hill Utility District | Pg.44 |
| | iv. New Canton Utility District | Pg. 45 |
| | b. Validity Score | |
| | i. Saltillo Utility District | Pg. 47 |
| VII. | Miscellaneous | |
| | a. Meeting Resolution | |
| | b. Discussion | |

Approval of Minutes





JUSTIN P. WILSON
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Deputy Comptroller

MINUTES
of the
UTILITY MANAGEMENT REVIEW BOARD MEETING
Thursday, April 18, 2019
9:00 am

Greeting:

Chairman Knotts detected a quorum and called to order the meeting of the Utility Management Review Board (“UMRB”) in the Volunteer Conference Center on the 2nd Floor of the Cordell Hull Building in Nashville, TN at 10:02 AM.

Board Members Present and Constituting A Quorum:

Betsy Knotts, Chair, Comptroller Designee

Tom Moss, Vice-Chair, Department of Environment and Conservation (TDEC) Commissioner Designee

Pat Riley, Gibson County Utility District Manager

Rebecca Hunter, Hixson Utility District Commissioner

Dan Coley, Mallory Valley Utility District Commissioner

Bruce Giles, First Utility District of Knox County Manager

Phillip Combs, Alpha-Talbott Utility District Manager

Board Members Absent:

Kevin Botts, Consumer Representative

Jason West, Utility District Commissioner

Staff Present:

John Greer, Comptroller’s Office

Ross Colona, Comptroller’s Office

Counsel Present:

Stephanie Maxwell, Comptroller’s Office

Staff Update:

Mr. Greer introduced Ross Colona as new staff to the board, Stephanie Maxwell as temporary counsel while Rachel Buckley was absent, Jennifer Pfeiffer as Deputy Chief of Staff to the Comptroller, and John Dunn as the Director of Communications.

Conflict of Interest Statement:

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

Announcements:

John Greer recognized Phillip Combs as the new UMRB board member.

Approval of Minutes:

Chairman Knotts presented the approval of the November 15, 2018 minutes. Mr. Riley moved to approve the minutes as written. Mr. Combs seconded the motion, which passed unanimously.

Investigation Update:

Horton Highway Utility District

Mr. Greer gave an update regarding the investigation into Horton Highway Utility District. He explained that since the original meeting packet had been sent to the Board, there have been updates regarding the district: two of the commissioners resigned and the manager had stepped down to a demoted position.

Mr. Greer explained the new staff recommendations:

1. The District shall consult with its attorney regarding the feasibility of collecting payments made to former board members John Sanford and Gary Lawrence.
2. The District shall hire TAUD or another qualified expert to assist the District in developing best practice policies and provide training to District staff and the board on proper purchasing procedures and policies.

Mr. Giles asked what happened to the manager; Mr. Greer explained that the manager made a request to become a field laborer, and the board granted the request prior to their resignation. Mr. Giles expressed concern that the manager will not be able to operate in this role; Mr. Greer explained the situation will be closely monitored since they are still under board oversight.

Mr. Riley moved to accept staff recommendations. Ms. Hunter seconded. The motion passed unanimously.

Financial:

Mr. Greer explained the staff recommendations.

North Stewart Utility District

1. By May 31, 2019, the District shall contract with the Tennessee Association of Utility Districts or another qualified expert as approved by Board staff to complete the following:
 - a. a rate analysis including recommendations for remedying the financially distressed position of the District, and
 - b. a review of the payment policy to ensure it complies with Tenn. Code Ann. §9-1-108(c)(3).
2. The District shall send the completed rate analysis with recommendations and all supporting documentation to Board Staff by August 30, 2019.
3. Board staff is given the authority to grant one extension of no more than six months upon a showing of good cause by the District.

Mr. Riley moved to accept staff recommendations. Ms. Hunter seconded. The motion passed unanimously.

Reelfoot Utility District

1. By June 14, 2019, the District shall have the Tennessee Association of Utility Districts, or another qualified expert approved by Board staff, assist in completing a five-year capital asset plan.
2. By June 14, 2019, the District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-82-308(f). Otherwise, the District shall appoint eligible commissioners in accordance with the law.
3. By June 14, 2019, the District shall ensure that all its commissioners have been properly appointed.
4. The District shall send financial updates to staff by March 1st and September 1st of each year beginning September 1, 2019, until the Board releases the District from its oversight.

Mr. Combs asked if the 6-month time frame extension was typical in staff recommendations. Mr. Greer explained that it was to help give flexibility in these orders.

Ms. Hunter moved to accept staff recommendations. Mr. Riley seconded. The motion passed unanimously.

Sneedville Utility District

Mr. Greer explained the staff recommendations.

1. By May 31, 2019, the District shall contract with the Tennessee Association of Utility Districts or another qualified expert as approved by Board staff to complete the following:
 - a. a rate analysis with recommendations to remedy the financially distressed position of the District,
 - b. a review of the District's public records policy, including suggestions to ensure the policy complies with Tenn. Code Ann. § 10-7-501, et. seq; and

- c. a review of the payment policy to ensure it complies with Tenn. Code Ann. § 9-1-108(c)(3).
2. The District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-82-308(f). Otherwise, the District shall appoint eligible commissioners in accordance with the law.
3. 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 District.
4. The District shall send financial updates to staff by March 1st and September 1st of each year beginning September 1, 2019, until the Board releases the District from its oversight.

Mr. Giles moved to accept staff recommendations. Mr. Riley seconded. The motion passed unanimously.

No Action:

Mr. Greer explained that Fall River Road Utility District and Northeast Henry Utility District were included in the packet because the Board previously ordered Staff to hold a hearing in the districts pending the utility districts' willingness to implement the outcomes of a rate study. Both utility districts had adopted the rate studies; thus, the hearings are unnecessary.

Recommended for Release:

Mr. Greer explained that these utility districts have followed all Board directives and are now showing positive financial changes financially. Board staff feels that these utilities are ready to be released from the Board's financial oversight.

Mr. Riley recused himself from voting because of the nature of his relationship with Gibson County Utility District.

Financial Releases

Cedar Grove Utility District
 Gibson County Utility District
 Haywood County Utility District
 Nolensville-College Grove Utility District
 Surgoinsville Utility District
 West Stewart Utility District

Mr. Giles moved to release the above entities from Board oversight. Mr. Combs seconded. The motion passed unanimously.

Mr. Greer explained the following entities are eligible to be released from Board oversight for non-revenue water and validity score issues.

Non-Revenue Water Releases

First Utility District of Carter County
 Ocoee Utility District
 Tuckaleechee Utility District

Validity Score Releases
Spring Creek Utility District

Mr. Moss commented that albeit the entities have met the requirements, the Boards must change their standards for water loss because the volume vs. cost metric simply does not make sense. Despite this, since they have met the requirements, these entities should be released.

Mr. Moss moved to release the above entities from Board oversight. Mr. Combs seconded. The motion passed unanimously.

Miscellaneous:

Board Investigations:

Carderview Utility District

Mr. Greer explained the staff recommendations.

1. The District shall adopt the recommendations of the updated Tennessee Association of Utility District's rate study by June 14, 2019.
2. The District shall hire a local operator who is available to work onsite with staff in order for the system to be in compliance with TDEC regulations.
3. The District shall contract with Tennessee Association of Utility Districts, or another qualified expert as approved by board staff, to:
 - a. assist in determining the financial benefit to hiring one full-time employee with the authority of a general manager as opposed to three part-time employees, and
 - b. assist the district in monthly financial reporting until the District can competently compile and report financial information internally.
4. The District shall implement all personnel recommendations by June 14, 2019.

Mr. Giles moved to accept the staff recommendations. Ms. Hunter seconded. The motion passed unanimously.

Iron City Utility District

Mr. Greer provided an update regarding a Board staff investigation into the District. No action was taken.

Savannah Valley Utility District

Mr. Greer explained that the District has complied with all aspects of the prior Board investigation. The investigation should be closed.

Mr. Giles moved to accept the staff recommendation. Ms. Hunter seconded. The motion passed unanimously.

Comptroller Investigation:**Northeast Knox Utility District**

Mr. Greer explained that because the Comptroller's Division of Investigations had launched an investigation into the District, the Board should be informed of the investigation report's availability. The Board took no action.

Consolidation:**Lone Oak Utility District**

Mr. Greer explained that Lone Oak Utility District previously had an agreement with Waldens Ridge Utility District for a merger agreement to be entered. Mr. Greer explained that Waldens Ridge was not complying with the signed agreement for this merger to be initiated. Mr. Greer then explained the staff recommendation.

1. Lone Oak Utility District shall enforce the merger contract with Walden Ridge Utility District in consultation with its attorney.

Mr. Moss moved to accept the staff recommendation. Ms. Hunter seconded. The motion passed unanimously.

Meeting Resolution:

Mr. Greer stated that there is not a reason to have the July meeting. The next meeting should occur on October 17th as scheduled.

Ms. Hunter offered that she has a conflict with that date, so she wants to have the meeting on October 24th.

Ms. Hunter moved to change the date to October 24th, 2019. Mr. Riley seconded. The motion passed unanimously.

Board Discussion:

Chairman Knotts adjourned the meeting at 10:46 a.m.

Respectfully submitted,

Betsy Knotts
Chair

Copper Basin Utility District

Type of Utility	County		
Water and Sewer	Polk		
	2016	2017	2018
Revenues	\$940,960.00	\$977,690.00	\$956,186.00
Expenses	\$883,211.00	\$909,783.00	\$973,257.00
Depreciation	\$198,345.00	\$209,083.00	\$221,250.00
Operating Income	\$57,749.00	\$67,907.00	\$(17,071.00)
Non-Operating Revenues (Expenses)	\$(24,943.00)	\$(104,031.00)	\$(24,693.00)
Grants, Capital Contributions, Transfers	\$-00	\$200,000.00	\$-00
GAAP Change in Net Position	\$32,806.00	\$163,876.00	\$(41,764.00)
Grants, Capital Contributions, Transfers In	\$-00	\$200,000.00	\$-00
Statutory Change in Net Position (2017 Law)	\$32,806.00	\$(36,124.00)	\$(41,764.00)
Net Pension/OPEB Asset		\$-00	\$-00
Net Pension/OPEB Liability		\$-00	\$-00
Statutory Change in Net Position (2018 Law)			\$(41,764.00)





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Case: Copper Basin Utility District

Copper Basin Utility District was referred for financial distress in fiscal years 2017 and 2018. The District returned the financial questionnaire timely.

In 2017 the Copper Basin Medical Center closed, which accounted for \$60,000 of the District's annual revenue. While the District has increased rates three times since then, Staff is unable to determine if the current rates are sufficient to cure the District's financial difficulties.

Staff Recommendation:

Order the District to comply with the following:

1. The District shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, complete a rate study that includes the following:
 - a. creation of a rate and fee policy;
 - b. a justification for the multiple residential rate classes, or if no justification is possible, recommendations for one rate class for all residential customers;
 - c. a justification for the multiple commercial rate classes, or if no justification is possible, recommendations for one rate class for all commercial customers;
 - d. a review of the new customer contracts for homeowners and renters, including any recommended modifications; and
 - e. a review of the current capital asset plan, including any recommended modifications.
2. By December 6, 2019, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1.
3. By April 30, 2020, the District shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation. Board staff shall hold a public hearing, if necessary, on the new proposed plan of action.
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 District.

COPPER BASIN UTILITY DISTRICT

Jackie Russell – Chairman
U.H. Taylor, Jr. – Vice-Chairman
Don H. Dilbeck
David Bigham
Doug Dilbeck

July 1, 2019

Tennessee Comptroller of the Treasury
Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243

Dear Mr. Greer,

Enclosed with this letter are the requested documents along with answers to the recent questionnaire regarding the current position of Copper Basin Utility District being “financially distressed”, as per the recent audit. In 2017 our local hospital, Copper Basin Medical Center, “shut its doors”, which resulted in a large loss of revenue for the Utility District of approximately \$60,000 per year.

Following are the answers to the requested questionnaire:

1. The Utility Board of Commissioners have been pro-active in an annual rate increase for many years. Upon notification of the financial position for the 16-17 FYE audit, the Board began making changes immediately to rectify the current standing of being financially distressed. In February 2018, the Board made a motion to utilize cash on hand to pay off two of the oldest loans/debts early, in order to save over \$29,900 in interest in 2018. The projection of interest for these two loans over the remaining life, would have generated an approximate amount of \$351,330.00. Another course of action was taken with a water rate increase effective July 1, 2018, and again a rate increase to be effective March 1, 2019, with an additional increase effective July 1, 2019. The Board has implemented changes regarding overtime pay as well. A second shift has been implemented to help cut the cost of overtime pay with our employees and is continually being reviewed on a monthly basis. The Board has also increased the cost of the “Tap-On” Fee from \$1000.00 to \$1500.00. Additionally, the Utility District has an annual contract with a neighboring utility, City of Copperhill, to furnish water in the amount of \$3.50/1,000 gallons (rate to be reviewed August 2019). The City of Copperhill averages 100,000 gallons of water per day, generating an average income of \$10,804.12 per month.
2. The Utility currently has 1133 “active” customers, consisting of the following:
 - a. Residential Metered – 1050
 - b. Commercial Metered – 83

c. Non-metered “Depreciation Fee” – 27

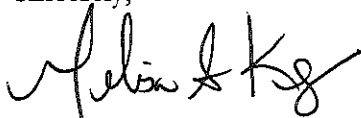
3. 4%
4. Yes, the Board voted at the February 2019 for a rate increase to be effective March 1, 2019 and again voted at the June 2019 meeting on a rate increase to be effective July 1, 2019. See attached Minutes.
5. Reviewed and steadily increased over the years based on audited financials.
6. No, the Utility does not have a written policy for rates and fees. Rate and Fee Schedule included with submission.
7. Rates and fees are posted in the office, on the website and published in the local paper from time to time.
8. Yes, see attached.
9. Yes, the capital asset list is reviewed by the Utility Board annually.
10. The Utility has been notified by the state that the digester at the Wastewater Plant must be rehabilitated. However, the deadline is unknown, we have not received the Sanitary Survey as of date.
11. No, the Utility does not allow for “adjusting” any lost water due to leaks. However, the Utility does have a policy which allows for a payment plan to be made on the bill in which the leak occurred, depending on the cost of the lost water. The Utility also implemented ServeLine Leak Protection service for our customers. See attached policy.
12. Yes-potentially, the Utility is in the “beginning” process of two large projects:
 - a. “Isabella Tank Project”, which will be a USDA loan/grant project. The dollar amounts for the project are not in yet, however the engineer feels that the funds may be “on the books” this fiscal year, but not in “re-payment mode”. Again, still in the application process.
 - b. “Ducktown Tank Line Replacement Project”, the Utility has applied for CDBG funds that will potentially be awarded this Sept/Oct of 2019. Again, still in the application process.
13. Same as #12
14. Same as #12
15. The Utility produces its own water supply.
 - a. 1. Appx \$3.00 per 1000 gallons
 2. Yes, City of Copperhill with contract on file.
16. 13% as of 6/30/18.

a. Yes, the Utility has been pro-active in looking for active leaks within the distribution system. The Utility is also having the "in house" meters calibrated.

17. The Board of Commissioners meet monthly, the second Tuesday of each month. Notification of meetings are printed on the utility bills, posted in office and on website.

Should you need further information, please do not hesitate to give me a call.

Sincerely,

A handwritten signature in black ink, appearing to read "Melisa A. Key". The signature is fluid and cursive, with the first name "Melisa" written in a larger, more prominent script than the last name "Key".

Melisa A. Key
Office Supervisor

Enc.

**COPPER BASIN UTILITY DISTRICT
WATER AND WASTEWATER RATES
EFFECTIVE JULY 1, 2019**

Residential – Turtletown & Postelle

¾" Basic 2000 gallons - **\$26.01** Over 2000 - **\$10.37** per 1000 Over 5000 - **\$14.26** per 1000
 1" Basic 2000 gallons - **\$39.53**
 2" Basic 2000 gallons - **\$74.00**
 4" Basic 2000 gallons - **\$107.14**
 6" Basic 2000 gallons - **\$140.95**

Residential – Isabella & Ducktown

¾" Basic 2000 gallons - **\$26.45** Over 2000 - **\$10.59** per 1000 Over 5000 - **\$14.55** per 1000
 1" Basic 2000 gallons - **\$40.24**
 2" Basic 2000 gallons - **\$74.00**
 4" Basic 2000 gallons - **\$109.18**
 6" Basic 2000 gallons - **\$143.65**

Commercial – Turtletown & Postelle

¾" Basic 2000 gallons - **\$33.44** Over 2000 - **\$13.34** per 1000 Over 5000 - **\$18.32** per 1000
 1" Basic 2000 gallons - **\$46.79**
 2" Basic 2000 gallons - **\$89.21**
 4" Basic 2000 gallons - **\$130.75**
 6" Basic 2000 gallons - **\$172.27**

Commercial – Isabella & Ducktown

¾" Basic 2000 gallons - **\$34.04** Over 2000 - **\$13.59** per 1000 Over 5000 - **\$18.68** per 1000
 1" Basic 2000 gallons - **\$47.67**
 2" Basic 2000 gallons - **\$90.90**
 4" Basic 2000 gallons - **\$133.25**
 6" Basic 2000 gallons - **\$178.92**

Residential Wastewater (56% of water rate)

Basic 2000 - **\$14.81** Over 2000 - **\$5.93** per 1000 Over 5000 - **\$8.15** per 1000

Commercial Wastewater

Basic 2000 - **\$34.04** Over 2000 - **\$13.59** per 1000 Over 5000 - **\$25.00** per 1000

Per Unit Charge - \$5.00 per extra unit with a restroom facility (nursing home, hospital, home converted into apartments, bed and breakfast, etc)

ServLine Residential Water Loss Protection **\$1.55/month**
ServLine Residential Water Line Protection **\$4.65/month**
ServLine Commercial Water Loss Protection **\$3.85/month**
ServLine Commercial Water Line Protection **\$13.75/month**
ServLine Commercial Sewer Line Protection **\$13.75/month**

**COPPER BASIN UTILITY DISTRICT
WATER AND WASTEWATER RATES
EFFECTIVE JULY 1, 2018
Revised Rate Increase March 1, 2019**

Residential – Turtletown & Postelle

¾" Basic 2000 gallons - **\$25.51** Over 2000 - **\$10.07** per 1000 Over 5000 - **\$13.58** per 1000
 1" Basic 2000 gallons - **\$39.03**
 2" Basic 2000 gallons - **\$73.50**
 4" Basic 2000 gallons - **\$106.64**
 6" Basic 2000 gallons - **\$140.45**

Residential – Isabella & Ducktown

¾" Basic 2000 gallons - **\$25.95** Over 2000 - **\$11.19** per 1000 Over 5000 - **\$13.85** per 1000
 1" Basic 2000 gallons - **\$39.74**
 2" Basic 2000 gallons - **\$73.50**
 4" Basic 2000 gallons - **\$108.68**
 6" Basic 2000 gallons - **\$143.15**

Commercial – Turtletown & Postelle

¾" Basic 2000 gallons - **\$32.94** Over 2000 - **\$12.95** per 1000 Over 5000-**\$17.45** per 1000
 1" Basic 2000 gallons - **\$46.29**
 2" Basic 2000 gallons - **\$88.71**
 4" Basic 2000 gallons - **\$130.25**
 6" Basic 2000 gallons - **\$171.77**

Commercial – Isabella & Ducktown

¾" Basic 2000 gallons - **\$33.54** Over 2000 - **\$13.19** per 1000 Over 5000 - **\$17.79** per 1000
 1" Basic 2000 gallons - **\$47.17**
 2" Basic 2000 gallons - **\$90.40**
 4" Basic 2000 gallons - **\$132.75**
 6" Basic 2000 gallons - **\$178.42**

Residential Wastewater

Basic 2000 - **\$13.76** Over 2000 - **\$5.93** per 1000 Over 5000 - **\$7.34** per 1000

Commercial Wastewater

Basic 2000 - **\$33.54** Over 2000 - **\$13.19** per 1000 Over 5000 - **\$25.00** per 1000

Per Unit Charge - \$5.00 per extra unit with a restroom facility (nursing home, hospital, home converted into apartments, bed and breakfast, etc)

ServLine Residential Water Loss Protection **\$1.55/month**
ServLine Residential Water Line Protection **\$4.65/month**
ServLine Commercial Water Loss Protection **\$3.85/month**
ServLine Commercial Water Line Protection **\$13.75/month**
ServLine Commercial Sewer Line Protection **\$13.75/month**

Griffith Creek Utility District

Type of Utility	County		
Water	Marion		
	2016	2017	2018
Revenues	\$284,109.60	\$285,098.72	\$299,473.57
Expenses	\$323,870.25	\$315,204.26	\$345,911.21
Depreciation	\$83,298.86	\$63,786.90	\$64,027.98
Operating Income	\$(39,760.65)	\$(30,105.54)	\$(46,437.64)
Non-Operating Revenues (Expenses)	\$(14,932.43)	\$(14,036.95)	\$(15,810.87)
Grants, Capital Contributions, Transfers	\$-00	\$-00	\$-00
GAAP Change in Net Position	\$(54,693.08)	\$(44,142.49)	\$(62,248.51)
Grants, Capital Contributions, Transfers In	\$-00	\$-00	\$-00
Statutory Change in Net Position (2017 Law)	\$(54,693.08)	\$(44,142.49)	\$(62,248.51)
Net Pension/OPEB Asset		\$-00	\$-00
Net Pension/OPEB Liability		\$-00	\$-00
Statutory Change in Net Position (2018 Law)			\$(62,248.51)





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Case: Griffith Creek Utility District

Staff Summary:

On October 18, 2018, the Board ordered the District to comply with the following:

1. The District shall have the TAUD or another qualified expert perform a rate study to include:
 - a. a review of the nine repeat audit findings and possible steps for correction;
 - b. a review of current water loss practices;
 - c. a review of the capitalization and debt management policy; and
 - d. a review of the District's five-year capital asset plan.
2. The District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-83-308(f). Otherwise, the District shall appoint eligible commissioners in accordance with the law.
3. The District shall provide the completed rate study and a proposed plan of action to Board staff by April 30, 2019. Board staff shall hold a public hearing within the service area of the District pursuant to Tenn. Code Ann. § 7-82-703(b).
4. The District shall send financial updates to staff by March 1 and September 1 of each year beginning September 1, 2019, until the Board releases the District from its oversight.

The utility has complied with the above directives. Their new rates are listed below:

Previous Rates	
Minimum Bill (1,500 Gallons)	\$31.89
1,500 to 8,500 Gallons	\$15.75
In Excess per Thousand Gallons	\$16.81

Current Rates	
Minimum Bill (500 Gallons)	\$31.89
In Excess per Thousand Gallons	\$17.75

Regarding commissioner training, in June 2019, Commissioner Linda Ramsey only received 4 hours of training since June 2011, and therefore, was not reappointed to the Board.



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Mayor Jackson of Marion County appointed Rick Kilgore to replace Ms. Ramsey on June 1, 2019. Mr. Kilgore resigned from the Board on July 5, 2019.

Similarly, although Commissioner Stanley Cookston was reappointed on June 1, 2017, he was legally ineligible due to his failure to comply with training requirements. Mr. Cookston resigned from the Board on June 3, 2019. On June 14, 2019, Mayor Jackson appointed Ms. Delores Nunley to fill this vacancy.

Griffith Creek Utility District (“GCUD”) is a purchase-only water system in Marion County. The rate at which it purchases water from Big Creek Utility District (“BCUD”) is \$4.80 per thousand gallons. For \$3,200 a month, BCUD performs the entirety of the field operational work, which includes sending small teams of employees and machinery to complete projects around GCUD. This service agreement is necessary for GCUD to operate because it cannot retain field staff. Several employee turnovers have occurred during the past several years; the most recent being in the summer of 2019.

GCUD does not have adequate resources should a dire emergency arise. Further, Staff does not believe the agreed upon rate at which BCUD provides operational service to GCUD is sustainable for BCUD in the long run; the monthly rate for maintenance would most likely increase upon renegotiation of the agreement after the current contract. The term of the agreement reads:

“This Agreement shall remain in effect until December 31, 2019, or until completion of a merger between the Recipient and the Provider, whichever shall last occur.”

The agreement was signed on October 7, 2019 by GCUD Commissioner Donald Bird.

Commissioner Donald Bird of GCUD has expressed interest in selling the utility to a private company. Mr. Bird is operating under the pretense that beginning January 1, 2020, the law will allow for the sale of utility districts to private companies.

BCUD has demonstrated generosity and care when it comes to helping GCUD find success. Staff opines that a consolidation of these two utilities would be the best-case scenario in an attempt to find a long-term solution for the community of Griffith Creek.

Both utilities have spoken about the possibility of a merger. GCUD desires a merger only if the water rates for the community would decrease after a merger. BCUD cannot guarantee a



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rate change would occur; instead, BCUD indicates that 12 months after a merger, the utility would be able to do an adequate assessment to see if the rates would decrease or stabilize. At a BCUD Board meeting, the merger was discussed with Commissioner Bird from GCUD present. Mr. Bird left the Board meeting with the understanding that for the merger discussion to continue, the GCUD Board would have to develop a list of expectations from the merger. GCUD's board has yet to compile such a list.

The community of Griffith Creek has two main concerns regarding a merger: the lack of a guarantee that rates will decrease and the impact a merger would have on the community. The community believes that the water utility is a strong part of the community and it should not simply be handed over to another party. GCUD currently owns an old elementary school building that was intended to be used as a community center. However, the building is rarely used by the public or GCUD, but families do visit the accompanying playground regularly. The District spent \$10,000 to replace the roof on the building last year. Further, at the October GCUD Board meeting, the Board explained to Staff that part of this parcel also includes a cemetery. At this point in time, it is Staff's understanding that GCUD owns both an old school building and cemetery given to them by the county.

Overall, since 2013, GCUD has experienced flat revenues with rising expenses. During this time, the rates did not see any significant changes until the district implemented TAUD's recommendations. While expenses rose, GCUD failed to appropriately plan to control water loss. The water purchased increased by roughly 50% while the water sold only increased by roughly 20% overall. GCUD's depreciation increased, but none of the new capital costs remedied the water loss issues.

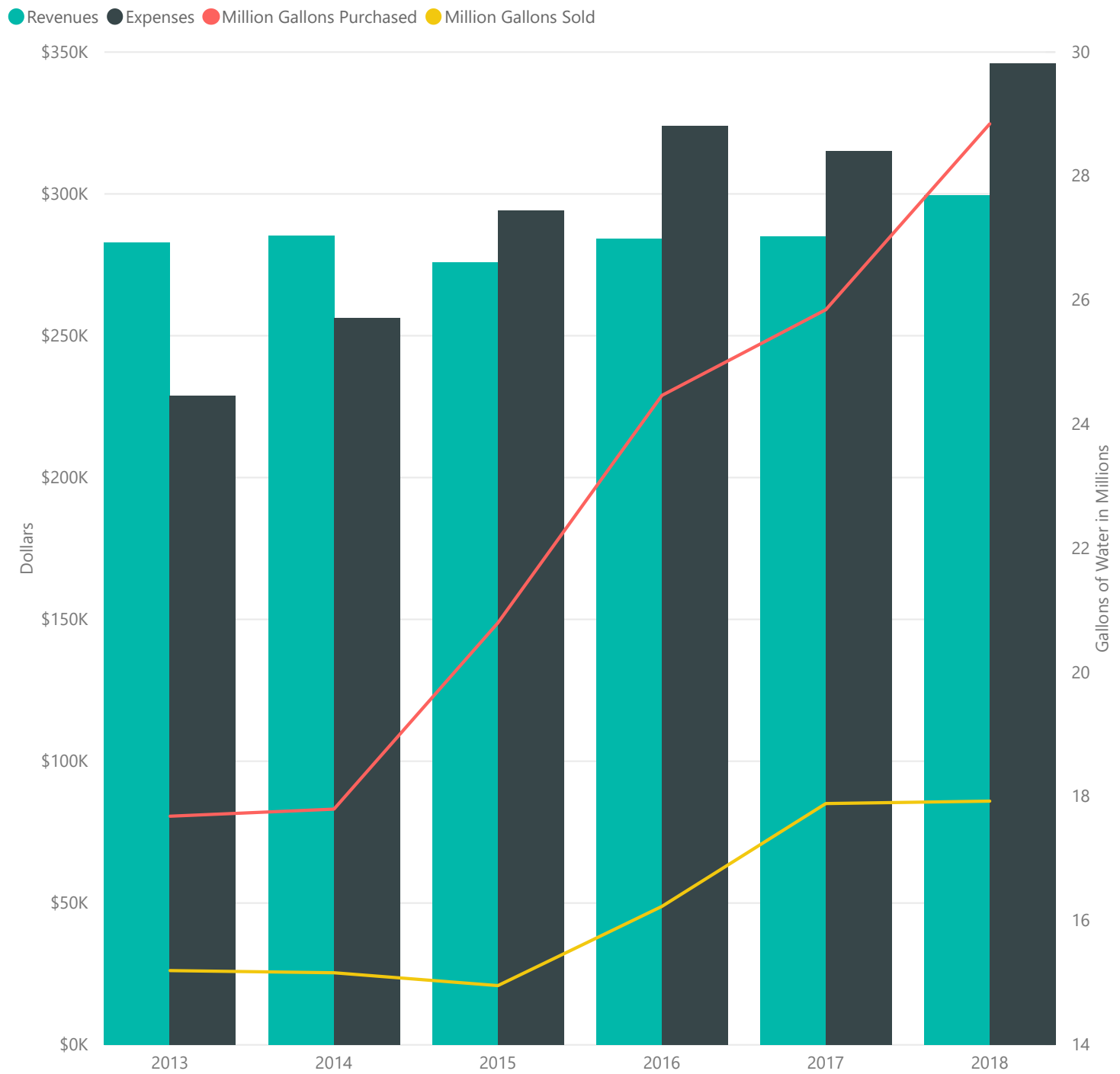
Staff Recommendation:

The Board should initiate negotiations for the consolidation of Griffith Creek Utility District with Big Creek Utility District.

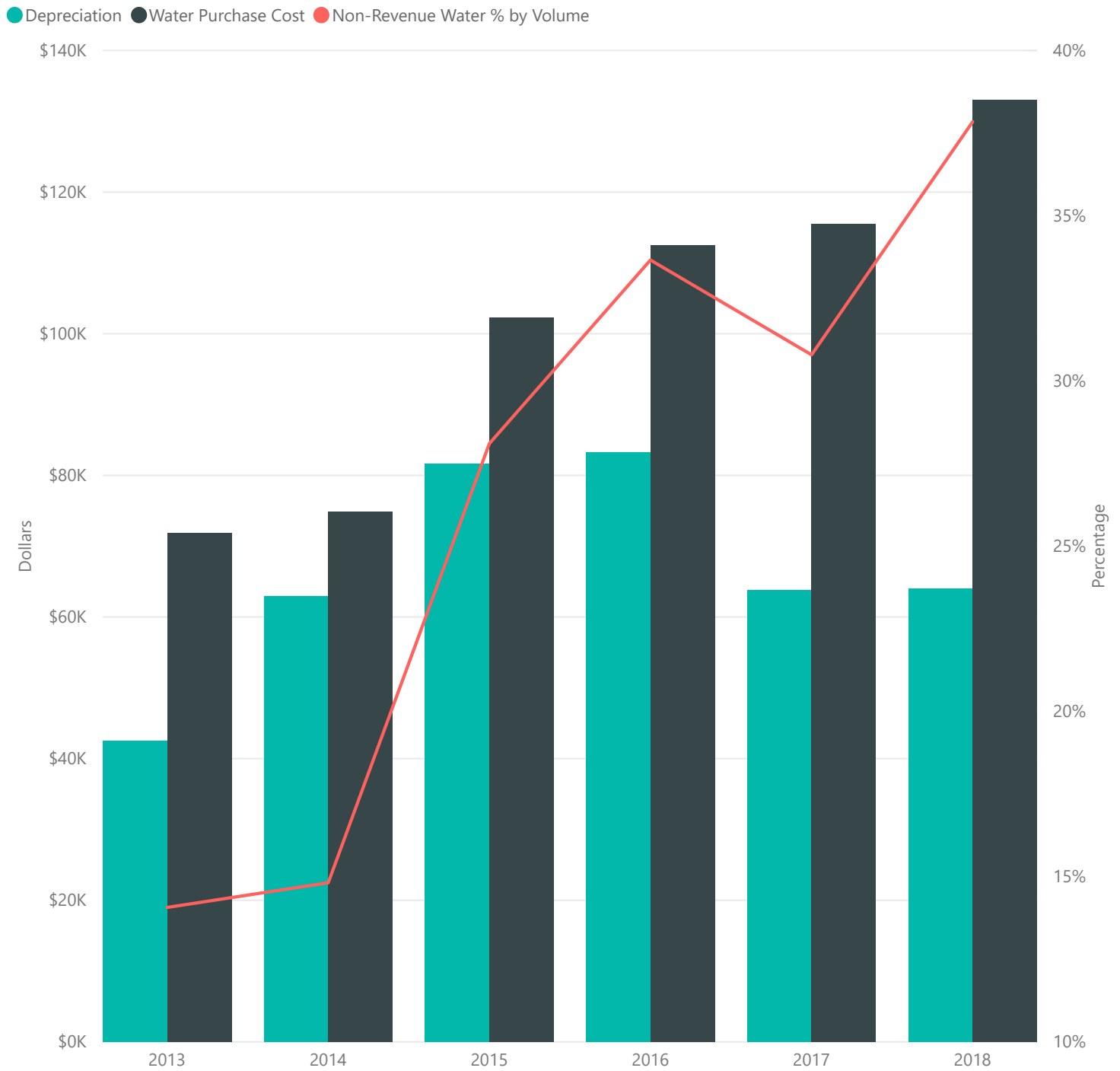
The Board should order the following:

1. Staff shall arrange and participate in negotiations for the consolidation of Griffith Creek Utility District with Big Creek Utility District, including obtaining the assistance of a mediator if necessary.
2. Such consolidation negotiations shall include a plan of action for the divestment of the school building and cemetery.
3. Staff shall provide the Board an update on the consolidation negotiations at the Board's first regularly scheduled meeting of 2020.

Revenues, Expenses, Million Gallons Purchased and Million Gallons Sold by Year



Depreciation, Water Purchase Cost and Non-Revenue Water % by Volume by Year



AGREEMENT

This contract for services shall become effective as of 9/9/2019, 2019, by and between Griffith Creek Utility District, located at 6684 Highway 108, Whitwell, Tennessee 37397 (the "Recipient") and Big Creek Utility District, located at 1606 Main Street, Altamont, Tennessee 37301 (the "Provider").

1. **Description of Services.** Beginning on 9/10/2019, 2019, Big Creek Utility District shall provide to Griffith Creek Utility District the services contained in the attached Exhibit (collectively, services).

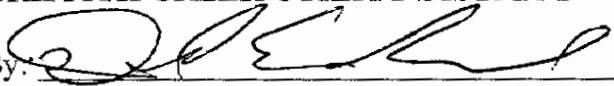
2. **Payment.** Payment shall be made to the Provider in the amount of \$3,300.00 for regular monthly services as set out on Exhibit hereto by the 10th day of each following month (i.e. October services due by November 10). Additional charges will be assessed for after-hours calls at a rate of *cost of the Provider*, until termination of this Agreement.

3. **Term.** This Agreement shall remain in effect until December 31, 2019, or until completion of a merger between the Recipient and the Provider, whichever shall last occur. At such time, this Agreement shall be dissolved. In the event that a merger agreement cannot be reached between the parties, this Agreement shall terminate at the end of the month in which the Tennessee Comptroller's office is notified of the parties' failure to reach such an agreement, or upon such other date that may be agreed upon by the parties. Recipient shall have the right to terminate this Agreement upon providing thirty (30) days' written notice to Provider of such termination.

4. **Communications.** The Recipient shall communicate policies and direction to the General Manager of the Provider. Services not covered in this Agreement, but requested by the Recipient, shall be made in writing to the Board of Commissioners of Big Creek Utility District.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives after approval and authorization by their respective Boards of Commissioners.

GRIFFITH CREEK UTILITY DISTRICT

By: 
Donny Bird, President

Date: 7/10/2019

BIG CREEK UTILITY DISTRICT

By: _____
Allen Joslyn, General Manager

Date: _____

EXHIBIT (Services)

Meter Reading

Service Disconnects

Work Orders

Coordination with office staff for customer complaints, system maintenance issues, etc.

Tap Installation

Leak location and repair

Water Tank monitoring and maintenance

Pump Station operation, monitoring and maintenance

Telemetry monitoring and maintenance

Water Sampling (TDEC required and operational monitoring)

Locating valves, meters and other water system appurtenances

TDEC compliant Flushing Program

Cross Connection program

Licensed Distribution System Operator in direct charge of the water system (for reporting, a copy of the license to be provided)

Inventory tracking

Other services required to fulfill day to day operations of the water system

After hour emergency response: As outlined in the Agreement, after hour response shall be billed at cost of the *Provider*.

Any materials or inventory required shall be requested by the *Provider* and ordered only after the *Recipient* has approved specified items.

BEFORE THE TENNESSEE UTILITY MANAGEMENT REVIEW BOARD

IN THE MATTER OF:

**GRIFFITH CREEK UTILITY
DISTRICT**

)
)
)
)
)
)
)

**TENN. CODE ANN. § 7-82-401(g)
-FINANCIAL DISTRESS**

ORDER

On October 18, 2018, the Tennessee Utility Management Review Board (“the Board”) reviewed the financially distressed status of Griffith Creek Utility District (“the District”) pursuant to Tenn. Code Ann. § 7-82-401(g). The District has increased rates but has not submitted proof that it had a rate study performed. Based on the District’s financially distressed status, the Board hereby orders the following:

1. The District shall have the Tennessee Association of Utility Districts or another qualified expert perform a rate study to include:
 - a. a review of the nine repeat audit findings and possible steps for correction;
 - b. a review of current water loss practices;
 - c. a review of the capitalization and debt management policy; and
 - d. a review of the District’s five-year capital asset plan.
2. The District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-83-308(f). Otherwise, the District shall appoint eligible commissioners in accordance with the law.

3. The District shall provide the completed rate study and a proposed plan of action to Board staff by April 30, 2019. Board staff shall hold a public hearing within the service area of the District pursuant to Tenn. Code Ann. § 7-82-703(b).
4. The District shall send financial updates to staff by March 1 and September 1 of each year beginning September 1, 2019, until the Board releases the District from its oversight.

ENTERED this 24 day of October, 2018.



ANN V. BUTTERWORTH, Chair
Utility Management Review Board

Minor Hill Utility District

Type of Utility	County		
Water	Giles		
	2016	2017	2018
Revenues	\$1,566,147.00	\$1,571,529.00	\$1,706,333.00
Expenses	\$1,356,432.00	\$1,486,864.00	\$1,607,527.00
Depreciation	\$347,190.00	\$403,758.00	\$441,453.00
Operating Income	\$209,715.00	\$84,665.00	\$98,806.00
Non-Operating Revenues (Expenses)	\$(105,876.00)	\$(110,862.00)	\$(123,188.00)
Grants, Capital Contributions, Transfers	\$613,133.00	\$540,269.00	\$433,649.00
GAAP Change in Net Position	\$716,972.00	\$514,072.00	\$409,267.00
Grants, Capital Contributions, Transfers In	\$613,133.00	\$540,269.00	\$433,649.00
Statutory Change in Net Position (2017 Law)	\$103,839.00	\$(26,197.00)	\$(24,382.00)
Net Pension/OPEB Asset		\$-00	\$-00
Net Pension/OPEB Liability		\$-00	\$-00
Statutory Change in Net Position (2018 Law)			\$(24,382.00)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: Minor Hill Utility District

Minor Hill Utility District was referred for financial distress for fiscal years 2017 and 2018. The District returned the financial questionnaire timely.

The District has not raised rates since 2017. Rather, it has cut expenses by eliminating family coverage on the employee health insurance plan, reducing staff by one and eliminating outside accounting expenses.

Staff Recommendation:

Order the District to comply with the following:

1. The District shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, complete a rate study to include:
 - a. a review of the rate and fee policy, including any recommended modifications;
 - b. a review of the credit card transaction fee, including any recommended modifications;
 - c. a review of the capitalization policy, including any recommended modifications;
 - d. a review of the capital asset plan, including any recommended modifications; and
 - e. a review of the leak adjustment policy, including any recommended modifications.
2. By December 6, 2019, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1.
3. By April 30, 2020, the District 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 District.

Rex Miles
Minor Hill Utility District
President
12950 Minor Hill Highway
Minor Hill, TN 38473
October 8, 2019

John Greer
Technical Secretary
Tennessee Comptroller of the Treasury
Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243

Dear John Greer:

Minor Hill Utility District has complied with the request of the Tennessee Comptroller of the Treasury to complete the UMRB Financial Questionnaire, and we have provide the requested supporting documentation.

If further information is needed, please contact our office at 931-565-3436.

Sincerely,

A handwritten signature in cursive script, appearing to read "Rex Miles".

Rex Miles
Minor Hill Utility District
President

MINOR HILL UTILITY DISTRICT

12950 Minor Hill Hwy

Minor Hill, TN 38478

1. Five-year history of rates (all rates classes and types).
 We have one rate
 2017/2018/2019 –minimum \$24.56 for 1500 gallon and then 11.06 per 1000
 2016 - minimum \$23.81 for 1500 gallon and then 9.60 per 1000
 2015 - minimum \$21.81 for 1500 gallon and then 9.58 per 1000
2. Five-year history of all utility fees
 Homeowners Connection Fee \$50.00 / 2015-2019
 Renters Connection Fee \$75.00 /2015 \$100.00 / 2016-2019
 Tap Fee \$1050.00- standard meter 1" meter - \$1650.00 and 2" meter - \$2100.00 / 2015-2019
 Lock Fee - \$75.00 / 2015-2019
 Return Check Fee \$35.00
 Convenience Fee (credit card) \$2.00 / July 2018-2019(new beginning July 2018)
3. Current customer contract used for new service accounts
 See attached #1
4. Three-year history of commissioner appointment.
 2018 – Josh Stafford
 2017- Linda Sumners
 2016- Rex Miles
 See attached #2
5. Three-year history of commissioner training.
 2015/2018 – Gatlinburg Convention
 See attached #2
6. Three-year history of commissioner payments (including travel)
 See attached #3

7. Most current Balance Sheet and Income Statement.

See attached #4

8. A copy of debt management policy.

See attached #5

9. A copy of Capitalization policy.

See attached #6

1. Do you have a plan to remedy your financially distressed position?

See attached #7

2. How many customers do you have currently? Class?

Metered – 2779

Non-metered – 65 fire hydrants

Billed - 2779

Un-billed - 1

3. What percentage of your sales do the largest ten customers (by volume and revenue) represent on a yearly basis?

3% sales and 3.5% volume

4. Do you have plans for rate increase or decrease?

No

5. What were the reasons for the current structure of your rates?

We consider water cost and upcoming budget expenditures.

6. Do you have written policies for rates and fees (how they are implemented and billed, including adjustments)?

a. attach copies

See attached #8

7. How do you make customers aware of the rates and fees you have in place?

Customers are given a handout when they sign up with all fees we have in place and there is a notification printed on bill when there is a rate increase. It's also published in local newspaper.

8. Do you have a capital asset plan? yes
 - a. How long does it forecast? 10 years
 - b. Please attach copy #9
 - c. If you do not have justify.

9. Do you review your capital asset list?
 - a. how often and who.Yes
The Manager reviews with our Auditor every year.

10. Do you have environmental issues currently or forthcoming that will put financial burden on the district?
No

11. Do you have a leak adjustment policy? yes
 - a. What is the average yearly amount adjusted in gallons, cost to purchase and lost revenue
We adjusted \$29,140 for 2,634,720 gallons at a cost to district of \$5270.
 - b. attach a copy of policy.
See attached #8

12. Have you or do you plan to incur new debt during current year?
 - a. provide detail explanation
NO

13. Have you or do you plan to receive any grants or capital contributions during current year?
 - a. provide detail explanation
No

14. Have you applied for grants that you will be receiving over next two years?
 - a. provide detail explanation
Yes – ECD Grant applied to rehab water tanks

15. Do you purchase or produce your water supply?

b. if you buy your water,

i. cost per thousand? 2.16 and 2.79

ii. Do you have long term contract? No

16. What is your current non-revenue water percentage?

18.4%

a. Do you have any plans for improving?

New line put in service in June 2018 and 7 zone meters are being purchased.

b. a. provide detail explanation

17. With respect to your board of commissioners, how often do you meet and what is your practice of providing notice of your meetings?

The Board meets second Tuesday every month. Meeting dates are printed on every bill and any changes are printed in local newspaper.

I hereby certify that the information provided is true and correct to the best of my knowledge.

Signature: Rep. Miles Title: President Date: 10-8-19

Minor Hill Utility District

Plan of Action to Remedy Financially Distressed Position

Improved policies and procedures have been established to decrease debt and expenses, and to increase the profitability and financial stability of Minor Hill Utility District.

- The cost of Employee Health Insurance has been greatly reduced due to a change in the employee benefit package, eliminating family coverage.
 1. Health Insurance expenses for 2017..... \$62,221.00
 2. Health Insurance expenses for 2018..... \$38,119.00
 3. Anticipated Health Insurance expenses for 2019..... \$21,183.00
 4. Anticipated Health Insurance expenses for 2020..... \$17,750.00

- The expense of Professional Fees has been minimized by transferring all accounting duties and responsibilities to the office staff of Minor Hill Utility District, eliminating the need for an outside accounting service.
 1. Professional Fees for 2017..... \$36,600.00
 2. Professional Fees for 2018..... \$19,575.00
 3. Professional Fees for 2019..... \$15,000.00

- Staffing has been reduced by one employee, lowering Payroll expenses.
 1. Payroll expenses for 2017.....\$255,146.00
 2. Payroll expenses for 2018.....\$235,500.00
 3. Anticipated Payroll expenses for 2019..... \$220,000.00

- Funds have been better allocated to gain income from higher interest rates. A Certificate of Deposit was established in the amount of \$250,000.00, and an additional CD renewed at a more profitable interest rate, with an increased interest income of \$8,245.00.

- The decision was made to transfer \$250,000.00 from a checking account to a loan that was accruing the highest rate of interest of all debts, reducing the expense of monthly and accumulated interest paid out.

- A new policy was established July 2018 to collect a convenience fee of \$2.00 per transaction for the processing of credit/debit card payments to offset the rising bank fees for Merchant Services.
 1. Convenience Fee Income for 2018..... \$6,072.00
 2. Anticipated Convenience Fee Income for 2019..... \$12,500.00

#7



Minor Hill Utility District

12950 Minor Hill Hwy Minor Hill, TN 38473

931-565-3436, Fax 931-565-4521

8

FEES & CHARGES:

Minimum Bill: 0 Gallons to 1500 Gallons

Rate \$26.89

After 1500 Gallons

\$11.06 per 1000 Gallons

\$50.00 – Homeowners Connection Fee

\$35.00 – Returned Check Fee

\$100.00 – Renter Connection Fee

\$75.00 – Lock Fee

\$1,050.00 – Tap Fee

\$2.00 – Convenience Fee

- Bills for the Minor Hill route will be rendered the 15th of each month, and are due and payable on or before the 5th of the following month. Bills for the Campbellsville route will be rendered the 1st of each month, and are due and payable on or before the 20th of the same month.
- The monthly bill will be the only notice of payment provided to customers. Failure to receive the monthly bill will not relieve the customer of payment obligation. It is the customer's responsibility to contact MHUD for account information and payments.
- 10% of water charges will be added to accounts with payments received after the due date.
- Services are subject to disconnection on accounts 10 days past the due date. A \$75.00 reconnection fee will be added to accounts with discontinued service due to lack of payment. Past due balances and reconnection fees must be paid in full before service will be restored.

PAYMENT OPTIONS:

- Payments can be made at the office of Minor Hill Utility District, located at 12950 Minor Hill Highway Minor Hill, TN 38473. A night depository box is available for your convenience.
- Payments can be mailed to MHUD at P.O. Box 124 Minor Hill, TN 38473.
- Visa, Mastercard and Discover card payments are accepted, with a \$2.00 convenience fee applicable.
- Automatic bank draft is available through your financial institution.
- Current bills may be paid at the Pulaski offices of First National Bank, First Farmers Bank, and the Bank of Frankewing.
- The office hours of Minor Hill Utility District are Monday – Friday, 8:00 a.m. until 4 p.m.
- For water emergencies after normal office hours, please call 931-309-5002; 931-201-2033; or 931-309-8799.
- Board members are Rex Miles, Josh Stafford & Linda Sumners.
- Board Meetings are held at our office every second Tuesday of the month at 10:00 a.m.

Responsible parties (including rental property owners) will be required to pay the minimum monthly bill of \$26.89 even if the water has been turned off and/or is not being used. Unpaid balances of both active and dormant water services will continue to accrue monthly charges, and must be paid before new or existing service(s) will be restored. The charges for inactive and/or disconnected services with no water usage will not exceed the cost of new water service. \$1,050.00 will be collected.

Capital Asset Plan

Minor Hill Utility District

One Year Plan:

- Office renovations
- Automatic read meter for approximately 100 residents at Cherry Drive, Trotwood Drive, and the area behind Richland Market

Two Year Plan:

- Tank rehab for the Minor Hill and Anthony Hill tanks

Five Year Plan:

- Purchase a boring machine

Ten Year Plan:

- Replace the backhoe

#9

Staff Recommendations for Release from Board Oversight



Financial Releases



Lakeview Utility District

Type of Utility	County		
Water	Hawkins		
	2016	2017	2018
Revenues	\$971,185.00	\$1,012,368.00	\$1,165,975.00
Expenses	\$856,009.00	\$835,340.00	\$827,292.00
Depreciation	\$245,218.00	\$230,310.00	\$229,900.00
Operating Income	\$115,176.00	\$177,028.00	\$338,683.00
Non-Operating Revenues (Expenses)	\$(146,310.00)	\$(141,397.00)	\$(145,614.00)
Grants, Capital Contributions, Transfers	\$-00	\$-00	\$-00
GAAP Change in Net Position	\$(31,134.00)	\$35,631.00	\$193,069.00
Grants, Capital Contributions, Transfers In	\$-00	\$-00	\$-00
Statutory Change in Net Position (2017 Law)	\$(31,134.00)	\$35,631.00	\$193,069.00
Net Pension/OPEB Asset		\$37,259.00	\$56,160.00
Net Pension/OPEB Liability		\$-00	\$-00
Statutory Change in Net Position (2018 Law)			\$174,168.00



Springville Utility District

Type of Utility	County		
Water	Henry		
	2016	2017	2018
Revenues	\$239,767.00	\$265,605.00	\$280,955.00
Expenses	\$239,447.00	\$242,776.00	\$254,793.00
Depreciation	\$98,198.00	\$98,329.00	\$98,670.00
Operating Income	\$320.00	\$22,829.00	\$26,162.00
Non-Operating Revenues (Expenses)	\$(22,774.00)	\$(22,257.00)	\$(21,154.00)
Grants, Capital Contributions, Transfers	\$-00	\$-00	\$-00
GAAP Change in Net Position	\$(22,454.00)	\$572.00	\$5,008.00
Grants, Capital Contributions, Transfers In	\$-00	\$-00	\$-00
Statutory Change in Net Position (2017 Law)	\$(22,454.00)	\$572.00	\$5,008.00
Net Pension/OPEB Asset		\$-00	\$-00
Net Pension/OPEB Liability		\$-00	\$-00
Statutory Change in Net Position (2018 Law)			\$5,008.00



Water Loss Releases



Non-Revenue Water



Belvidere Rural Utility District

	Type of Utility	County
	Water	Franklin
Year	Non-Revenue Water by Volume	Non-Revenue Water by Cost
2016	46.70%	21.10%
2017	36.90%	13.70%
2018	32.60%	12.50%



Cookeville Boat Dock Utility District

	Type of Utility	County
	Water	Putnam
Year	Non-Revenue Water by Volume	Non-Revenue Water by Cost
2016	47.70%	26.00%
2017	25.60%	9.70%
2018	25.30%	9.60%



Minor Hill Utility District

	Type of Utility	County
	Water	Giles
Year	Non-Revenue Water by Volume	Non-Revenue Water by Cost
2016	44.90%	20.50%
2017	45.50%	18.40%
2018	42.20%	18.40%



New Canton Utility District

	Type of Utility	County
	Water	Hawkins
Year	Non-Revenue Water by Volume	Non-Revenue Water by Cost
2016	26.60%	20.80%
2017	27.00%	19.70%
2018	20.80%	15.80%



Validity Score



Salttillo Utility District

Type of Utility		County	
Water		Hardin	
2016 VS	2017 VS	2018 VS	
83	83	83	



Miscellaneous



Meeting Resolution





BEFORE THE TENNESSEE UTILITY MANAGEMENT REVIEW BOARD

IN RE:

CALENDAR YEAR 2017 REGULAR MEETING SCHEDULE

RESOLUTION

The Tennessee Utility Management Review Board (“UMRB”) met on October 24, 2019, and formally endorsed the following regular meeting schedule for calendar year 2020, with all meetings to begin at 10:00am CT:

March 26

July 23

October 15

Entered this __ day of October, 2019.

Ann V. Butterworth, Chair
Utility Management Review Board

Discussion

