



JASON E. MUMPOWER
Comptroller

UMRB Agenda

- I. Call to Order
- II. Conflict of Interest Statement
- III. Approval of Minutes
- IV. Release Cases
 - a. Financial Distress
 - b. Financial Distress with Open Water Loss Cases
- V. Water Loss
 - a. Water Loss Violations
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- VI. Training Compliance
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- XI. Board Discussion



JASON E. MUMPOWER
Comptroller

MINUTES
of the
UTILITY MANAGEMENT REVIEW BOARD MEETING
December 8, 2022
10:00 am

Greeting:

Chairman Moody detected a quorum and called to order the meeting of the Utility Management Review Board (“UMRB”) in the Volunteer Conference Center on the 3rd Floor of the Cordell Hull Building in Nashville, TN at 10:00 a.m. (CDT).

Board Members Present and Constituting A Quorum:

Greg Moody, Chair
Tom Moss, Vice-Chair
Phillip Combs
Anthony Pellham
Steve Stone

Board Members Absent:

Rebecca Hunter
Kevin Botts
Bruce Giles
Dan Coley

Staff Present:

Ross Colona, Comptroller’s Office
Meghan Huffstutter, Comptroller’s Office
Nate Fontenot, Comptroller’s Office
Ben Johnson, Comptroller’s Office

Counsel Present:

Seth May, Comptroller’s Office

Others Present & Addressing the Board

Doug Overbey, Attorney at Law, Representing Appalachian Resort LLC.
Kaitlin Tweel, Attorney at Law, Representing East Sevier County Utility District
Jerry Hayes, Customer of East Sevier County Utility District
Patricia Rogers, Customer of East Sevier County Utility District

Heather Fromm, Customer of East Sevier County Utility District

Approximately twenty other customers of the East Sevier County Utility District were present but did not address the board individually.

Conflict of Interest Statement:

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

Chairman Moody asked if anyone needed to recuse themselves. There were no comments made.

Approval of Minutes:

Chairman Moody presented the approval of the April 28, 2022, minutes. Mr. Pellham moved to approve the minutes as written. Mr. Combs seconded the motion. The minutes were approved unanimously.

Comptroller Investigations:

East Sevier County Utility District

Mr. Colona clarified and reminded the Board of what the Board was designed to do. The purpose of the board is to ensure that water, sewer, and gas systems are self-sustaining by first and foremost protecting the ratepayer. Mr. Colona then explained that Board staff had traveled to East Sevier County Utility District (ESCUD) to conduct interviews. There were several findings in the report. Mr. Colona referenced the Boards packet for information and further details, but that there were several main findings from staff’s investigation: Board Training, Contract Issues with Alliance Water Resources, Water Loss, Failure to Seek Funding for Capital Improvements, Customer Complains, Rates, and potential Conflict of Interest. Mr. Colona briefly expounded upon each finding and Chairman Moody opened the discussion to the attending parties who wanted to address the Board.

The first citizen to address the Board was Mr. Jerry Hayes. He lives on English Mountain and stated that the water system is failing. They have gone up to twelve days without water. He would like the commissioners removed and the managers held accountable. He believes the water loss is high due to negligence. He believes that the water is not drinkable as it barely meets minimum sanitary qualifications, and the iron level is the maximum level possible. He thanked the UMRB,

TDEC and the Comptroller's office for all they have done. He asked for the state to call a state of emergency because current management and board have failed.

Patricia Rogers then addressed the Board. She is also a current customer of ESCUD. She thanked the Comptroller and the UMRB for the hearing. She stated that the president of the board for ESCUD told her that they will never get consistent water. She stated that sometimes they do not have water for days at a time, and the water stains clothing. They are provided only 6 gallons of water per week during outages.

Heather Fromm also addressed the Board. Ms. Fromm is a current customer of the District. She brought a bag with several items as evidence of the poor water quality. She had articles of stained clothing and bottles of discolored water she displayed for the board. She stated that she was out of water for 15 days over Christmas in 2020. She would like clean drinkable and consistent water.

Chairman Moody thanked the public and then invited Mr. Doug Overbey to address the board. Mr. Overbey represents the Reserve at English Mountain. He informed the Board that Senator Sutherland had tried to attend that day, but he was sick. But he agrees with staff conclusions and recommendations that the Board should pursue ouster proceedings for the ECUD board. He noted that this is a first step, an important one but only the first. He requested the Board to continue oversight.

Ms. Kaitlin Tweel then addressed the Board. Ms. Tweel represents ESCUD. She did not agree with the ousting recommendation. She informed the Board that ESCUD Board President, Mr. Ron Ivey, would be resigning that evening. She noted that the other two commissioners have spent a considerable amount about time serving and they want to help solve the issues with the systems. Ms. Tweel said that ESCUD is very aware of an aging system but that they are a remote area. She noted that the board has overseen improvements with rates in mind, and they have done what they could.

Chairman Moody noted that the Board has read the staff recommendation. Mr. Colona clarified that if the Board were to continue with this proceeding the board is not ousted today, but that there is a process. Mr. Seth May explained the process of the contested case hearing.

Mr. Pellham asked if the current board for ESCUD had served during the Alliance Water Services contract and through the water loss stated in staff's report. Mr. Colona confirmed that the current board served over those years. Mr. Pellham asked how ESCUD board members would be replaced. Mr. Colona explained the process by which the County Mayor makes appointments. Mr. Pellham confirmed that the customers that addressed the Board today were current, and Mr. Colona confirmed they are.

Mr. Moss noted that in dealing with water systems for over 30 years, he had had no other district have the chronic water shortage that they have.

Board staff recommendations:

1. The Board should order Board staff to initiate a contested case to determine whether the current Board of Commissioners of the East Sevier County Utility District should be

removed from their positions.

Board staff are authorized to nonsuit or otherwise seek dismissal of this contested case should the members seated as of the date of this order resign or otherwise be removed from office.

2. ESCUD 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. a review of the debt management 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;
 - d. a review of relevant utility fees including but not limited to connection or tap fees, including any recommended modifications;
 - e. and a review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist.

Mr. Moss moved to accept staff recommendations. Mr. Stone seconded the motion. The motion carried.

Tarpley Shop Utility District

Mr. Colona informed the Board that the District failed to file their annual information report with the Comptroller's office. He shared that Board staff reviewed the District's audit and saw a finding of the District contractor also being an employee of the district for over a decade. Communicating and receiving information from the District has been difficult. Board staff would like to open an investigation to get more information.

Staff recommendations:

1. Board staff shall investigate the Entity to address the financial, technical and managerial capacity of the Entity to comply with the requirements of any applicable federal and state laws or regulations.
2. Board staff shall, with the full authority of the Board, issue subpoenas for the Entity's manager, governing body, or any other necessary staff, to appear in-person before the Board at its first meeting of 2023 if the Entity does not comply fully with the Boards. Investigation.
3. Board staff shall update the Board as to the status of this investigation at its first meeting of 2023.

Mr. Pellham moved to accept staff recommendations. Mr. Stone seconded the motion. The motion carried.

Tuckaleechee Utility District

Mr. Colona informed the Board that this District is not out of compliance with water loss requirements based on its reporting. But that Tuckaleechee Utility District (TUD) has engaged Rye Engineering. Rye Engineering will work with the District to improve its water infrastructure Board staff is confident in this decision. They need a rate study and cost of service study. Board staff does not believe that TUA should do this work and that TUD should contract with someone by March 31, 2023. He provided an update on the investigation and Board staff recommends the following:

1. a review of the capitalization policy, including any recommended modifications;
2. a review of the debt management policy, including any recommended modifications;
3. the creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;
4. a review of relevant utility fees including but not limited to connection or tap fees, including any recommended modifications;
5. and a review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist.

Mr. Combs moved to accept staff recommendations. Mr. Pellham seconded the motion. The motion carried.

Financial Distress:

Bedford County Utility District

Mr. Colona informed the board that this was a case of deficit net position due to it being a new system. He stated that they were a strong utility and recommended to the Board to release them and close the case.

Staff recommendations:

1. The Entity is officially released from the Boards oversight;
2. Board staff shall close the Entity's case for financial distress.

Mr. Pellham moved to accept staff recommendations. Mr. Stone seconded the motion. The motion carried.

Blountville Utility District

Mr. Colona stated that this was a case of financial distress due to the District joining TCRS and there was an increase in salaries and benefits. Furthermore, they completed their rate study with TAUD. Once board staff receive those final minutes that provide proof of implementation, board staff recommends:

1. By March 31, 2023, the entity shall provide Board staff with proof of implementation of the recommendations.
2. The Entity shall send financial updates to Board staff by March 1st and September 1st of each year beginning September 1, 2023, until the Board releases the Entity from its oversight.

Mr. Moss moved to accept staff recommendations. Mr. Combs seconded the motion which passed unanimously.

Bristol Bluff City Utility District

Mr. Colona informed the Board that Board staff is confident with the progress that the Entity will make with TAUD. Board staff believes that a merger between Bristol Bluff City UD and South Fork Utility District could be an option in the best interest of both parties. Mr. Colona informed the Board that he was unsure of the best option for South Fork at this time. He also let the Board know that staff was asking for proforma financial statements and hope to receive those by April 2023.

Mr. Colona explained the staff recommendations:

1. The Entity shall have the TAUD or another qualified expert as approved by Board staff, perform a cost of service study that includes the creation of pro forma statements that evaluate a merger between the Entity and South Fork Utility District.

Mr. Pellham moved to accept staff recommendations. Mr. Combs seconded the motion which passed unanimously.

Clearfork Utility District

Mr. Colona explained that the District is very unresponsive. He read the following staff recommendation:

1. The Entity 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. a review of the debt management 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;
 - d. a review of relevant utility fees including but not limited to connection or tap fees, including any recommended modifications;
 - e. verification that all governing body members of the utility are in compliance with all relevant training requirements;
 - f. a review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist;
 - g. and a review of any possible mergers with surrounding utilities including a preliminary judgment on whether any merger options are feasible and should be explored further.
2. By March 31, 2023, the Entity shall send Board staff a copy of the contract between the Entity and the qualified expert who is to perform the tasks in paragraph 1.
 3. By July 31, 2023 the Entity 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 Entity.
 5. If the Entity does not comply with any provision of this order Board staff shall, with full authority of the Board, subpoena the Entity's utility manager and all governing board members to compel their attendance at the next Board meeting.

Mr. Moss moved to accept staff recommendations. Mr. Stone seconded the motion which passed unanimously.

Griffith Creek Utility District

Mr. Colona informed the board that this District had contracted with Big Creek Utility District to do a lot of work and that they were financially doing much better. Board staff recommends the following:

1. The Entity is officially released from the Board's oversight for financial distress. Board staff will close the Entity's financial distress case.
2. The Entity remains under Board oversight for excess water loss.

Mr. Combs moved to accept staff recommendations. Mr. Pellham seconded the motion which passed unanimously.

Iron City Utility District

Mr. Colona informed the Board that the District should be added to the update cycle and that they have implemented all requirements.

The Board should order the following:

1. The Entity shall send financial updates to Board staff by March 1st and September 1st of each year beginning March 1st, 2023, until the Board releases the Entity from its oversight.

Mr. Pellham moved to accept staff recommendations. Mr. Moss seconded the motion which passed unanimously.

Mooreburg Utility District

Mr. Colona informed the board that the previous order was not complied with. But we did not find that out until the last UMRB meeting. Board staff requested the following:

1. The Entity 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. a review of the debt management 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;
 - d. a review of relevant utility fees including but not limited to connection or tap fees, including any recommended modifications;
 - e. verification that all governing body members of the utility are in compliance with all relevant training requirements;
 - f. a review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist;
 - g. and a review of any possible mergers with surrounding utilities including a preliminary judgment on whether any merger options are feasible and should be explored further.
2. By May 1 2023, the Entity shall send Board staff a copy of the contract between the Entity and the qualified expert who is to perform the tasks in paragraph 1.
3. By May 1, 2023, the Entity shall complete its 2023 Annual Information Report.
4. By September 1, 2023, the Entity 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. The Commissioners of the Mooresburg Utility District, along with the District's general manager (or other employee(s) who perform the duties traditionally assigned to a general manager), will attend the first regularly-scheduled UMRB meeting in 2023. Board staff, acting with the Board's authority, will issue subpoenas to ensure these individuals' attendance. Board staff are further authorized to pursue this matter in Chancery court if necessary to secure attendance.

Mr. Pellham asked if the District explained why they did not implement. Mr. Colona said that the office employee has another fulltime job, but that was not an excuse.

Mr. Pellham moved to accept staff recommendations. Mr. Stone seconded the motion which passed unanimously.

Utility Revitalization Fund

Mr. May explained the grant and how it can be used. He explained to the Board that part of the legislation includes the Board drafting rules. Mr. May said the rules had been red lined and clarified. There were no comments at the hearing. Board staff will then submit to the Attorney General's office and the Secretary of State's office.

Mr. Moss moved to accept the redlined rules. Mr. Stone seconded the motion which passed unanimously.

Meeting Dates for 2023

Mr. Colona stated the three dates for the upcoming year:

April 20, 2023
 August 31, 2023
 December 7, 2023

Mr. Combs had a conflict on the April 20th date, and Mr. Colona said they would keep that date.

Mr. Stone moved to accept 2023 dates. Mr. Pellham seconded the motion which passed unanimously.

Board Discussion:

None

Adjournment:

Mr. Pellham moved to adjourn the meeting; Mr. Combs seconded. Chairman Moody adjourned the meeting at 11: 23 am.

Financial Distress Release

The following entities have complied with Board directives to remedy financial distress. Board staff recommends the following entities be released from Board oversight.

Carderview Utility District
Jackson County Utility District
Lone Oak Utility District
Minor Hill Utility District
Sneedville Utility District
Webb Creek Utility District

Staff Recommendation:

The Board should order the following to the above referenced entities:

1. The Entity is officially released from the Board's oversight.
2. Staff and Counsel shall close the case.

Financial Distress Release, Retain Water Loss

The following entities have complied with Board directives to remedy financial distress, but these utilities have still demonstrated non-compliance with water loss standards. Board staff recommends the following entities be released from Board oversight for financial distress.

Jackson County Utility District
Roan Mountain Utility District

Staff Recommendation:

The Board should order the following to the above referenced entities:

1. The Entity's financial distress case is officially released from the Board's oversight.
2. Staff and Counsel shall close the financial distress case.
3. The Entity's water loss case shall remain open under the Board's oversight.

Water Loss Violations

The following entities have been referred to the Board for excessive water loss. These entities have not completed the AWWA 6.0 Water Loss Tool through the confirmation of a third party.

Mooresburg Utility District

Staff Recommendation:

The Board should order the following to the above referenced entities:

1. By June 30, 2023, the Entity shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, complete the AWWA Free Audit Software version 6.0.
2. By April 28, 2023, the Entity shall send Board staff proof of engagement between the Entity and the qualified expert who is to perform the tasks in paragraph 1.
3. By July 15, 2023, the Entity shall send Board staff the completed report from the tasks in paragraph 1.

Water Loss Plan

The following entities have been referred to the Board for excessive water loss. These entities have since completed the AWWA 6.0 Water Loss Tool through the confirmation of a third party.

Arthur-Shawnee Utility District
Bean Station Utility District
Bon de Croft Utility District
Copper Basin Utility District
County Wide Utility District
Cross Anchor Utility District
Dyersburg-Suburban Utility District
East Sevier County Utility District
First Utility District of Carter County
First Utility District of Hawkins County
Gibson County Water District
Griffith Creek Utility District
Iron City Utility District
Roan Mountain Utility District
North West Utility District
Northwest Dyersburg Utility District
Northwest Henry Utility District
South Elizabethton Utility District
Surgoinville Utility District

Staff Recommendation:

The Board should order the following to the above referenced entities:

1. The Entity shall send Board staff an update by June 30, 2023, that details their plan to improve their non-revenue water and validity score. This plan should include any capital improvements that are to be made.
2. The Entity shall remain under Board supervision until the Board releases the Entity from its oversight.

Training Violations

The following entities have been referred to the Board for non-compliance with applicable governing body member training requirements.

Calhoun-Charleston Utility District
Lone Oak Utility District
Mooresburg Utility District

Staff Recommendation:

The Board should order the following to the above referenced entities:

1. By June 30, 2023, the Entity shall send Board staff proof that all members of the utility system's governing body have complied with the applicable training requirements.
2. Should the Entity fail to comply with any directive in this order, Board staff and Counsel shall issue subpoenas for the Entity's governing body to appear in-person before the Board during its next meeting following non-compliance with this order.
3. If the Entity shows that all governing body members are compliant with training requirements and Board staff are unaware of any reason for which the Entity should remain under Board supervision, Board staff may close the Entity's case without further action by the Board.

Annual Information Report

The following entities have not complied with completing the Annual Information Report which is filed with the Comptroller of the Treasury.

Brownlow Utility District
Clearfork Utility District
Grandview Utility District
Minor Hill Utility District
Samburg Utility District
Siam Utility District
West Point Utility District

Staff Recommendation:

1. The entity shall complete the Annual Information Report by May 31, 2023.
2. Should the Entity fail to comply with any directive in this order, Board staff and Counsel shall issue subpoenas for the Entity's governing body to appear in-person before the Board during its next meeting following non-compliance with this order.
3. If the Entity shows compliance with completing the Annual Information Report and Board staff are unaware of any reason for which the Entity should remain under Board supervision, Board staff may close the Entity's case without further action by the Board.



Jason E. Mumpower
Comptroller

Entity Referred: **Cold Springs Utility District**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water**

Staff Summary:

Cold Springs Utility District ("the Entity") has been under Utility Management Review Board ("the Board") oversight for financial distress since 2020. The Entity has provided board staff with a completed rate study but has not provided proof of the implementation of the resulting recommendations.

The rate study details the following:

"The five original customers were Ross Wilcox, J.R. Cress, Bill Farmer, Doug Icenehour, and Charlie Icenehour which the District refers to as "water rights customers." The District is continuing to provide water at no cost to five accounts. Three of these five accounts have relatives living in the homes of two of the original "water rights" customers. The District believes most, if not all, of the original five water rights customers are deceased. The District meters water sold to these five accounts. These five accounts use approximately 300,000 gallons of water per year which accounts for a little over 2% of the District's total water sales in usage. If the water rights customer accounts were billed for water used at current rates, the District would generate about \$5,000 in additional revenue annually. When any of these accounts have high usage, the District notifies the customer of the high usage and requires any leaks behind the meter be repaired."

TAUD was unable to provide judgment on whether or not it would be worth pursuing payment from these customers moving forward. Board staff believes the Entity should investigate this matter further by consulting with their attorney on the best way to move forward.

Staff Recommendation:

1. By July 31, 2023, the Entity shall provide Board staff with proof of implementation of the resulting recommendations or a proposed plan of implementation.
2. By July 31, 2023 the Entity shall consult with its attorney to determine whether it is in the Entity's best interest to pursue legal proceedings to settle the issue in regards to providing water at no cost to its five water rights customers.
3. The Entity shall send financial updates to Board staff by March 1st and September 1st of each year beginning September 1, 2023 until the Board releases the Entity 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 Entity.

Cold Springs Utility District

	Category: Water		County: Johnson	
	2019	2020	2021	2022
Net Assets	\$1,587,091.00	\$1,560,410.00	\$1,502,392.00	\$1,529,262.00
Deferred Outflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Net Liabilities	\$246,404.00	\$226,436.00	\$173,096.00	\$193,378.00
Deferred Inflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Total Net Position	\$1,340,687.00	\$1,333,974.00	\$1,329,296.00	\$1,335,884.00
Operating Revenues	\$241,284.00	\$272,036.00	\$284,295.00	\$285,260.00
Net Sales	\$222,677.00	\$253,236.00	\$267,258.00	\$271,991.00
Operating Expenses	\$241,045.00	\$270,811.00	\$279,214.00	\$273,641.00
Depreciation Expenses	\$61,348.00	\$61,453.00	\$60,340.00	\$58,144.00
Non Operating Revenues	-\$8,777.00	-\$7,938.00	-\$9,759.00	-\$5,031.00
Capital Contributions	\$0.00	\$0.00	\$0.00	\$0.00
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	-\$8,538.00	-\$6,713.00	-\$4,678.00	\$6,588.00
Statutory Change In Net Position	-\$8,538.00	-\$6,713.00	-\$4,678.00	\$6,588.00



REPORT FOR COLD SPRINGS UTILITY DISTRICT

UTILITY MANAGEMENT REVIEW BOARD ORDERS DATED MARCH 21, 2021, AND OCTOBER 28, 2021

March 16, 2023

INTRODUCTION

Description of the Cold Spring Utility District Water System

Cold Springs Utility District (the District) provides water service in Johnson County. The District's board of commissioners has three members who are appointed by the Johnson County Mayor. As of August 31, 2021, the District had 344 water customers. The District gets its raw water supply from an underground spring and operates a water treatment plant with a design capacity of 225,000 gallons per day.

The District does not provide sewer service. The District has 67 water customers who receive sewer service from Mountain City. By agreement, the District bills and collects Mountain City sewer charges and remits the sewer revenue collected to Mountain City less a 5% administrative fee.

The District was referred to the Utility Management Review Board (UMRB) upon the submission of its audit for its fiscal year ending August 31, 2019, because it met the statutory definition for a financially distressed utility district. 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 August 31, 2018, and August 31, 2019.

The District's had a negative change in net position of (\$6,713) for its fiscal year ending August 31, 2020, and of (\$4,678) for its fiscal year ending August 31, 2021.

History of Rates and Existing Rate Structure

Since the District was referred to the UMRB, it has increased its water rates two times. The District's current water rates which became effective September 1, 2022, are as follows.

Minimum Bill (includes 1,500 gallons)	\$36.49
Over 1,500 gallons	\$13.64 per 1,000 gallons

A customer using 4,000 gallons of water a month pays a water bill of \$70.59.

The District had a position change in net position for its fiscal year ending August 31, 2022 of \$6,588.

The balance of the Cash and Investments accounts of the water and sewer fund as of September 1, 2022, was \$167,258.

Utility Management Review Board Order

On March 21, 2021, and October 28, 2021, the UMRB issued orders directing the District to do the following items.

- 1) The District was directed to hire a qualified expert to perform a rate study to include the following items:
 - a review of the debt management policy;
 - a review of the capitalization policy;
 - a review of customer rights to the spring and any related impact to water loss improvement;
 - a review of the leak adjustment policy; and
 - A review of the connection, reconnection, and tap fees.
- 2) By December 15, 2021, 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 the Board's March 16, 2021 order.
- 3) By August 5, 2022, 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 faith by the District.

RECOMMENDATIONS

Recommendation #1

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

Recommendation #2

TAUD recommends that effective September 1, 2023, the District decrease the gallons included in the monthly minimum bill from 1,500 gallons to 1,000 gallons and adopt the following new monthly water service rates:

Minimum bill (includes 1,000 gallons)	\$38.00
Over 1,000 gallons	\$15.00 per 1,000 gallons

Recommendation #3

TAUD recommends the District adopt the Leak Protection Policy prepared by TAUD which incorporates the terms and conditions for the leak protection coverage the District provides its residential customers using the ServLine Program.

Recommendation #4

TAUD suggests that the District's board of commissioners consult an attorney to determine whether it is in the District's best interests to pursue some type of legal proceeding to settle the issue of providing free water to its five water rights customers.

FIVE YEAR CAPITAL ASSET PLAN

Based upon an Engineering Report prepared by W & W Engineering, LLC on water system upgrades needed for the District, TAUD prepared a Five-Year Capital Asset Plan.

The District should 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 District's water system self-supporting, TAUD first projected a Statement of Revenues and Expenses and Changes in Net Position for the District's water fund for its fiscal year ending August 31, 2023, to use as its test year. Revenues were projected using existing rates for the five-year projection period.

TAUD projected operation and maintenance expenses and debt service payments for the test year by: (1) reviewing historical information from the five previous years; (2) reviewing the District's budget for its fiscal year ending August 31, 2023; and (3) considering any known and anticipated changes during the test year based upon discussions with the District. See **Exhibit 2** attached to this Report.

Then, TAUD projected Statements of Revenues and Expenses and Changes in Net Position for the District for its fiscal years ending August 31 of 2024, 2025, 2065, and 2027. See **Exhibit 3** attached to this Report.

Revenue Projections:

- Charges for service for the test year, were projected by taking the District's actual annual water usage reports as of August 31, 2021, and applying the District's water rates in effect on September 1, 2022, to this actual usage. The charges for service includes sewer revenues which are collected for Mountain City sewer customers. The sewer charges collected for Mountain City shown as an expense called purchased sewer service.
- The following revenues were projected based upon the average of the last two fiscal years ending August 31 of 2021 and 2022:

- Late charges
- New tap fees
- Leak insurance
- Other fees
- Interest income

- Since 2018 the District has experienced no customer growth. Therefore, the water revenues for the remaining four years of the five-year projection period do not include any revenue increases based upon annual customer growth.

Expense Projections:

- All operating expenses for the test year except depreciation were projected based upon the average of these expenses for the District's last two fiscal years ending August 31 of 2021 and 2022 plus a 2% inflation factor.
- Depreciation for the test year is based upon the District's depreciation for the fiscal year ending August 31, 2022.
- All operating expenses except depreciation were projected to increase by the following due to inflation using the following rates:

Fiscal year ending August 31, 2024	2.5%
Fiscal years ending August 31, 2025, 2026 and 2027	2.0%

- Annual depreciation expenses for the remaining four years of the five-year projection period are projected based upon the District's existing fixed asset schedule and on the new capital assets included in the capital asset plan during the five-year projection period.
- Interest expense during the five-year projection period is based on the debt amortization schedules of existing debt.

Revenue Sufficiency and Rate Modifications Required

TAUD projects that the District will have a negative change in net position of (\$2,329) for the test year ending August 31, 2023, not including capital contributions and grant revenue. The operating ratio for the District will be 1.01% for the test year at existing rates.

Rates should be set to produce revenues to achieve an operating ratio of at least 1.1% and to cover the District's annual interest expenses. Based upon TAUD's projections, the District will continue to have a negative change in net position for the remaining four years in the five-year projection period.

Effective September 1, 2023:

TAUD recommends that the District modify its rates effective September 1, 2023. The District should decrease the gallons included in the monthly minimum bill from 1,500 gallons to 1,000 gallons and adopt the following rates:

Minimum bill (include 1,000 gallons)	\$38.00
Over 1,000 gallons	\$15.00 per 1,000 gallons

TAUD projects these rate changes will produce a positive change in net position of \$17,521 for the District's fiscal year ending August 31, 2024 and will give the District an operating ratio of 1.07%

Future Rate Increases:

TAUD projects that the District will need a rate adjustment effective September 1, 2024. TAUD suggests that effective September 1, 2024, the District decrease the gallons included in the monthly minimum bill from 1,000 gallons to 500 gallons and increase its usage rate to \$15.25 per 1,000 gallons. TAUD projects this change will produce a positive change in net position of \$37,246 for the District's fiscal year ending August 31, 2025, and will give the District an operating ratio of 1.13%

TAUD projects that the District will need a rate adjustment effective September 1, 2025. TAUD suggests that effective September 1, 2025, the District decrease the gallons included in the monthly minimum bill from 500 gallons to 250 gallons.

TAUD does not recommend that the District adopt any rate changes now after the September 1, 2023 recommended rate increase. Most of the expenses projected during the five-year projection period assume a specific annual rate of inflation. The current high level of inflation may affect these annual inflation rate assumptions. Moreover, any capital improvements made by the District to its water system which are not included in the capital asset plan will increase depreciation expenses over those projected by TAUD. Therefore, the District will need to review its current rates annually as a part of the budgetary process each year to ensure that rates recommended will continue to produce sufficient revenues to give the District a positive change in net position and to maintain an operating ratio of at least 1.1% in future fiscal years.

Projected Cash and Investments Schedule

If the District adopts TAUD's suggested rate increases through September 1, 2025, the District should have a cash and investments balance of \$535,673 as of August 31, 2027. The District's Projected Cash and Investments Balance Schedule is attached as **Exhibit 4**.

DEBT MANAGEMENT POLICY

The District adopted a debt management policy on November 19, 2011, which is attached as **Exhibit 5** to this Report. The debt management policy includes the provisions recommended by the State Funding Board for public entities. Therefore, no action needs to be taken on the District's debt management policy.

CAPITALIZATION POLICY

TAUD reviewed the District's current capitalization policy and does not recommend any changes to the policy.

LEAK ADJUSTMENT POLICY

TAUD reviewed the District's leak adjustment policy. The District has purchased leak adjustment insurance coverage for its customers from ServLine. Therefore, the District does not give leak adjustments anymore. The District's former leak adjustment policy is simply the basis for the leak adjustment coverage provided by ServLine.

TAUD suggests that the District adopt a Leak Protection Policy which incorporates the ServLine Program to replace its current leak adjustment policy. TAUD has prepared a suggested Leak Protection Program Policy for the District to adopt which is attached as **Exhibit 6** to this Report.

CONNECTION, RECONNECTION, AND TAP FEES

The District's current water tap fees are \$1,000 for short-side taps and \$1,100 for long-side taps. TAUD reviewed the costs the District incurs for the installation of these taps. The tap fees cover the expenses the District incurs to install these water taps; therefore, TAUD does not recommend any changes to the current tap fees.

The District's connection fee for new water service is \$25.00 for water and its connection fee for water and sewer service is \$50.00. (The District does not provide sewer service but takes applications for Mountain City which provides sewer service to a small number of District water customers.) The District's reconnection fee to reinstated service after service termination for non-payment is \$25.00. TAUD believes that these fees may not fully recover the District's costs. However, the District's management prefers not to change these fees due to the adverse financial impact any increase would have on its customers. Because the revenue the District derives from these fees is very small, TAUD believes the decision to keep these fees at their current level should be left to the discretion of the District's management. Therefore, TAUD does not recommend any changes to the connection and reconnection fees.

CUSTOMER RIGHT TO THE SPRING AND ANY RELATED IMPACT TO WATER LOSS IMPROVEMENT

In 1990, the District acquired the assets of the Johnson City Utility District. TAUD understands that at that time, the Johnson City Utility District had agreed to provide water at no cost to five customers to compensate them for the water Johnson City Utility District obtained from springs purportedly owned by these five customers. See the minutes of Johnson County Commission dated November of 1990 attached as **Exhibit 7**. The District has continued this arrangement. The District was not able to provide TAUD with any other documents to verify this arrangement.

The five original customers were Ross Wilcox, J.R. Cress, Bill Farmer, Doug Icenehour, and Charlie Icenehour which the District refers to as “water rights customers.” The District is continuing to provide water at no cost to five accounts. Three of these five accounts have relatives living in the homes of two of the original “water rights” customers. The District believes most, if not all, of the original five water rights customers are deceased.

The District meters water sold to these five accounts. These five accounts use approximately 300,000 gallons of water per year which accounts for a little over 2% of the District’s total water sales in usage. If the water rights customer accounts were billed for water used at current rates, the District would generate about \$5,000 in additional revenue annually. When any of these accounts have high usage, the District notifies the customer of the high usage and requires any leaks behind the meter be repaired.

TAUD is uncertain what action the District should take in regard to these water rights customers. The District is unable to find any written agreements between the original five water rights customers and the District or its predecessor which sets forth the terms and conditions for receiving water at no cost. Several questions would have to be answered for the District to determine whether it should change the current set up. If the original five water rights customers were entitled to free water, did this agreement run with the land so their heirs also get free water? If the five accounts do not continue to get free water, how should or must the District compensate the landowners of the springs for the District’s water supply? How much will a legal proceeding cost the District to determine whether the current water rights account holders should continue to get free water? Have the District’s actions in not challenging the provision of free water through the years somehow waived any rights the District may have?

At a minimum, TAUD suggest that the District’s board of commissioners consult an attorney to determine whether it is in the District’s best interests to pursue some type of legal proceeding to settle the issue of providing free water to these five water rights customers.

Cold Springs Utility District
Five Year Capital Asset Plan

	<u>8/31/2023</u>	<u>8/31/2024</u>	<u>8/31/2025</u>	<u>8/31/2026</u>	<u>8/31/2027</u>
Water Line Replacements	-	-	191,600.00	-	-
Line & Service Upgrades	-	-	72,100.00	-	-
Zone Meters	-	45,500.00	-	-	-
Repair Spring Box	-	-	75,000.00	-	-
Water Line Upgrades	-	-	50,000.00	50,000.00	-
Upgrade Turbidimeters	-	28,000.00	-	-	-
Update Telemetry	-	50,000.00	-	-	-
Static Mixer - Valley View Tank	-	16,000.00	-	-	-
Radio Read Meters	-	110,000.00	-	-	-
	-	249,500	388,700	50,000	-
Depreciation	-	20,833	30,551	31,801	31,801
Total Capital Outlay & Depreciation	-	270,333	419,251	81,801	31,801
<u>Source of Funds</u>					
Loans	-	-	-	-	-
Grants	-	199,600	310,960	40,000	-
Cash	-	49,900	77,740	10,000	-
Total Funding Sources	-	249,500	388,700	50,000	-

Cold Springs Utility District - Test Year

	Budget <u>22-23</u>	Last 2 Year Average	Test Year <u>FY 22-23</u>	<u>Explanation</u>
Operating Revenues:				
Charge for Services	279,952	269,625	266,991	Used calculated amount, includes sewer
Late Charges	5,064	4,600	4,600	Used last 2 year average
New Tap Fees	3,000	2,050	2,050	Used last 2 year average
Leak Insurance	7,566	8,147	8,147	Used last 2 year average
Other Fees	733	357	357	Used last 2 year average
Total Operating Revenues	296,315	284,778	282,145	
Operating Expenses:				
Auto Expenses	2,901	2,266	2,311	Used last 2 year average + 2%
Bank Fees	495	686	699	Used last 2 year average + 2%
Chemicals	3,878	5,397	5,504	Used last 2 year average + 2%
Computers	470	75	76	Used last 2 year average + 2%
Conferences	1,168	808	824	Used last 2 year average + 2%
Contract Labor	6,572	10,216	10,420	Used last 2 year average + 2%
Depreciation	70,000	59,242	58,144	Used 2022 amount
Dues & Subscriptions	1,571	1,540	1,571	Used last 2 year average + 2%
Engineering	1,381	1,301	1,327	Used last 2 year average + 2%
Equipment Rental	260	786	-	N/A
Insurance	9,043	14,285	14,570	Used last 2 year average + 2%
Leak & Line Insurance	7,775	3,356	3,423	Used last 2 year average + 2%
Membership Dues	306	350	357	Used last 2 year average + 2%
Office Supplies	1,316	1,591	1,623	Used last 2 year average + 2%
Wages	98,011	102,408	104,456	Used last 2 year average + 2%
Postage & Delivery	1,428	1,373	1,400	Used last 2 year average + 2%
Professional Fees	4,162	4,230	4,315	Used last 2 year average + 2%
Program Fees	2,051	597	609	Used last 2 year average + 2%
Purchased Sewer Service	29,174	29,014	29,594	Used last 2 year average + 2%
Repairs & Maintenance	6,777	12,334	12,581	Used last 2 year average + 2%
Supplies	13,632	6,670	6,803	Used last 2 year average + 2%
Telephone	2,341	2,405	2,453	Used last 2 year average + 2%

Travel	1,113	745	759	Used last 2 year average + 2%
Utilities	13,066	11,862	12,099	Used last 2 year average + 2%
Miscellaneous	719	1,247	1,271	Used last 2 year average + 2%
Water Analysis	<u>1,452</u>	<u>1,650</u>	<u>1,683</u>	Used last 2 year average + 2%
Total Operating Expenses	<u>281,062</u>	<u>276,428</u>	<u>278,871</u>	
Operating Income (Loss)	<u>15,253</u>	<u>8,350</u>	<u>3,274</u>	
Nonoperating Revenues (Expenses)				
Interest Income	106	108	108	Used last 2 year average
Interest Expense	<u>(9,616)</u>	<u>(7,503)</u>	<u>(5,711)</u>	Used amortization amount
Total Nonoperating Revenues (Expenses)	<u>(9,510)</u>	<u>(7,395)</u>	<u>(5,603)</u>	
Change in Net Position before Contributed Capital and Grants	5,743	955	(2,329)	
Contributed Capital and Grants	<u>-</u>	<u>-</u>	<u>-</u>	
Change in Net Position	<u><u>5,743</u></u>	<u><u>955</u></u>	<u><u>(2,329)</u></u>	

Cold Springs Utility District - Projected Statements of Revenues and Expenses and Changes in Net Position

	Projected <u>8/31/2023</u>	Projected <u>8/31/2024</u>	Projected <u>8/31/2025</u>	Projected <u>8/31/2026</u>	Projected <u>8/31/2027</u>
Operating Revenues:					
Charge for Services	266,991	266,991	266,991	266,991	266,991
Late Charges	4,600	4,600	4,600	4,600	4,600
New Tap Fees	2,050	2,050	2,050	2,050	2,050
Leak Insurance	8,147	8,147	8,147	8,147	8,147
Other Fees	357	357	357	357	357
Total Operating Revenues	282,145	282,145	282,145	282,145	282,145
Operating Expenses:					
Auto Expenses	2,311	2,369	2,416	2,465	2,514
Bank Fees	699	717	731	746	761
Chemicals	5,504	5,642	5,755	5,870	5,987
Computers	76	78	79	81	83
Conferences	824	844	861	878	896
Contract Labor	10,420	10,681	10,894	11,112	11,335
Depreciation	58,144	78,977	88,695	89,945	89,945
Dues & Subscriptions	1,571	1,610	1,642	1,675	1,709
Engineering	1,327	1,360	1,387	1,415	1,443
Insurance	14,570	14,934	15,233	15,538	15,849
Leak & Line Insurance	3,423	3,508	3,578	3,650	3,723
Membership Dues	357	366	373	381	388
Office Supplies	1,623	1,663	1,697	1,731	1,765
Wages	104,456	107,067	109,208	111,393	113,620
Postage & Delivery	1,400	1,435	1,464	1,493	1,523
Professional Fees	4,315	4,422	4,511	4,601	4,693
Program Fees	609	624	637	649	662
Purchased Sewer Service	29,594	30,334	30,941	31,560	32,191
Repairs & Maintenance	12,581	12,895	13,153	13,416	13,684
Supplies	6,803	6,973	7,112	7,255	7,400
Telephone	2,453	2,514	2,564	2,615	2,668
Travel	759	778	794	810	826
Utilities	12,099	12,402	12,650	12,903	13,161
Miscellaneous	1,271	1,303	1,329	1,356	1,383
Water Analysis	1,683	1,725	1,760	1,795	1,831
Total Operating Expenses	278,871	305,223	319,465	325,331	330,039
Operating Income (Loss)	3,274	(23,078)	(37,320)	(43,186)	(47,894)
Nonoperating Revenues (Expenses)					
Interest Income	108	108	108	108	108
Interest Expense	(5,711)	(5,339)	(4,951)	(4,550)	(4,310)
Total Nonoperating Revenues (Expenses)	(5,603)	(5,231)	(4,843)	(4,442)	(4,202)

Change in Net Position before Suggested Rate Increase	(2,329)	(28,309)	(42,163)	(47,628)	(52,096)
Revenue from Suggested Rate Increase	N/A	45,830	79,409	95,147	95,147
Change in Net Position	(2,329)	17,521	37,246	47,519	43,051

NOTE: Due to inflation factors, we estimated all expenses to increase by 2.5% for FY 2024, then 2% thereafter, with the exception of depreciation and interest expense. Depreciation expense was increased each year by new asset depreciation from the 5 year plan. Interest expense was taken from the amortization schedules.

OPERATING RATIO -FROM SCORECARD FORMULA	1.01	1.07	1.13	1.16	1.14
Operating Ratio: from Scorecard	Operating Revenue / Operating Expenses (including revenue from suggested rate increase)				

OPERATING RATIO - AS DEFINED ONLINE AND FROM OTHER FINANCIAL SOURCES	0.99	0.93	0.88	0.86	0.87
Operating Ratio:	Operating Expenses / Sales (including revenue from suggested rate increase) The lower operating ratio the better. The above means that .95 of every \$1.00 of sales goes to operating expenses, Generally, we want this number to be lower.				

Cold Springs Utility District - Projected Cash & Investment Statement

	Projected <u>8/31/2023</u>	Projected <u>8/31/2024</u>	Projected <u>8/31/2025</u>	Projected <u>8/31/2026</u>	Projected <u>8/31/2027</u>
Beginning Balance	162,571	209,095	246,029	284,179	402,260
Sources of Funds					
Charge for Services ***	266,991	312,821	346,400	362,138	362,138
Late Charges	4,600	4,600	4,600	4,600	4,600
New Tap Fees	2,050	2,050	2,050	2,050	2,050
Leak Insurance	8,147	8,147	8,147	8,147	8,147
Other Fees	357	357	357	357	357
Interest Income	108	108	108	108	108
Grants	-	199,600	310,960	40,000	-
Total Sources of Funds	282,253	527,683	672,622	417,400	377,400
Uses of Funds					
Operating Expenses	278,871	305,223	319,465	325,331	330,039
Depreciation	(58,144)	(78,977)	(88,695)	(89,945)	(89,945)
Interest Expense	5,711	5,339	4,951	4,550	4,310
Principle Paid on Debt	9,291	9,663	10,051	9,383	4,270
Purchase of Capital Assets	-	249,500	388,700	50,000	-
Total Uses of Funds	235,729	490,748	634,473	299,319	248,674
Ending Balance	209,095	246,029	284,179	402,260	530,986

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 increase

Debt Management Policy

Cold Springs Utility District of Mountain City, Tennessee

Adopted by the Board of Commissioners on Nov. 19, 2011

Effective Dec. 31, 2011

DEBT MANAGEMENT POLICY

Introduction

Debt management policies provide written guidance about the amount and type of debt issued by local governments, the issuance process, and the management of the debt portfolio. A debt management policy tailored to the needs of the Board of Commissioners (the “Governing Body”) of the Cold Springs Utility District of Mountain City, Tennessee (the “District”) 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 District. If applicable, adherence to a debt management policy may signal to rating agencies and the capital markets that a governmental entity is well-managed and should meet its obligations in a timely manner.

Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. An effective debt management policy provides guidelines for a government to manage its debt program in line with those resources.

This Debt Management Policy is intended to comply with the debt management policy requirements promulgated by the Tennessee State Funding Board in December 2010.

Objectives

The Governing Body is establishing a debt policy as a tool to ensure that financings undertaken by the Governing Body satisfy certain clear objective standards designed to protect the District's financial resources and to meet its long-term capital needs. The objectives of this policy are:

1. To document responsibility for the oversight and management of debt-related transactions;
2. To establish criteria and promote prudent financial management for the issuance of debt obligations and the evaluation of debt issuance options;
3. To identify legal and administrative limitations on the issuance of debt and ensure the legal use of the Governing Body’s debt issuance authority;
4. To define the types and appropriate use of debt approved for use within the constraints established by Tennessee law;
5. To provide guidance for evaluating refunding candidates or alternative debt structures;
6. Where applicable, to provide support for the maintenance of credit ratings;
7. To enhance risk management practices; and
8. To increase transparency, reduce conflicts, and promote cooperation in the debt management process.

Debt Management Strategies

To achieve the objectives above, the Governing Body adopts the following debt management strategies and procedures.

A. Funding Strategies

1. Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and laws of the State of Tennessee (the "State") (including Title 7, Chapter 82, Tennessee Code Annotated (the "Utility District Act") and various bond authorizations enacted by the General Assembly of the State), and pursuant to resolutions adopted by the Governing Body.

2. (For Water and Wastewater Utility Districts) Debt may only be used to finance or refinance the capital costs of improving the District's utility system (the "System") and such other costs related thereto as may be permitted by the Utility District Act (including without limitation issuance costs, capitalized interest and the funding of debt service reserves), all of which must be authorized by the Governing Body. Debt may not be issued to finance the District's operating costs.

2. (For Gas Utility Districts) Debt may only be used: (1) to finance or refinance the capital costs of improving the District's utility system (the "System") and such other costs related thereto as may be permitted by the Utility District Act (including without limitation issuance costs, capitalized interest and the funding of debt service reserves); and (2) to finance gas purchases, including storage costs and pipeline capacity costs, in anticipation of the collection of revenues as permitted by T.C.A. § 7-82-501(b). These uses must be authorized by the Governing Body. Debt may not be issued to finance the District's operating costs except for the purchase of gas as permitted by T.C.A. § 7-82-501(b).

3. Debt shall be secured by and payable from the revenues of the System, as prescribed by resolution of the Governing Body, and a corresponding statutory lien on the assets of the System.

B. Federal Tax Status

1. **Tax-Exempt Debt** — Based on the assumptions that tax-exempt interest rates are lower than taxable rates and that the interest savings outweigh the administrative costs, restrictions on use of financed projects, and investment constraints, the District will use its best efforts to maximize the amount debt sold under this policy as tax-exempt.

2. **Taxable Debt** — The District will sell taxable debt when necessary to finance projects with a private use or uncontrolled purpose. The Governing Body encourages the financing team to blend the financing of taxable projects with the financing of tax-exempt projects whenever possible.

C. Legal Limitations on the Use of Debt

1. No debt obligation shall be issued to fund the current operation of the District.
2. The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized by the Governing Body.
3. All debt shall be approved by resolution of the Governing Body.
4. Prior to the consideration of a resolution authorizing the issuance of debt, the General Manager and/or the President of the Governing Body shall prepare and submit a request for financing report from the State Comptroller's office, as required by the Utility District Act. If timely received, the General Manager and/or the President of the Governing Body shall cause the report to be published as required by the Utility District Act. No financing report is required by the Utility District Act in connection with a loan from a state or federal agency.

Types of Debt

Pursuant to the Utility District Act, the District is authorized from time to time to issue or incur the following types of debt, all of which is subject to the terms of the debt management policy.

A. Bonds

The District may issue bonds under the Utility District Act to finance capital projects or refinance outstanding debt.

B. Bond Anticipation Notes (BANs)

BANs are short term obligations authorized to be issued under the Utility District Act that will be repaid by proceeds of a subsequent bond issue.

C. Capital Leases

Capital leases are leases of equipment or other System property, where the leased property becomes the property of the District at the end of the lease term and the lease payments include a financing component.

D. Loans from State or Federal Agencies

The District may incur debt in the form of loans from State or federal agencies. Loans are evidenced by a loan agreement between the District and the lending agency.

E. Loans from Public Building Authorities

The District may enter into loan agreements with one or more public building authorities, pursuant to Sections 12-10-101 et seq., Tennessee Code Annotated, in lieu of issuing bonds or notes under the Utility District Act. The policies set forth herein for bonds issued under the Utility District Act shall be equally applicable to loan agreements entered into with a public building authority.

Debt Management Practices

A. Structure

The Governing Body shall establish by resolution all terms and conditions relating to the issuance of debt.

1. Term

Any debt (including refunding debt) shall have a weighted average maturity not greater than the weighted average expected lives of the assets financed by such debt. In addition, the final maturity of any debt should not be longer than the expected life of the longest lived asset financed thereby.

2. Capitalized Interest

From time to time certain financings may require the use of capitalized interest. Interest may be financed (capitalized) through a period permitted by federal law and the authorizing resolution of the Governing Body if it is determined that doing so is in the District's best interest.

3. Debt Service Structure

The District will seek to structure its aggregate debt with level or declining debt service payments over the life of its aggregate debt. In structuring

principal repayment for any debt issue, the Utility will seek to balance the goals of (a) amortizing principal as quickly as possible to minimize interest costs, and (b) maintaining consistent and manageable rates for its customers.

4. Call Provisions

The District will strive to issue all of its debt with a call feature no later than ten years from the date of delivery. In any event, call features should be structured to provide the maximum flexibility relative to cost. The District will avoid the sale of long-term non-callable bonds absent careful evaluation by the Governing Body with respect to the value of the call option.

5. Original Issuance Discount/Premium

Bonds sold with original issuance discount/premium are permitted with the approval of the Governing Body.

6. Debt Service Reserve Funds

If the Governing Body determines that it is necessary to fund a debt service reserve fund in connection with debt, it may agree to fund such a reserve. The size of any debt service reserve fund established in connection with the tax-exempt debt will be in compliance with applicable federal tax rules. The District will strive to fund debt service reserves with District funds, rather than with debt. However, the District may use the proceeds of debt to fund debt service reserves if the Governing Body concludes that the restriction of District funds would reduce unrestricted funds below manageable levels.

7. Fixed vs. Variable Interest Rates

Fixed rate debt bears interest at a rate or rates that remain constant throughout the life of the debt. Variable rate debt bears interest at a variable rate through the term thereof.

The District will issue all of its debt with fixed rates, except as follows:

- Bond anticipation notes may be issued with variable rates, given their short term nature.
- The District may issue or incur variable rate debt if provision as to the calculation or change of variable interest rates is included in the authorizing resolution and the Governing Body carefully

evaluates the risks related thereto. The District 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. The General Manager shall monitor the ongoing costs and risks of outstanding variable rate and make reports to the Governing Body no less than annually with respect thereto.

B. Refinancing Outstanding Debt

The Governing Body will consider the following issues when analyzing possible refunding opportunities:

1. Reasons for Refunding

Debt will be considered for refunding when:

- The refunding results in net present value savings to the District;
- The refunding of the debt is necessary due to a change in private/public use of a project that would cause a need to change the tax status of the debt; or
- The Governing Body expressly determines by resolution that the refunding of the bonds accomplishes debt service restructuring that is in the District's best interest.

2. Term of Refunding Issues

The Governing Body will refund bonds within the term of the originally issued debt, unless otherwise expressly approved by resolution of the Governing Body.

3. Escrow Structuring

The District shall take steps to utilize the least costly securities available in structuring refunding escrows; provided that the District may purchase U.S. Treasuries – State and Local Government Series if it is determined that the costs and risks attendant to the solicitation of open market securities outweigh any attendant benefits.

C. Methods of Sale

Pursuant to the Utility District Act, debt may be issued at competitive or negotiated sale.

1. **Competitive** — In a competitive sale, the District's bonds shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official notice of sale.
2. **Negotiated** — In a negotiated sale, the underwriter/lender/lessor will be chosen prior to the sale and the interest rate and the fees of the underwriter/lender/lessor are negotiated prior to the sale.

In the case of loans from State or Federal agencies, the District will negotiate directly with the agency making the loan. In all other cases, the Governing Body will determine the manner of sale, and will set forth the manner of sale in the resolution authorizing the debt.

D. Underwriter Selection (Negotiated Transaction)

The District, with assistance from its financial advisor (if the District has engaged a financial advisor), shall select the underwriter/lender/lessor for a proposed negotiated sale. The selection criteria will include the following factors and such other factors as the Governing Body may identify:

- Ability and experience in managing similar debt transactions;
- Prior knowledge and experience with the District;
- Capital adequacy;
- Quality and experience of personnel assigned to the District's engagement;
- Financing ideas presented; and
- Underwriter/lender/lessor fees.

E. Credit Quality

If the District maintains a credit rating, the District's debt management activities will be conducted to maintain the highest credit ratings possible, consistent with District's financing and rate maintenance objectives. The General Manager will be responsible for maintaining relationships and communicating with the rating agencies that assign ratings to the District's debt. Full disclosure of operations and open lines of communication shall be maintained with the rating agencies. The General Manager shall work with its financial advisor and/or underwriter (as applicable) to prepare and make presentations to the rating agencies to assist credit analysts in making an informed decision.

F. Credit Enhancements

The District will consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus the cost. Only when clearly demonstrable savings can be shown shall an enhancement be utilized. The District may consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancements: bond insurance, reserve fund surety bonds, letters of credit and liquidity facilities.

G. Use of Structured Products

No interest rate agreements or forward purchase agreements will be considered unless a policy defining the use of such products is approved before the transaction is considered.

H. Risk Assessment

The District will evaluate each transaction to assess the types and amounts of risk associated with that transaction, considering all available means to mitigate those risks. The District will evaluate all proposed transactions for consistency with the objectives and constraints defined in this Policy. The following risks should be assessed before issuing debt:

1. **Change in Public/Private Use** — The change in the public/private use of a project that is funded by tax-exempt funds could potentially cause a bond issue to become taxable.
2. **Default Risk** — The risk that debt service payments cannot be made by the due date.
3. **Liquidity Risk** — The risk of having to pay a higher rate to the liquidity provider in the event of a failed remarketing.
4. **Interest Rate Risk** — The risk that interest rates will rise, on a sustained basis, above levels that would have been set if the issued had been fixed.
5. **Rollover Risk** — The risk of the inability to obtain a suitable liquidity facility at an acceptable price to replace a facility upon termination or expiration of a contract period.
6. **Credit Risk** — The risk that an issuer of debt securities or a borrower may default on its obligations by failing to repay principal and interest in a timely manner.

J. Continuing Disclosure

To the extent that any of the District's debt issues are subject to U.S. Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), the Governing Body will provide certain financial information and operating data by specified dates, and will provide notice of certain enumerated events with respect to the bonds, all as described in Rule 15c2-12.

K. Transparency

The District shall comply with the Tennessee Open Meetings Act, providing adequate public notice of meetings and specifying on the agenda of a meeting when matters related to debt issuance will be considered. Additionally, in the interest of transparency, all costs (including interest, issuance, continuing, and one-time) shall be disclosed to the citizens in a timely manner. To comply with the requirements of the preceding sentence, an estimate of the costs described above will be presented to the Governing Body along with any resolution authorizing debt.

Within four weeks of closing on a debt transaction, the debt service schedule and the State Form CT-0253 shall be available at the office of the General Manager for inspection and review by members of the Governing Body and the District's customers.

L. Professional Services

The District requires all professionals engaged to assist in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by the District. This includes "soft" costs or compensations in lieu of direct payments.

1. **Counsel** — The District will enter into an engagement letter agreement with each lawyer or law firm representing the District in a debt transaction. No engagement letter is required for any lawyer who serves as counsel to the District regarding District matters generally.
2. **Bond Counsel** — Bond counsel for each debt transaction is contracted by the Governing Body and serves to assist the District in such debt issue.
3. **Financial Advisor** — If the District chooses to engage a financial advisor, the financial advisor for each debt transaction will be contracted by the Governing Body and will serve and assist the District on financial matters related to such debt transaction. The Governing Body shall approve the written agreement between the District and the financial advisor with respect to a debt transaction. The financial advisor shall not be permitted

to bid on or underwrite an issue for which it is or has been providing advisory services.

4. **Underwriter** – If there is an underwriter for a debt issue, the underwriter must clearly identify itself to the District in writing (e.g., in a response to a request for proposals or in promotional materials provided to the District) as an underwriter and not as a financial advisor from the earliest stages of its relationship with the District 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 must disclose that it has financial and other interests that differ from those of the District. 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 General Manager in advance of the pricing of the debt.

M. Potential Conflicts of Interest

Professionals involved in a debt transaction hired or compensated by the District shall be required to disclose 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, 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 District 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.

Debt Administration

A. Planning for Sale

1. In considering the adoption of any debt resolution, the Governing Body shall consider the purpose of the financing, the proposed structure of the financing, the proposed method of sale for the financing, members of the proposed financing team and an estimate of all the costs associated with the financing.
2. In the case of a proposed refunding, proposed use of credit enhancement, or proposed use of variable rate debt, the General Manager will present to the Governing Board the rationale for using the proposed debt structure, an estimate of the expected savings associated with the transaction (if

applicable) and a discussion of the potential risks associated with the proposed structure.

3. If required by Rule 15c2-12, the General Manager, the bond counsel, financial advisor (if applicable), along with other members of the financing team will prepare a Preliminary Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

B. Post Sale

1. The General Manager will maintain for review by members of the Governing Body and the public a debt service schedule and the CT-0253 Form related to the debt issue.
2. The General Manager will establish guidelines and procedures for tracking the flow of all bond proceeds, as defined by the Internal Revenue Code, over the life of bonds reporting to the IRS all arbitrage earnings associated with the financing and any tax liability that may be owed.
3. If required by Rule 15c2-12, the General Manager, the bond counsel, financial advisor (if applicable), along with other members of the financing team will prepare an Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

C. Arbitrage

Compliance with arbitrage requirements on invested tax-exempt bond funds will be maintained. Proceeds that are to be used to finance construction expenditures are exempted from the filing requirements, provided that the proceeds are spent in accordance with requirements established by the IRS. The District will comply with all of its tax certificates for tax-exempt financings by monitoring the arbitrage earning on bond proceeds on an interim basis and by rebating all positive arbitrage when due, pursuant to Internal Revenue Code Section 148. The District will also retain all records relating to debt transactions for as long as the debt is outstanding, plus three years after the final redemption date of the transaction.

D. Private Activity

Compliance with private activity requirements with respect to tax exempt debt-financed facilities will be maintained. The General Manager shall maintain a record of the allocation of debt proceeds to expenditures, and monitor the use of

tax exempt debt-financed facilities to ensure that no impermissible private use occurs.

E. Investment of Proceeds

Any proceeds or other funds available for investment by the District must be invested pursuant to applicable State law.

Review of the Policy

The debt policy guidelines outlined herein are only intended to provide general direction regarding the future use and execution of debt. The Governing Body maintains the right to modify these guidelines (except to the extent these guidelines are mandated by applicable state law or regulation) and may make exceptions to any of them at any time to the extent that the execution of such debt achieves the Governing Body's goals. Any exceptions to these policies shall be expressly acknowledged in the resolution authorizing the pertinent debt issue. In the event of a conflict between the terms of a debt resolution and this policy, the terms of the debt resolution shall control.

This policy will be periodically reviewed by the Governing Body, at which time, the General Manager will present any recommendations for any amendments, deletions, additions, improvement or clarification.

Adoption of the Policy

The Governing Body adopted this Policy on Nov. 19, 2011, effective Dec. 31, 2011.

LEAK PROTECTION POLICY

Leak Protection Program

The Utility 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 residential customers are included in the ServLine Program. A residential customer may elect to opt-out of the ServLine Program by contacting the Utility 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 Utility will not cover any high water charges in the customer's monthly water bill caused by a customer service line leak past the Utility'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 the Utility's non-residential customers.

Qualifications for Leak Protection

To qualify for leak coverage under the Utility'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 greater than the customer's monthly water usage for the prior twelve months. When the customer does not have twelve full months of prior water usage with the Utility 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 must occur in the customer's underground service line past the Utility's meter or 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 leak protection period which may incorporate a maximum of two monthly billing cycles.
- (4) The maximum amount which will be paid for each qualifying leak occurrence is \$2,500.
- (5) The customer must have repaired the leak causing the high water usage and must provide proof of the repair upon request such as a plumber's bill or a copy of an invoice for materials used to fix the leak.

(6) Leak coverage is not provided for high water usage caused by:

- (a) leaking faucets and toilets;
- (b) faucets, hoses, and other water outlets negligently left running;
- (c) premises left or abandoned without reasonable care for the plumbing system;
- (d) filling swimming pools or leaks in swimming pools;
- (e) irrigating lawns and gardens;
- (f) leaks from irrigation systems or irrigation lines, leaks in water features such as fountains, leaks on any water lines coming off the primary customer service line which provides domestic water service to the residence served, plumbing leaks in any structure other than the primary residence; or
- (g) failure to exercise reasonable care for the customer's plumbing.

(7) The customer must make a claim with ServLine for leak protection on a high water bill within 90 days of receiving the water bill with high water usage caused by a qualifying leak.

(8) The customer must comply with all other terms and conditions for leak coverage set forth in the Utility'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 \$2,500 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 the Utility 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.

Hardship Leak Adjustments

When a qualifying leak causes such high usage that the \$2,500 maximum paid by ServLine does not cover the full amount of the customer's high bill, the customer may request a hardship leak adjustment from the board of commissioners. If the hardship leak adjustment is granted, the customer will pay the District's cost of water production per 1,000 gallons for any gallons in excess of the gallons used to calculate the \$2,500 maximum paid by ServLine.

Leak Protection Fee

The Utility 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. The Utility will include the monthly premium for water line protection coverage provided by ServLine as a separate line item on the customer's bill. Water line protection coverage is not a service offered by the Utility but is optional insurance coverage available to the Utility's residential customers offered by ServLine. The terms and conditions for water line protection coverage are set forth in the insurance policy offered by ServLine.

NOTARY BONDS AND CONSTABLE BOND APPROVED:

Motion was made by Bill Adams, seconded by Edward Fletcher, that the following Notary Bonds be approved:

Principal:

Sureties:

Diane L. Jenkins	William J. Cockett & Harry J. Smith
Harry Kerley	David L. Nave and State Auto Insurance Company
Perriann Cress Stanley	Western Surety Company
Ronnie Stansberry	Joetta Stansberry & Berlie Stansberry
Bertie Morefield	Thomas R. Grayson & William B. Hawkins
Rhonda Denise Hames	Paul S. Gobble, Jr. & Jerry E. Hames
Teresa Jo Henson	Sue Hensley & Jack E. Reece
Sandy P. Anderson	Howard A. Stout & Larry P. Mullins

Upon roll call vote, all Commissioners present voted aye.

The Chairman declared the motion carried.

DISCUSS TURNING OVER THE ASSETS OF THE JOHNSON COUNTY UTILITY DISTRICT TO THE NEWLY FORMED COLD SPRINGS UTILITY DISTRICT:

A discussion ensued concerning the present properties of the said water rights. It was determined that the following people have purchased water rights: Ross Wilcox, J.R. Cress (2), Bill Farmer, Doug Icenhour, and Charlie Icenhour.

Motion was made by Michael E. May, seconded by Stedman Greever to relinquish the assets of the Johnson County Utility District to the Cold Springs Utility District, with the newly formed district paying any legal fees or debts that the system owes and also that these four parcels retain their purchased water rights.

Upon roll call vote, 19 Commissioners voted aye.

AUTHORIZE COUNTY ATTORNEY TO DRAFT A RESOLUTION OR AN
AMENDMENT TO A PRIVATE ACT CONCERNING COLD SPRINGS UTILITY:

Motion was made by Bobby R. Stout, seconded by Emily Millsaps to authorize the County Attorney to draft a resolution directed to representatives Ralph Cole and Ronnie Greer or an amendment to the Private act.

Upon roll call vote, all 19 Commissioners present voted aye.

The Chairman declared the motion carried.

LANDFILL RATE INCREASE OF 15%:

Motion was made by Henry Gambill, seconded by David Pennington to allow a 15% rate increase beginning January 1, 1991, proposed by the Budget Committee who will work out any necessary details.

Upon roll call vote, 18 Commissioners voted aye and 1 Commissioner voted nay.

The Chairman declared the motion carried.

COUNTY ATTORNEY AND COUNTY EXECUTIVE TO REQUEST A FEASIBILITY STUDY BY THE STATE OF TENNESSEE AND DEPARTMENT OF TRANSPORTATION:

Motion was made by Bobby R. Stout, seconded by Henry Gambill to allow the County Attorney and the County Executive to request a feasibility study by the State of Tennessee and the Department of Transportation concerning a connector route for Johnson County.

Upon roll call vote, all Commissioners present voted aye.

The Chairman declared the motion carried.

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aye.

The Chairman declared the motion carried.

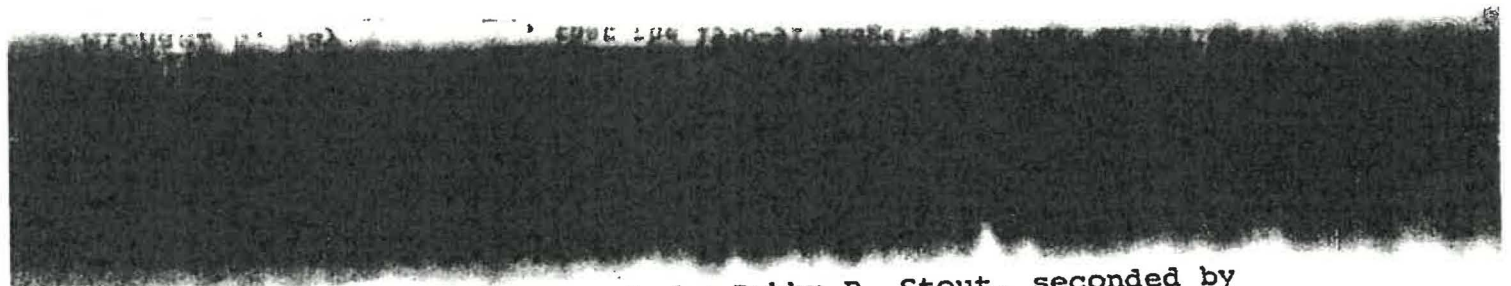
DISCUSS TURNING OVER THE ASSETS OF THE JOHNSON COUNTY
UTILITY DISTRICT TO THE NEWLY FORMED COLD SPRINGS UTILITY
DISTRICT:

A discussion ensued concerning the present properties of the said water rights. It was determined that the following people have purchased water rights: Ross Wilcox, J.R. Cress (2), Bill Farmer, Doug Icenhour, and Charlie Icenhour.

Motion was made by Michael E. May, seconded by Stedman Greever to relinquish the assets of the Johnson County Utility District to the Cold Springs Utility District, with the newly formed district paying any legal fees or debts that the system owes and also that these four parcels retain their purchased water rights.

Upon roll call vote, 19 Commissioners voted aye.

The Chairman declared the motion carried.



Motion was made by Bobby R. Stout, seconded by Emily Millsaps to authorize the County Attorney to draft a resolution directed to representatives Ralph Cole and Ronnie Greer or an amendment to the Private act.

Upon roll call vote, all 19 Commissioners present voted aye.

The Chairman declared the motion carried.



Jason E. Mumpower
Comptroller

Entity Referred: **Leoma Utility District**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water**

Staff Summary:

The Leoma Utility District ("the Entity") has been under Utility Management Review Board ("the Board") supervision for financial distress since the 2021 fiscal year audit. The Entity returned its financial distress questionnaire to Board staff. Board staff has identified the following weaknesses or findings:

1. The Entity has not been completed a rate study in five years. Rates were raised within the last 6 months.
2. The Entity believes they will be able to alleviate the current financial stress by removing the leak adjustment policy, removing an employment position, and increasing tap fees. Board staff does not have the information to judge whether this plan is viable. A rate study should be conducted to ensure the viability of the Entity's plan to remedy its financial distress, and to determine fair and reasonable rates to customers.
3. The Entity did not include an approved current rate ordinance or resolution, as is requested in the financial distress questionnaire. .

Staff Recommendation:

The Board should order the following:

1. The Entity 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. a review of the debt management 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;
 - d. a review of relevant utility fees including but not limited to connection or tap fees, including any recommended modifications;
 - e. verification that all governing body members of the utility are in compliance with all relevant training requirements;
 - f. a review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist;
2. By June 30, 2023, the Entity shall send Board staff a copy of the contract between the Entity and the qualified expert who is to perform the tasks in paragraph 1.
3. By September 30, 2023, the Entity 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 Entity.

Leoma Utility District

	Category: Water		County: Lawrence	
	2018	2019	2020	2021
Net Assets	\$2,745,272.00	\$2,785,364.00	\$2,744,947.00	\$2,723,001.00
Deferred Outflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Net Liabilities	\$208,545.00	\$195,117.00	\$194,130.00	\$182,127.00
Deferred Inflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Total Net Position	\$2,536,727.00	\$2,590,247.00	\$2,550,817.00	\$2,540,874.00
Operating Revenues	\$449,487.00	\$476,420.00	\$475,546.00	\$515,459.00
Net Sales	\$437,087.00	\$456,348.00	\$449,406.00	\$483,276.00
Operating Expenses	\$439,261.00	\$425,138.00	\$512,832.00	\$512,641.00
Depreciation Expenses	\$90,757.00	\$90,797.00	\$92,925.00	\$92,957.00
Non Operating Revenues	-\$10,156.00	\$2,238.00	-\$2,144.00	-\$12,761.00
Capital Contributions	\$0.00	\$0.00	\$0.00	\$0.00
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	\$70.00	\$53,520.00	-\$39,430.00	-\$9,943.00
Statutory Change In Net Position	\$70.00	\$53,520.00	-\$39,430.00	-\$9,943.00



Jason E. Mumpower
Comptroller

Entity Referred: **Quebeck-Walling Utility District**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water**

Staff Summary: The Quebeck-Walling Utility District ("the Entity") has under Utility Management Review Board ("the Board") oversight for financial distress since its fiscal year 2021 audit.

The Entity has returned its financial distress questionnaire to Board staff. Board staff has identified the following weaknesses or findings:

1. The Entity's plan to remedy its financial distress is premised on an increase in future revenues and leak finding equipment to help reduce unaccounted for water. Board staff does not deny the viability of future revenues but a rate study should be conducted to ensure the viability of the Entity's plan to remedy its financial distress, and to determine fair and reasonable rates to customers.
2. The Entity has no debt management policy, capitalization policy, or an asset management plan.
3. There was no current rate ordinance or resolution included with the financial distress questionnaire.

Staff Recommendation:

The Board should order the following:

1. The Entity 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. a review of the debt management 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;
 - d. a review of relevant utility fees including but not limited to connection or tap fees, including any recommended modifications;
 - e. verification that all governing body members of the utility are in compliance with all relevant training requirements; and
 - f. a review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist.
2. By June 30, 2023, the Entity shall send Board staff a copy of the contract between the Entity and the qualified expert who is to perform the tasks in paragraph 1.
3. By September 30, 2023, the Entity 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 Entity.

Quebeck-Walling Utility District

	Category: Water		County: White	
	2018	2019	2020	2021
Net Assets	\$3,929,807.54	\$4,103,927.97	\$4,338,760.43	\$4,247,292.15
Deferred Outflow Resources	\$29,530.99	\$25,038.33	\$21,292.62	\$59,764.72
Net Liabilities	\$1,101,857.53	\$1,236,956.53	\$1,103,327.30	\$1,026,041.19
Deferred Inflow Resources	\$14,353.00	\$11,504.00	\$75,784.00	\$88,363.00
Total Net Position	\$2,843,128.00	\$2,880,505.77	\$3,180,941.75	\$3,192,652.68
Operating Revenues	\$831,811.94	\$889,399.42	\$982,951.52	\$1,005,979.52
Net Sales	\$792,496.68	\$846,952.30	\$930,736.75	\$955,877.21
Operating Expenses	\$810,551.29	\$864,955.91	\$974,850.91	\$998,996.36
Depreciation Expenses	\$100,681.61	\$123,145.12	\$136,836.29	\$137,886.12
Non Operating Revenues	-\$17,691.41	-\$2,573.74	-\$10,058.93	-\$14,252.58
Capital Contributions	\$585.00	\$15,508.00	\$302,394.30	\$18,980.35
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	\$4,154.24	\$37,377.77	\$300,435.98	\$11,710.93
Statutory Change In Net Position	\$3,569.24	\$21,869.77	-\$1,958.32	-\$7,269.42



Jason E. Mumpower
Comptroller

Entity Referred: **South Fork Utility District**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water**

Staff Summary:

The South Fork Utility District (“the Entity”) is a Utility District created by a merger between the Holston Utility District and the South Bristol- Weaver Pike Utility District. On April 7, 2022, the Comptroller’s Office Division of Investigations released an investigative report relative to SFUD. Since the last Utility Management Review Board (“Board”) meeting, the Entity has hired Mr. Adam Hale to serve as general manager of the Entity.

Board staff is pleased with the Entity's decision to hire Mr. Hale. Mr. Hale has since made numerous improvements to the utility that should help provide better service to its roughly 3,400 customers.

Board staff still believes the Entity should pursue a merger with another utility system, but third-party studies as to the feasibility of such a merger have not been completed. Board staff do not have a final recommendation..

One or more of the Entity's representatives have requested to address the Board at the April 20, 2023 meeting.



Jason E. Mumpower
Comptroller

Entity Referred: **Cumberland Utility District of Roane and Morgan Counties**

Referral Reason: **Investigation**

Utility Type Referred: **Water**

Staff Summary:

The Cumberland Utility District of Roane and Morgan Counties("the Entity") is a water utility district that provides water service to about 4,500 customers. On March 21, 2023, the Entity received a notice of violation from the Tennessee Department of Environment and Conservation for receiving a violation point total of 22 during its sanitary survey. This sanitary survey also provided an unsatisfactory grade of 89% to the Entity. There were numerous deductions which can be found in the accompanying copies of the notice of violation and sanitary survey.

The Entity published a notice in the Roane County newspaper on February 22, 2023 stating "A vacancy exists on Cumberland Utility District's Board of Commissioners due to the resignation of a member of the Board. The Board plans to certify a list of three nominees to the County Executives to fill this vacancy at its regular meeting on Thursday, April 13, 2023. A customer may submit a name for consideration by the Board for the list of names. To be considered, the name must be mailed to the District's General Manager no later than two weeks before the Board meeting. At its meeting on or around March 9, 2023, the Entity's Board brought forth a list of three nominees to send to the County Executive despite advertising this matter would be addressed at the April 13 meeting.

There have been allegations of closed-door meetings between the commissioners. A customer alleges that on the March 9, 2023 meeting which started at 4:00 PM, the commissioners were holding a private, closed-door meeting to discuss the bids that were received for jobs to be completed by contractors for the district. During the meeting, the commissioners announced the winners of each bid without providing open discussion on each bid that was submitted for each job. The Entity had a finding in 2020 for failing to receive competitive bids. In 2021, the finding is stated to have been resolved. However, should this allegation be true, Board staff has concerns that the utility is not acting in good faith in its bidding process. The Entity also provided redacted minutes in a public records request. Included in this packet is a copy of minutes from the Entity's June 9, 2022 Board meeting that shows a redaction of pay information that were originally included in the minutes.

Board staff has concerns about the Entity's actions and the transparency in which they operate. Board staff finds an investigation be necessary to ensure the managerial, financial, and technical capacities of the utility.

Staff Recommendation:

The Board should order the following:

1. Board staff will investigate the financial, technical, and managerial competency of the District, with an emphasis on the fairness and reasonableness of the District's rate structure, the District's level of debt, and the District's knowledge of and ability to comply with the Tennessee Public Records Act and the Tennessee Open Meetings Act.

2. Board staff shall, with the full authority of the Board, issue subpoenas for the Entity's manager, governing body, or any other necessary staff, to appear in-person before the Board at its following Board meeting if the Entity does not comply fully with the Board's investigation.
3. Board staff shall update the Board as to the status of this investigation at the next regularly-scheduled Board meeting.

Cumberland Utility District of Roane and Morgan Counties

	Category: Water		County: Roane	
	2019	2020	2021	2022
Net Assets	\$14,523,432.00	\$14,349,931.00	\$14,510,556.00	\$14,169,253.00
Deferred Outflow Resources	\$558,638.00	\$491,832.00	\$544,589.00	\$920,008.00
Net Liabilities	\$5,564,385.00	\$4,984,714.00	\$4,558,708.00	\$3,635,751.00
Deferred Inflow Resources	\$103,023.00	\$144,381.00	\$97,185.00	\$810,718.00
Total Net Position	\$9,414,662.00	\$9,712,668.00	\$10,399,252.00	\$10,642,792.00
Operating Revenues	\$2,948,040.00	\$3,289,738.00	\$3,267,709.00	\$3,503,539.00
Net Sales	\$2,788,579.00	\$3,112,350.00	\$3,072,623.00	\$3,263,203.00
Operating Expenses	\$2,713,516.00	\$3,059,698.00	\$3,198,249.00	\$3,294,240.00
Depreciation Expenses	\$538,282.00	\$572,620.00	\$644,934.00	\$662,560.00
Non Operating Revenues	\$22,722.00	\$41,624.00	\$592.00	\$28,241.00
Capital Contributions	\$0.00	\$26,342.00	\$616,532.00	\$6,000.00
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	\$257,246.00	\$298,006.00	\$686,584.00	\$243,540.00
Statutory Change In Net Position	\$257,246.00	\$271,664.00	\$70,052.00	\$237,540.00



STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Knoxville Environmental Field Office
 3711 MIDDLEBROOK PIKE
 Knoxville, TN 37921
 Phone 865-594-6035 Statewide 1-888-891-8332 Fax 865-594-6105

March 21, 2023

Cumberland Utility District
 Mr. Keith Adcock, Chairman
 P.O. Box 90
 Harriman, Tennessee 37748

Certified Mail: 9489 0090 0027 6129 2629 36

RE: **Sanitary Survey of Community Water System & Notice of Violation**
 Cumberland Utility District
 PWSID #0000531
 Roane County

Dear Mr. Adcock:

On February 13 - 15, 2015, Erich Webber and Jenna Williams from the Division of Water Resources (DWR) visited the Cumberland Utility District and performed a Sanitary Survey. The survey consisted of a records review to document the operational performance of the system and an on-site inspection of the water treatment and distribution system. The survey covered the time period from August 2020 to February 2023. The Division would like to thank Mr. Jordan Young, Mr. Allen Morgan, Ms. Laurie Vincent and Mr. Tyler Patrick for their courtesy, willingness to work with the Division, and timely responses to Division requests. In accordance with the Sanitary Survey Manual the Cumberland Utility District earned 536 points out of a possible 599 points for a numerical score of eighty-nine percent (**89%**). This rating places the Cumberland Utility District in the State's "**Unsatisfactory**" category.

The Division of Water Resources utilizes EPA's Enforcement Tracking Tool (ETT) in tracking violations. Violation types are assigned a point value and if a public water system reaches a point total of 11, the Division must pursue enforcement action against the public water system. Based on the current ETT listing, Cumberland Utility District has an ETT score of 22. As mentioned during the on-site inspection, the Division is currently developing an enforcement order due to the ETT score and deficiencies noted during the on-site inspection. This letter also serves as a **Notice of Violation** for those deficiencies and other deficiencies noted during the survey. These violations will be addressed in the appropriate sections later in the survey letter. The following deficiencies, comments, and/or recommendations as outlined in the Sanitary Survey Rating Form were identified during the survey and should be addressed as applicable:

1. Section 1: System Management and Operation

• **Subsection A. Record Keeping**

Toward the end of the survey period, there was a change in management that resulted in some record groups not being available at the time of the survey. Most of the record groups were available for review. Among the records that need to be maintained were five years of turbidity trend records.

Mr. Keith Adcock
 March 21, 2023
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Under Division Rule 0400-45-01-.17(38) water systems not complying or potentially not complying with drinking water requirements shall prepare a Capacity Development Plan and show viability. Based on the deficiencies noted during the survey and the ETT score, Cumberland Utility District will be required to develop and submit a Capacity Development Plan that includes a provision for an asset management plan by **June 23, 2023**. Guidance on developing a Capacity Development Plan is attached.

- **Subsection B. Construction Projects**

TCA 68-221-706 states in part “*No new construction shall be done nor shall any change be made in any public water system until the plans for such new construction or change have been submitted and approved by the department.*”

During the survey period, Division staff could not locate any approvals related to two water system projects. A filter rehab project was conducted during the survey period on Filter #7 that included a complete replacement of the filter media without plans and specifications being submitted. This project was mentioned in the last survey and Division staff reminded the water system to check with the Division’s Engineering Unit before proceeding. In addition, the water system installed 780 feet of two-inch pipe along Stubbs Road in September 2022 without submitting plans and specifications to the Division. Both projects constituted changes to the public water system and will require as-built plans to be submitted within thirty days. This is also considered a significant deficiency and resulted in a **Notice of Violation**. Please submit the as-built plans to our Engineering Services Unit via My TDEC Forms no later than **April 21, 2023**.

- **Subsection C. Submission of Monthly Operations Reports**

Overall, Cumberland Utility District has been doing well in submitting the monthly operating reports (MOR) in a timely manner. The Division would ask that the water system address two issues for future submittals. The first is to complete column 53, “Filter Data”. This allows the Division to determine the whether the design capacity or filter rate for the plant is nearing capacity or being exceeded. The second item is to report manganese to three decimal places on the MOR. Currently, the manganese levels are being reported only to two decimals which makes it difficult for Division staff to adequately determine adherence to the secondary standard.

- **Subsection E. Public Notification**

Cumberland Utility District incurred several monitoring violations, public notice provisions, and one Maximum Contaminant Level violation during the survey period. The table below identifies violations that required a public notice and whether the notice has been provided at this time:

Violation	Letter Date	Public notice
Lead & Copper Monitoring violation	January 11, 2023	Tier III public notice needed for failing to monitor 60 sites July 1, 2022 – Dec. 31, 2022
CCR Certification– late/no certification	2021 CCR due July 1, 2022	Tier III public notice needed for reporting related violations
Stage 2 DBP MCL	February 1, 2023	Tier II public notice provided 2/6/23
Lead & Copper – Public Notice	February 13, 2023	Tier III notice needed for reporting related violations
Lead & Copper Monitoring violation		Tier III public notice needed for failing to monitor 60 sites Jan.1, 2022 – June 30, 2022

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CCR - Late	July 29, 2022	Tier III public notice needed for reporting related violations
Nitrate monitoring violation, 1 st Qtr 2022	May 17, 2022	Tier III public notice needed for monitoring violation

The water system failed to provide public notice in the allotted time for other violations as well, such as the free chlorine residual monitoring violation included in the previous sanitary survey letter and the initial public notices listed above.

- **Subsection H. Emergency Operations Plan**

Due to the change in management, the Division will request that the water system review and revise their Emergency Operations Plan (EOP) and submit a copy to the Division for approval. An EOP dated 2021 was available during the on-site inspection. You may also want to review and update the drought management plan to keep it on the same review schedule as the EOP. Please submit an updated EOP to the Division as a part of the Capacity Development Plan due by **June 23, 2023**.

2. **Section 3: Source**

- **Subsection D. Source Protection Plan**

Following the last sanitary survey, Cumberland Utility District submitted a source water protection plan that included only the main water treatment plant and not the Brushy Mountain water treatment plant. A copy of the source protection plan for Brushy Mountain must be submitted by **April 28, 2023**.

3. **Section 4: Treatment**

- **Subsection E. Sedimentation**

During a plant walk through, Division staff noted that the tube settlers were covered with floc even though the water system is cleaning the basins every quarter. The issue of coated over tube settlers was mentioned in the last survey but cleaning the tube settlers at that time was a concern due to the age of the tube settlers. The Division recommends that the water system increase the cleaning schedule for the tube settlers as the increased volume of floc on top could be a factor in disinfection by-product (DBP) issues. Since the last survey, the water system has replaced the tube settlers with a sturdier version.

- **Subsection Filtration / Alternate Technology**

The Division will request that the water system provide more information on the filters at the Emory River water treatment plant (WTP) or conduct a filter profile to see that adequate media is present. Water system personnel were not aware of the last time the media was changed out on the conventional filters and Division staff noted that there appeared to be some gravel present on top of the anthracite layer for the filters as well. Other concerns about the filters include not being able to determine individual flow on the Trident systems, but rather using the overall master meter and visual inspection for flow determinations. Filters #5 and #6 having less flow due to missing beads and media and the loss of head gauge on Brushy Mountain WTP's Filter #2 not being operational. The Division was made aware that filters #5 and #6 were on a capital improvements list, but the water system may need to add other filters as well to maintain water quality over the long term. The Division was also aware that plant personnel were in the process of trying to repair the loss of head gauge on Filter #2. Information about the conventional filters at the main water treatment plant or dates that a filter profile is to be conducted are requested by **April 28, 2023**.

- **Subsection H. Turbidimeters**

In the last survey, Division staff noted that the water system was not conducting verifications of the turbidimeters as required. The same deficiency was noted for this survey period as well. A **Notice of**

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Violation has been incurred because of the redundant deficiency for not meeting Division Rule 0400-45-01-.17(41). All bench-top turbidimeters must be verified daily along with the inline combined filter effluent turbidimeter. All individual filter turbidimeters must be verified weekly, which is defined as every seven days.

Division staff noted and confirmed by sampling that the flow on some of the in-line turbidimeters was outside of the recommended range of 250 mL/min to 750 mL/min. Please ensure that the turbidimeters are adjusted to the manufacturer's recommended range to obtain the most accurate data.

- **Subsection I. Disinfection / Calibration**

Similar issues exist with the continuous chlorine analyzer verifications as well. Division Rule 0400-45-01-.14(10)(i) requires that continuous chlorine analyzers be verified every five days with a grab sample and in accordance with EPA Method 334.0. This is a redundant deficiency noted from the last survey and is considered a **Notice of Violation**.

While conducting the plant walk through of the Brushy Mountain water treatment plant, Division staff observed only one solution tank and one solution pump that was set-up for feeding chlorine disinfection. A second solution tank and pump were available, but they were being used to transfer chlorine bleach to the other solution tank and not for disinfection purposes. Duplicate disinfection as required by Division Rule 0400-45-01-.17(11) must always be utilized when the water treatment plant is in operation. This same issue was noted in the last survey and therefore has resulted in a **Notice of Violation** due to the redundant nature of this deficiency.

- **Subsection L. Maintenance of Equipment, Buildings & Grounds**

Maintenance is needed at both water treatment plants based on the Division's plant walk through. Both pipe galleries will need attention due to rust forming on the pipes, with the Emory River WTP in more need of attention. A mixer motor at the Emory River WTP needs to be tightened and the caustic feed line needs to be better identified.

- **Subsection O. Sludge Handling / Backwash Handling**

As a part of the sanitary survey, Division staff conducted a Compliance Evaluation Inspection (CEI) of the water treatment plant's National Pollution Discharge Elimination System (NPDES) permit. Cumberland Utility District maintains two NPDES permits for filter backwash discharge. Based on these permit, Cumberland Utility District is allowed to discharge treated backwash and sedimentation basin wash water into Watts Bar Reservoir under NPDES permit # TN0004863 and into an unnamed tributary to Crooked Fork under NPDES permit # TN0068632. Separate correspondence for these CEIs will be issued separately from the survey letter.

4. **Section 5: Monitoring, Data Verification, & Compliance**

- **Subsection A. Laboratory – Process Monitoring**

As a part of each Sanitary Survey, Division staff check laboratory procedures utilized by water system personnel in conducting their daily analysis required by the prescribed Drinking Water Monitoring Program. Division staff observed, Mr. Tyler Patrick, with Cumberland Utility District, obtain the following results on the finished water for the main WTP:

Parameter	Result	Notes / Comments
Turbidity	0.128 NTU	HACH TL2300
Free Chlorine	2.00 mg/L	HACH DR 3900, Prog. 87, Mid-Range 0.05 – 4.0 mg/L
Alkalinity	36 mg/L	Titration to pH 4.5 Method
pH	7.7 & 7.4	HACH SL 1000

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Hardness	42 mg/L	Digital Titration Method
Iron	0.06 mg/L	HACH DR 3900, Prog. 267, follows Method 8008
Manganese	0.011 mg/L	HACH DR 3900, Prog. 290, follows Method 8149
Fluoride	0.77 mg/L	HACH DR 3900, Prog. 195, follows Method 8029
Orthophosphate	0.81 mg/L	HACH DR 3900, Prog. 490, follows Method 8048

Division staff noted that Cumberland Utility District maintained their lab testing equipment and had written laboratory procedures available. In accordance with Rule 0400-45-01-.14(1)(a), State approval for the analysis of turbidity, free chlorine residual, temperature, pH, alkalinity, phosphate, fluoride, iron, and manganese is hereby granted to Cumberland Utility District. This approval is effective until the next sanitary survey and is contingent upon use of approved methodologies and proper operation of the analysis equipment. Samples were not analyzed at the Brushy Mountain WTP as it was not in operation at the time of the survey.

During the survey period, Division staff noted that on several occasions throughout the survey period, daily monitoring as prescribed by the Drinking Water Monitoring Program was not met. Specifically, the five days per week samples collected in the distribution system for free chlorine, fluoride, and orthophosphate was not being monitored and reported. According to water system personnel, bacteriological samples were being collected once per day over a fifteen-day period and an additional 15 daily distribution samples were collected from the Brushy Mountain WTP service area. Daily distribution sampling for free chlorine, fluoride, and orthophosphate will need to be sampled at low use or dead-end lines, disinfection by-product sample sites, tanks during periods of draining, and at master meters with consecutive systems. An updated DWMP in accordance with Rule 0400-45-01-.17(3) and that covers both water treatment plants is enclosed. Please ensure that water system staff are aware of the updated monitoring requirements.

- **Subsection B. Bacteriological Compliance**

As a part of each Sanitary Survey, Division staff request a total connection count consisting of active, inactive, and multi-user connections in accordance with Division Rule 0400-45-01-.32. Cumberland Utility District provided 4,509 as their total connections. When multiplied by the Roane County household factor of 2.43, the estimated population served is 10,957, which is a drop from the last survey period. Based on the estimated population, Cumberland Utility District will decrease the number of bacteriological samples to ten (10) bacteriological samples each month starting in April 2023. A revised bacteriological site sampling plan will need to be submitted as part of the Capacity Development Plan due **June 23, 2023**.

Cumberland Utility District maintains a State certified microbiological laboratory for monthly total coliform compliance monitoring. At this time, the microbiology lab is rated as "Provisionally Approved" through June 2023 when a follow-up inspection is scheduled to take place.

- **Subsection F. Chlorine Residual Monitoring**

During the plant walk through of the Brushy Mountain WTP, Division staff noted that continuous free chlorine residual monitoring equipment was not available. Sampling for free chlorine residual was being conducted by grab sampling for at least the month of February 2023. This has resulted in a monitoring violation in accordance with Division Rule 0400-45-01-.31(5)(c)(2) which requires that the residual disinfectant concentration entering the distribution system be continuously monitored. This **Notice of Violation** will require that a Tier III public notice be provided within one year of the violation occurring. Since the on-site inspection, Cumberland Utility District installed a continuous chlorine analyzer as of February 27, 2023 and has started continuous monitoring of the finished water.

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- **Subsection G. Primary Chemicals Monitoring**

Cumberland Utility District was required to monitor nitrate during the first quarter of 2022 for the Emory River WTP. Sampling for nitrate did not occur until the second quarter of 2022 and as a result, the water system incurred a monitoring violation. This violation was documented in correspondence dated May 17, 2022. Public notice for this violation has not been issued to date and will need to be provided by May 2023.

- **Subsection I. Lead & Copper Monitoring**

In 2021, Cumberland Utility District was required to sample 30 sites for Lead & Copper between June and September. This monitoring was not conducted and reset their compliance Lead & Copper sampling back to two consecutive, six month periods in which they were required to sample 60 locations during each period. This monitoring was not completed as required, although the water system did sample at 30 sites in December 2022. Three monitoring violations have resulted to date due to the lack of monitoring for Lead & Copper. Tier III public notices are required for these violations.

- **Subsection L. Disinfection / Disinfection By-Products & Precursors Compliance**

Cumberland Utility District incurred a Maximum Contaminant Level (MCL) violation for Trihalomethanes at their Knox Highway sample location for the period ending the 4th quarter 2022. This MCL violation was documented in correspondence dated February 1, 2023, and Cumberland Utility District provided public notice by February 6, 2023.

While reviewing the monthly operation reports, Division staff noted that there were several instances of the finished water free chlorine residual being unusually high. There were several months where the free chlorine residual out in the distribution system was reported at 3.5 mg/L or higher. Some MORs had the lowest chlorine residual leaving the plant at 3.5 mg/L. The high free chlorine residual could be a contributing factor in the high levels of DBP being experienced lately.

Another issue that may contribute to high DBP levels is storage capacity for the water system. When comparing the average daily pumpage over the last 12 months with the amount of storage capacity maintained by Cumberland Utility District, Division staff noted that only 35% of the total storage capacity is needed currently. This excess storage capacity may be a factor in the DBP formation. Water system personnel did mention that they are trying to balance their storage tank levels while not adversely affecting water pressure out in the distribution system. Please continue this effort and review whether some tanks can be taken out of service until additional capacity is needed.

5. Section 6: Finished Water Storage

- **Subsection B. Inspection & Maintenance of Reservoirs, Tanks, & Clearwell**

Cumberland Utility District maintains over ten water storage and clearwell tanks. As with the water treatment plants, maintenance is needed on some of the water storage tanks. Division staff noted a significant deficiency with the clearwell at the Brushy Mountain WTP as an sizeable opening had rusted through the vent pipe on the manway access hatch. Once brought to the water system's attention, a new hatch and vent were constructed and installed on March 2, 2023. For the same clearwell, the tank inspection report conducted in 2018 indicated that a significant chunk of ceiling had fallen. The Brushy Mountain WTP clearwell is due for inspection this year and this issue should be reviewed to see if rehabbing of the clearwell is needed.

Other issues include significant mildew at several tanks and several overflow pipes needing 24 mesh screens to be installed in place of the existing larger mesh currently in place. The level indicator at the Brushy Mountain Tank B is broken and needs to be repaired. The latest inspection reports denoted

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some tanks needing attention such as the Mossy Grove water storage tank, which the water system is planning on addressing soon. The Coalfield water storage tank had a mention of an inch to an inch and a half of sediment build-up that was partially related to manganese. The Coalfield water storage tank should be cleaned to remove the sediment and potential for manganese causing discolored water issues if the sediment is stirred up. Also on the Coalfield tank, the SCADA line was leaking water and may need to be addressed. Vandalism was prominent at both the Coalfield and Petros tanks. Although it may be difficult to stop the vandalism due to the rural location of the tanks, the water system may need to investigate what measures can be taken to discourage individuals from accessing these sites.

6. Section 8: Distribution System & Cross Connection Controls

- **Subsection A. Notification, Inspection, Disinfection, & Sample Collection of New or Existing Facilities**

Issues continue to exist for line repairs and new service taps which has resulted in redundant deficiencies and a **Notice of Violation**. For line repairs, water system staff are marking that disinfection is being conducted on the de-watered line repairs but are not consistently identifying what manner of disinfection was being conducted. In addition, bacteriological samples are not being collected immediately after a repaired main is placed back into service. Division staff noted numerous repairs where samples were collected hours and sometimes the following day. This is a violation of Division Rule 0400-45-01-.17(8) which requires sanitary practices to be documented and sampling following a line repair to be conducted immediately after the repair is completed.

For new services taps, Division staff once again noted that Division Rule 0400-45-01-.17(32) is not being met. Division staff noted that there were numerous new service taps without a free chlorine residual reported. All new service taps that are uncovered to make the tap must have a free chlorine residual collected. This is a safety measure to ensure that the pipe being tapped is for drinking water purposes.

Issues with new line construction are also an issue on this survey as well. A review of the completed new water main projects did not show disinfection was conducted and the number of bacteriological samples were not adequate based on the length of line installed. For all new water main projects, a set of samples must be collected forty-eight hours after the highly chlorinated water is flushed out or two sets of samples collected twenty-four hours apart after removing the highly chlorinated water. A set of samples is defined in rule as one near the beginning of the new main, one near the end(s) and every 2,500 feet, if applicable.

- **Subsection G. Working Cross Connection Program**

Following the last survey, a recommendation was made by the Division to update Cumberland Utility District's cross connection control policy and plan since it has not been updated since 1987. After reviewing the activity for the cross connection program, the Division will now require that the water system review and update their program plan. This updated policy and plan will need to be submitted with the Capacity Development Plan due **June 23, 2023**.

During the on-site records review, the water system could not produce any testing information for 2022 or provide any evidence of on-going activity to locate potential new cross connections in the service area. The Division will also request that a master list of all known back-flow prevention assemblies be created, and a copy of the list submitted by **May 29, 2023**. All known back-flow prevention assemblies outside of irrigation devices must be tested no later than **July 31, 2023**.

General Observations, Comments, and Other Recommendations

Mr. Keith Adcock
March 21, 2023
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The deficiencies noted in this sanitary survey may seem overwhelming and the survey score is not what the water system has earned on past surveys. However, several deficiencies noted were related to missed monitoring and easily corrected redundant deficiencies. Division staff is encouraged by water system personnel's effort and response prior to and during the survey to actions needing to be taken following a change in management. Please continue to support water system personnel in making the necessary changes to improve the water system and water quality. Due to the unsatisfactory rating earned for this survey period, Cumberland Utility District will be due for their next sanitary survey within one year.

Again, I would like to thank Cumberland Utility District personnel for their assistance and courtesy. The Division does request that the water system respond within 45 days to acknowledge receipt of the survey letter and to address the deficiencies noted above. If you have any questions or need additional information, please contact Erich Webber (865) 364-9502, Erich.Webber@tn.gov or Mr. Robert Ramsey at (865) 203-3523 at the Knoxville Environmental Field Office.

Sincerely,



Michael Atchley, Field Office Operations Manager
Knoxville Environmental Field Office
Division of Water Resources

cc: Mr. Jordan Young, Interim General Manager, Cumberland Utility District (via email)
Mr. Allen Morgan, Certified Operator in Direct Charge, Cumberland UD (via email)
Ms. Jessica Murphy, Compliance & Enforcement Manager, DWR (via email)

DRINKING WATER MONITORING PROGRAM
Cumberland Utility District
Water Treatment Grade III, Distribution Grade I
PWSID# TN0000531, Roane & Morgan County
April 2023

The following Drinking Water Monitoring Program (DWMP) has been developed in accordance with Division Rule 0400-45-01-.17(3) and other applicable drinking water regulations. Unless otherwise noted, all results must be reported on the Monthly Operations Report (MOR). Please place this monitoring program in an easily accessible location for water system personnel to review.

Raw Water: Collect a representative sample prior to any chemical additions.	
Parameter	Frequency
Temperature	Daily
Turbidity	Daily; (AWOP: Report max daily)
Alkalinity, Total	Daily
pH	Daily
Hardness	Daily
Iron	Daily
Manganese	Daily
Fluoride	Once per week
Jar Test	As needed to optimize floc formation (enhance coagulation)
Total Organic Carbon (TOC)	Quarterly for both water treatment plants

Settled Water: Collect a representative sample prior to filtration.	
Parameter	Frequency
Turbidity	Daily, results do not need to be reported on MOR
Chlorine residual, free	Daily, if fed before filtration

Finished Water: Collect a representative sample after (post) filtration.	
Parameter	Frequency
Turbidity ²	Continuous, report highest individual reading for each 4 hour block from all data generated including hourly grab samples.
Chlorine residual, free	Continuous, report lowest daily measurement from all data generated.
Alkalinity, total	Daily
pH	Daily
Hardness	Daily
Iron	Daily
Manganese	Daily
Fluoride	Daily
Phosphate	Daily
Contact Time (CT) Profile	Daily (max. flow rate, etc.,)

Distribution on next page →

Distribution System: Collect a representative sample from tank sites during discharge, disinfection by-product compliance locations, and identified critical sites based on investigative sampling. For consecutive systems, all distribution entry points must be sampled in addition to the above sites. Sample locations must be reported on or with MOR. Dead-end hydrants or blow-offs can be used for sampling purposes.

Parameter	Frequency
Chlorine residual, free	Five days per week*
Fluoride	Five days per week*
Phosphate	Five days per week*

*Excluding weekends and holidays

Bacteriological	Following a RTCR site-sampling plan, collect ten (10) samples per month, analyzed by a State Certified laboratory. Free chlorine residual must be collected at the same time and frequency of bacteriological sample.
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Sanitary Survey Rating

PWSID: TN0000531Water System Name: Cumberland Utility DistrictSurvey Date: 13-Feb-23

System Category (Points): 421

421 - Consecutive Systems/Distribution Only

488

488 - Treatment Systems/Wholesalers

599

599 - Both Treatment and Distribution

1. System Management and Operation (94)

	Requirement	Points Range	Deduction	Comments
A.	Record Keeping 0400-45-01-.20	(0)	Narrative	Not maintaining 5 yrs of continuous turbidity records; Develop Capacity Development Plan (CDP)
B.	Construction Projects 0400-45-01-.05, 0400-45-01-.17	(1-5)	5	Rehabbing of Filter #7, Stubbs Road without plans and specifications
C.	Submission of Monthly Operations Reports 0400-45-01-.17	(0)	Narrative	Complete Filter Data section and report manganese to three decimal places
D.	Reporting Requirements 0400-45-01-18	(4-30)		Okay
E.	Public Notification 0400-45-01-.19	(1-10)	1	Several Tier III notices due, provided Tier II notice for DBP MCL violation
F.	Facility Maintenance Fee	(0)	Narrative	Okay
G.	Enforcement - TCA §68-221-701 et seq	(4-10)	0	Order being developed due to ETT score and redundant deficiencies
H.	Emergency Operations Plan 0400-45-01-.17	(1-2)	0	2021 EOP on file, Drought Mgmt Plan submitted following last survey, resubmit as part of CDP
Deficiency Subtotal			6	

2. Operator Compliance (23)

	Requirement	Points Range	Deduction	Comments
A.	Certified Operator – Plant and Distribution System 0400-45-01-.17(1) and 0400-49-01-04	(3-15)		Allen Morgan, WT4 / Jordan Young, DS2
Deficiency Subtotal			0	

3. Source (25)

	Requirement	Points Range	Deduction	Comments
A.	Source Adequacy 0400-45-01-.02, .05, .16, .17(13) and .34(3)	(3-5)	0	Emory River and Brushy Mountain Reservoir
B.	Intake 0400-45-01-.05, .17	(2)		Okay
C.	Wellhead/Springbox Construction 0400-45-01-.05(12),16 and 17(3) and (16)	(2)		N/A
D.	Source Protection Plans 0400-45-01-.34	(1-2)	1	Source water protection plan for Emory River plant received, but not Brushy Mountain
Deficiency Subtotal			1	

4. Treatment (153)

	Requirement	Points Range	Deduction	Comments
A.	Aerator 0400-45-01-.05, .17	(2)		N/A
B.	Chemicals / Chemical Feeders 0400-45-01- .05 (8) and .17,36	(2)	0	Okay, may need to separate chemicals during next plant upgrade
C.	Mixing 0400-45-01-.02, .05, .17	(2)		Okay
D.	Flocculation 0400-45-01-.02, .05, .17	(2)		Okay
E.	Sedimentation 0400-45-01-.02, .05, .17	(2)	2	Tube settlers appear overloaded. Freq. of cleaning basin may be factor in DBP formation. Redundant.
F.	Filtration / Alternative Technology 0400-45- 01- .17(12) and (27)	(2-30)	0	Profiling of filters may be needed, issues with flow determination on Tridents
G.	Re-Wash / Filter-to-Waste 0400-45-01- .17(35)	(2)		Okay
H.	Turbidimeters / Calibration 0400-45-01- .05(11), .17, .31, .39	(2-4)	2	Not conducting verifications as required (redundant), flows on in-lines need to be checked
I.	Disinfection/Calibration 0400-45-01-.02, .17, .31, .36	(2-30)	5	Not conducting verifications as required, no duplicate disinfection at Brushy Mt. WTP (redundant)
J.	Disinfection Contact Time 0400-45-01-.02, .17,31	(2-4)		Okay
K.	Master Meter 0400-45-01.17(2) and (3)	(1-2)		Okay
L.	Maintenance of Equipment, Buildings and Grounds 0400-45-01-.02, .17(3), (17) and (19)	(1)	1	Pipe galleries with rust, Trident has significant rust at bottom, tighten down mixer motor
M.	Laboratory Facilities 0400-45-01-.02, .14, .17(3)	(1-3)		Okay
N.	Safety 0400-45-01-.02	(2)		Okay
O.	Sludge Handling/Backwash Handling 0400- 45-01-.05	(2)	0	Conducted CEIs for Filter Backwash NPDES permits TN0004863 & TN0068632
P.	Sanitary Conditions 0400-45-01-.17(17)	(2)		Okay
Q.	Fluoridation Techniques 0400-45-01-.06, .12, .17	(2)		Okay
R.	Design Capacity 0400-45-01-.05(10)	(2-4)		Little Emory River WTP: 45% of design capacity, Brushy Mtn WTP: 51% of design capacity
S.	Filter Backwash Recycling 0400-45-01-.31(9)	(1)		N/A
Deficiency Subtotal			10	

5. Monitoring, Data Verification and Compliance (175)

	Requirement	Points Range	Deduction	Comments
A.	Laboratory-Process Monitoring (excluding Turbidity and Chlorine Residual) 0400-45-01-17(3)	(2)	2	Missed DWMP sampling
B.	Bacteriological Monitoring	(3-6)	0	Decrease in bacteriological sampling based on population served, provisional lab certification
C.	Bacteriological Compliance 0400-45-01-.06	(4-7)		Okay
D.	Turbidity Monitoring	(2-3)		Okay
E.	Turbidity Compliance	(4-7)	0	Okay, high finished water turbidity may want to consider implementing optimization practices
F.	Chlorine Residual Monitoring 0400-45-01-.17, .31, .36, 40	(2-3)	3	No continuous chlorine analyzer at Brushy Mountain WTP
G.	Primary Chemicals Monitoring	(2-3)	3	Nitrate monitoring violation for Emory River WTP during 1st qtr 2022
H.	Primary Chemicals Compliance	(4)		Okay
I.	Lead and Copper Monitoring 0400-45-01-.33	(2-3)	3	Failed to monitor June - Sept 2021, Jan. - June 2022, & July - Dec 2022
J.	Lead and Copper Action Level 0400-45-01-.33	(3-5)		Sampled 30 sites in Dec. 2022, no 90th percentile exceedance
K.	Disinfection/Disinfection By-Products and Precursors Monitoring 0400-45-01-.36, .37, .38	(2-3)		Sample four sites quarterly
L.	Disinfection/Disinfection By-Products and Precursors Compliance 0400-45-01-.06, .36	(2-30)	4	THM LRAA exceedance for 4th quarter 2022 at Knox Hwy site, triggered OEL Reports
M.	Secondary Chemicals 0400-45-01-.12	(2)		Okay
N.	Secondary Chemicals Compliance 0400-45-01-.12	(3)		Okay
O.	Cryptosporidium Monitoring 0400-45-01-.39	(0)	Narrative	Bin 1
Deficiency Subtotal			15	

6. Finished Water Storage (25)

	Requirement	Points Range	Deduction	Comments
A.	Adequate Storage 0400-45-01-.17(14)	(2-4)		At 33% of 24 hour storage capacity, may have excess storage
B.	Inspection and Maintenance of Reservoirs, Tanks and Clearwell 0400-45-01-.17(16), (17), (33) and (34)	(1-10)	11	Opening on clearwell vent at Brushy Mtn WTP, maintenance issues with tanks.
Deficiency Subtotal			11	

7. Pumps, Pump Facilities and Controls (18)

	Requirement	Points Range	Deduction	Comments
A.	Pump Facilities 0400-45-01-.17(9) and (13)	(1-4)		Okay
B	Maintenance of Pumping Equipment 0400-45 - 01-.17(13)	(1-3)		Okay
Deficiency Subtotal			0	

8. Distribution System and Cross Connection Controls (86)

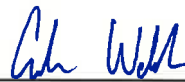
	Requirement	Points Range	Deduction	Comments
A.	Notification, Inspection, Disinfection and Sample Collection of New or Existing Facilities 0400-45-01-.17(8), (19)	(3-5)	11	Not sampling properly on line repairs, new line construction, not all new service taps have chlorine, no disinfection on new line projects
B	Flushing Program / Blow Offs 0400-45-01-.17(10) and (23)	(3-4)		Review flushing program, look at standardizing flushing forms, using customer number
C.	Fire Hydrants 0400-45-01-.17(18)	(0)	Narrative	Okay
D.	Adequate Pressure 0400-45-01-.17(9)	(5)		Okay
E.	Map of Distribution System 0400-45-01-.17(15)	(3)		Map of system submitted February 2022
F.	Approved Cross Connection Policy or Ordinance and Plan 0400-45-01-.17(6)	(4)	0	Last approved in 1987, submit updated cross connection plan with Capacity Development Plan
G.	Working Cross Connection Program 0400- 45-01-.17(6)	(3-9)	9	No testing data for 2022, not activity for surveys or inspections
H.	Percent Estimated Water Loss(real loss/water produced)	(0)	Narrative	
Deficiency Subtotal			20	

Rating

95% - 100% Approved
 90% - 94% Provisionally Approved
 0% - 89 % Unsatisfactory

Total Deficiency Points	-63
System Category Points	536
Overall Rating	89

Inspectors Signature



Additional Comments/Explanation:

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Minutes
Meeting of the Board of Commissioners
Cumberland Utility District
January 13, 2022

77

The Board of Commissioners of the Cumberland Utility District of Roane and Morgan Counties, Tennessee met on Thursday, January 13, 2022. The meeting was called to order by Chairman Adcock. Chairman Adcock noted that Commissioner Brown was not present. Others present were Ernie Henley, Kim Smith, and Bob Colvin.

The minutes of the December 9, 2021 Board Meeting were considered for approval. There was a motion by Mr. Jenkins that the minutes of the December 9, 2021 meeting be approved as written. The motion was seconded by Mr. Adcock, and with two votes in favor, the motion carried.

Chairman Adcock addressed the audience, offering an invitation for individuals or delegations who wished to address the Board. There were none.

The Managers' report was delivered and covered the following:

- Financials
- Customer Service
- Safety
- Special Projects
- Human Resources
- Operations
- Distribution

Old Business

- Accounts to Send to Collection
 - The Board was provided with a list of delinquent inactive customer accounts with balances totaling \$1203.03 with the recommendation that all of the accounts be written off as bad debt and those which were eligible be sent to collections, with the remainder to be written off only. There was a motion by Mr. Jenkins to write off the accounts and/or turn them over for collection as recommended. The motion was seconded by Mr. Adcock, and with two votes in favor, the motion carried.

New Business

- Capital Request – Lift
 - The information was not available at the time of the meeting and this item is on hold until a future meeting.
- Staffing - Operations
 - The Board discussed a new hire in Operations.

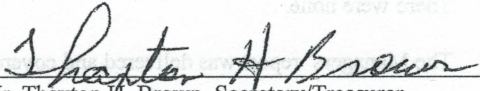
January 13, 2022

- Cell Phone Allowance

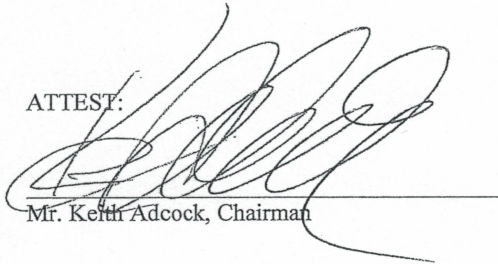
- The Board next considered a Cell Phone Allowance policy for employees to compensate them for use of their personal cell phone for company business. The proposed allowance would be \$55.00 per month for each employee for their cell phone usage, subject to state and federal reporting requirements, and \$125.00 every 24 months for the purchase of a new cell phone, subject to state and federal reporting requirements. There was a motion by Mr. Jenkins to adopt the policy as presented, to be effective February 1, 2022. The motion was seconded by Mr. Adcock, and with two votes in favor, the motion carried.

There being no further business to come before the Board, and upon motion duly made by Mr. Jenkins, the meeting was declared adjourned by Chairman Adcock.

Respectfully submitted,


Mr. Thaxton H. Brown, Secretary/Treasurer

ATTEST:


Mr. Keith Adcock, Chairman

- Distribution
- Operations
- Human Resources
- Special Projects
- Safety
- Customer Service
- Financial

Old Business

Accounts to Send to Collection

The Board was provided with a list of delinquent inactive customer accounts with balances totaling \$130,000 with the recommendation that all of the accounts be written off as bad debt and those which were eligible for sale in the future be sold to a third party. There was a motion by Mr. Jenkins to write off the accounts with the remainder to be written off next. The motion was seconded by Mr. Adcock and with two votes in favor, the motion carried.

New Business

Capital Request - 1st

The information was not available at the time of the meeting and this item is on hold until a future meeting.

Staffing - Operations

The Board discussed a new hire in Operations

The Board of Commissioners of the Cumberland Utility District of Roane and Morgan Counties, Tennessee met on Thursday, February 10, 2022. The meeting was called to order by Chairman Adcock noting that all commissioners were present. Others present were Ernie Henley, Kim Smith, Jordan Young, Allen Morgan, Bob Colvin, and Ben Whitson with Water Leak Relief.

The minutes of the January 13, 2022 board meeting were considered for approval. There was a motion by Mr. Jenkins that the minutes of the January 13, 2022 meeting be approved as written. The motion was seconded by Mr. Brown, and after a unanimous vote in favor, the motion carried.

Chairman Adcock addressed the audience, offering an invitation for individuals or delegations who wished to address the Board. There were none.

The Managers' report was delivered and covered the following:

- Financials
- Customer Service
- Safety
- Special Projects
- Human Resources
- Operations
- Distribution

Old Business

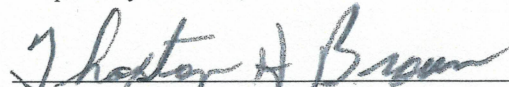
There was no old business to come before the Board.

New Business

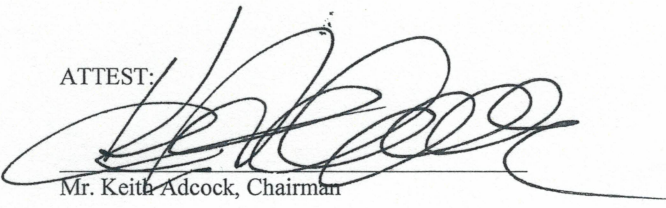
- Water Leak Relief
 - The Board recognized Ben Whitson with Water Leak Relief. Mr. Whitson presented a proposal for the Water Leak Relief program. Under the program, customers would be insured for the cost of excess water billed in the event of a leak with a service limit up to \$1500.00. The program would replace the current program with Servline. There was a motion by Mr. Jenkins to approve the change to the Water Leak Relief program pending the date of termination of service with Servline. The motion was seconded by Mr. Brown, and after a unanimous vote in favor, the motion carried.

There being no further business to come before the Board, and upon motion duly made by Mr. Jenkins, the meeting was declared adjourned by Chairman Adcock.

Respectfully submitted,


Mr. Thaxton H. Brown, Secretary/Treasurer

ATTEST:


Mr. Keith Adcock, Chairman

February 10, 2022

The Board of Commissioners of the Cumberland Utility District of Roane and Morgan Counties, Tennessee met on Thursday, March 10, 2022. The meeting was called to order by Chairman Adcock noting that all commissioners were present. Others present were Ernie Henley, Kim Smith, Bob Colvin, and Ben Whitson with Water Leak Relief.

The minutes of the February 10, 2022 board meeting were considered for approval. There was a motion by Mr. Jenkins that the minutes of the February 10, 2022 meeting be approved as written. The motion was seconded by Mr. Brown, and after a unanimous vote in favor, the motion carried.

Chairman Adcock addressed the audience, offering an invitation for individuals or delegations who wished to address the Board. Ernie Henley was recognized by the Board and gave an update on the operational schedule.

Old Business

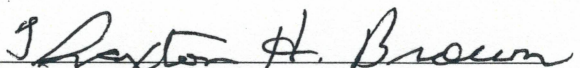
- Accounts to Send to Collection
 - The Board was provided with a list of delinquent inactive customer accounts with balances totaling \$1160.24 with the recommendation that all of the accounts be written off as bad debt and those which were eligible be sent to collections, with the remainder to be written off only. There was a motion by Mr. Jenkins to write off the accounts and/or turn them over for collection as recommended. The motion was seconded by Mr. Brown, and after a unanimous vote in favor, the motion carried.
- Water Leak Relief
 - The Board recognized Ben Whitson with Water Leak Relief. Mr. Whitson presented the "Agreement for Water Leak Relief Services" for signature by Chairman Adcock.

New Business

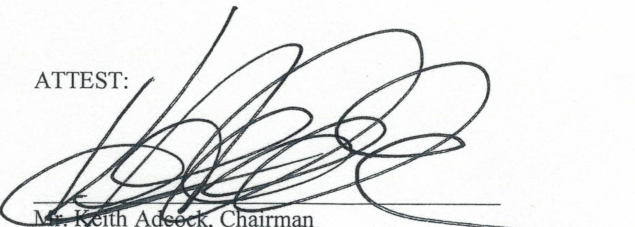
- Engineering Contract Projects Funded by Allocation of ARP/TDEC Funds
 - The Board recognized Bob Colvin. Mr. Colvin advised the Board that the ARP/TDEC funded projects would need an Engineer and an Administrator and that he would prepare advertisements to be published seeking those services.
- TDOT Utility Deposit
 - The Board discussed contacting TDOT regarding the Utility Deposit the District was required to pay as per contract 7497.

There being no further business to come before the Board, and upon motion duly made by Mr. Jenkins, the meeting was declared adjourned by Chairman Adcock.

Respectfully submitted,


Mr. Thaxton H. Brown, Secretary/Treasurer

ATTEST:


Mr. Keith Adcock, Chairman

March 10, 2022

The Board of Commissioners of the Cumberland Utility District of Roane and Morgan Counties, Tennessee met on Thursday, April 14, 2022. The meeting was called to order by Chairman Adcock noting that he and Mr. Jenkins were present and Mr. Brown was in route. Others present were Ernie Henley, Kim Smith, Jordan Young, and Bob Colvin.

The minutes of the March 10, 2022 board meeting were considered for approval. There was a motion by Mr. Jenkins that the minutes of the March 10, 2022 meeting be approved as written. The motion was seconded by Mr. Adcock, and upon two votes in favor, the motion carried.

Chairman Adcock addressed the audience, offering an invitation for individuals or delegations who wished to address the Board. There were none.

The Managers' report was delivered and covered the following:

- Financials
- Customer Service
- Safety
- Special Projects
- Human Resources
- Operations
- Distribution

Old Business

- Accounts to Send to Collection
 - The Board was provided with a list of delinquent inactive customer accounts with balances totaling \$5127.37 with the recommendation that all of the accounts be written off as bad debt and those which were eligible be sent to collections, with the remainder to be written off only. There was a motion by Mr. Jenkins to write off the accounts and/or turn them over for collection as recommended. The motion was seconded by Mr. Adcock, and upon two votes in favor, the motion carried.

New Business

- Selection of Engineer for ARP/TDEC Funded Projects
 - The Board next considered selection of an engineer for the ARP/TDEC Funded Projects for Roane and Morgan Counties. There was a motion by Mr. Jenkins to approve Colvin Properties, Inc., as engineer for the ARP/TDEC Funded Projects for Roane and Morgan Counties. The motion was seconded by Mr. Adcock, and upon two votes in favor, the motion carried.
- Selection of Administrator for ARP/TDEC Funded Projects
 - The Board next considered selection of an administrator for the ARP/TDEC Funded Projects for Roane and Morgan Counties. There was a motion by Mr. Jenkins to approve Community Partners, LLC, as the administrator for the ARP/TDEC Funded Projects for Roane and Morgan Counties. The motion was seconded by Mr. Adcock, and upon two votes in favor, the motion carried.
- TCRS Resolution - Part-Time Participation
 - The Board next considered a resolution to change the District's membership in the Tennessee Consolidated Retirement System (TCRS) to exclude part time employees from participation in TCRS. There was a motion by Mr. Jenkins to pass the resolution to exclude part time employees from participation in TCRS. The motion was seconded by Mr. Adcock, and after three votes in favor, the motion carried.
- TCRS Resolution – Participation in the 401(k) Plan
 - The Board next considered a resolution to allow District employees to voluntarily participate in Tennessee Consolidated Retirement System's (TCRS) 401(k) plan. There was a motion by Mr. Jenkins to pass the resolution to allow employees to voluntarily participate in the TCRS 401(k) plan. The motion was seconded by Mr. Adcock, and after three votes in favor, the motion carried.

- TCRS Resolution – Participation in the 457 Plan
 - The Board next considered a resolution to allow District employees to voluntarily participate in Tennessee Consolidated Retirement System’s (TCRS) 457 plan. There was a motion by Mr. Jenkins to pass the resolution to allow employees to voluntarily participate in the TCRS 457 plan. The motion was seconded by Mr. Adcock, and after three votes in favor, the motion carried.
- Apprenticeship Agreement
 - The Board next considered adoption of an Apprenticeship Agreement for those employees who participate in Tennessee Association of Utility District’s (TAUD) apprenticeship program. The agreement would require employees to continue employment with the District for a selected number of years after beginning the program and a selected number of years after they have completed the program, and would require the employee to reimburse the District for the costs the District pays if they voluntarily terminate their employment prior to the time set forth in the agreement. There was a motion by Mr. Jenkins to adopt the Apprenticeship Agreement that would require those employees who participate in TAUD’s apprenticeship program to continue employment with the District for two years after beginning the apprenticeship program and for three years after they have completed the program, and would require the District to withhold from an employee’s final pay the costs the District pays if an employee voluntarily terminates their employment with the District prior to the time set forth in the agreement, with an remaining costs to be reimbursed to the District immediately. The motion was seconded by Mr. Brown, and after a unanimous vote in favor, the motion carried.
- One Bank Account
 - The Board next considered closing the One Bank Account ****32, provided closing of the account did not affect any funds being debited or credited to the account. There was a motion by Mr. Jenkins to close the One Bank Account ****32, with the funds to be deposited to the revenue account. The motion was seconded by Mr. Brown, and after a unanimous vote in favor, the motion carried.
- Covid related emergency pay
 - The question of Covid 19 pay was brought up since the policy covering this expired on March 31, 2022. There was a motion by Mr. Jenkins to keep the Covid 19 emergency pay in effect through the end of the year (December 31, 2022) because the virus is still causing work absences. The motion was seconded by Mr. Adcock, and after a unanimous vote in favor, the motion carried.

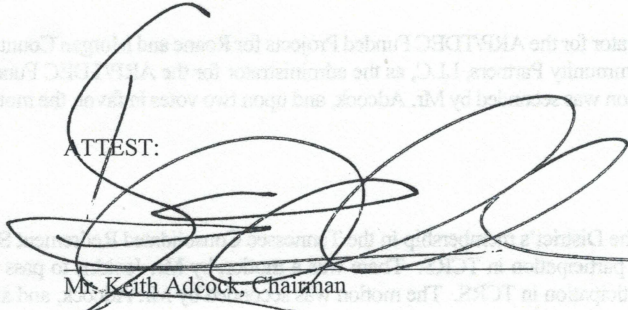
There being no further business to come before the Board, and upon motion duly made by Mr. Jenkins, the meeting was declared adjourned by Chairman Adcock.

Respectfully submitted,



Mr. Thaxton H. Brown, Secretary/Treasurer

ATTEST:



Mr. Keith Adcock, Chairman

The Board of Commissioners of the Cumberland Utility District of Roane and Morgan Counties, Tennessee met on Thursday, May 12, 2022. The meeting was called to order by Chairman Adcock noting that all commissioners were present. Others present were Ernie Henley, Kim Smith, Laurie Vincent, Jordan Young, and Allen Morgan.

The minutes of the April 14, 2022 board meeting were considered for approval. There was a motion by Mr. Jenkins that the minutes of the April 14, 2022 meeting be approved as written. The motion was seconded by Mr. Brown, and upon a unanimous vote in favor, the motion carried.

Chairman Adcock addressed the audience, offering an invitation for individuals or delegations who wished to address the Board. There were none.

Old Business

- Accounts to Send to Collection
 - The Board was provided with a list of delinquent inactive customer accounts with balances totaling \$1176.21 with the recommendation that all of the accounts be written off as bad debt and those which were eligible be sent to collections, with the remainder to be written off only. There was a motion by Mr. Jenkins to write off the accounts and/or turn them over for collection as recommended. The motion was seconded by Mr. Brown, and upon a unanimous vote in favor, the motion carried.

New Business

- TCRS Contribution Rate
 - The Board next considered the contribution rate to use for the Tennessee Consolidated Retirement System for the period of July 1, 2022 through June 30, 2023. The Tennessee Consolidated Retirement System had completed its actuarial valuation and gave the option of using the minimum employer rate of 15.77% or choosing to pay a higher rate. The District currently pays a contribution rate of 20%. There was a motion by Mr. Jenkins to retain the current contribution rate of 20% for the Tennessee Consolidated Retirement System. The motion was seconded by Mr. Brown, and after a unanimous vote in favor, the motion carried.
- Utility Commitment of Match Funding for ARPA Project
 - The Board next discussed the request by Roane County to adopt a resolution that the District will commit to match the ARPA project funding allocated by the county at a rate of 25%. There was a motion by Mr. Jenkins to adopt a resolution to commit to match the ARPA project funding allocated by Roane County at a rate of 25%. The motion was seconded by Mr. Brown, and after a unanimous vote in favor, the motion carried.

There being no further business to come before the Board, and upon motion duly made by Mr. Jenkins, the meeting was declared adjourned by Chairman Adcock.

Respectfully submitted,


Mr. Thaxton H. Brown, Secretary/Treasurer

ATTEST:


Mr. Keith Adcock, Chairman

May 12, 2022

Minutes

Meeting of the Board of Commissioners

Cumberland Utility District

June 9, 2022

The Board of Commissioners of the Cumberland Utility District of Roane and Morgan Counties, Tennessee met on Thursday, June 9 2022. The meeting was called to order by Chairman Adcock noting that all commissioners were present. Others present were Ernie Henley, Kim Smith & Laurie Vincent.

The minutes of the May 12, 2022 board meeting were considered for approval. There was a motion by Chairman Adcock that the minutes of the May 12, 2022 meeting be approved as written. The motion was seconded by Mr. Jenkins, and upon a unanimous vote in favor, the motion carried.

Chairman Adcock addressed the audience, offering an invitation for individuals or delegations who wished to address the Board. There were none.

Old Business

- Accounts to Send to Collection
 - The Board was provided with a list of delinquent inactive customer accounts with balances totaling \$3334.78 with the recommendation that all of the accounts be written off as bad debt and those which were eligible be sent to collections, with the remainder to be written off only. There was a motion by Mr. Jenkins to write off the accounts and/or turn them over for collection as recommended. The motion was seconded by Chairman Adcock, and upon a unanimous vote in favor, the motion carried.

New Business

- General Insurance Renewal
 - The Board next considered the renewal of general insurance with Gladfelter. Kim Smith explained that she had requested two other quotes, but didn't receive either of them. There was a motion by Mr. Jenkins to renew the insurance with our current company, Gladfelter. The motion was seconded by Chairman Adcock, and after a unanimous vote in favor, the motion carried.
- Employee Wage Increases
 - The Board next discussed the request for a wage increase for two (2) employees that had passed their Water Treatment Grade 3 exams. There was a motion by Chairman Adcock to put a \$1.00 per hour increase on the following employees pay rate, effective June 4, 2022 payroll, & One other employees had completed his 6 month employment & was given \$1.00 per hour increase. The motion was seconded by Mr. Jenkins, and after a unanimous vote in favor, the motion carried.
- Credit Card Fees
 - The Board next discussed the matter of increasing our credit card fees. It was brought to our attention that we are paying a higher fee than we are charging our customers. Mr. Jenkins requested that a spreadsheet be built including the date credit card fee increased, to be discussed in the July Board Meeting. He also requested for us to search for a better rate with other companies that offer this service.


June 9, 2022

- Reschedule August Board meeting date

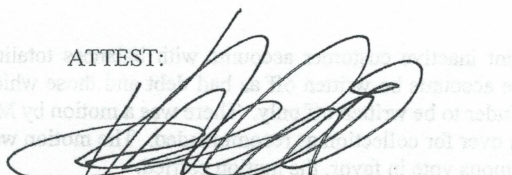
- The Board next discussed the need to reschedule the August Board Meeting date due to all members attending a conference August 10-12. The date chosen is August 16, 2022. There was a motion made by Chairman Adcock. The motion was seconded by Mr. Jenkins, and after a unanimous vote in favor, the motion carried. Notice will be posted in Morgan & Roane Counties newspapers.

There being no further business to come before the Board, and upon motion duly made by Mr. Jenkins, the meeting was declared adjourned by Chairman Adcock.

Respectfully submitted,


 Mr. Thaxton H. Brown, Secretary/Treasurer

ATTEST:


 Mr. Keith Adcock, Chairman

June 9, 2022

Minutes
Meeting of the Board of Commissioners
Cumberland Utility District
July 14, 2022

The Board of Commissioners of the Cumberland Utility District of Roane and Morgan Counties, Tennessee met on Thursday, June 9 2022. The meeting was called to order by Chairman Adcock noting that all commissioners were present. Others present were Ernie Henley, Kim Smith, Laurie Vincent, Daniel Peterson & Bob Colvin.

The minutes of the June 9, 2022 board meeting were considered for approval. There was a motion by Chairman Adcock that the minutes of the June 9, 2022 meeting be approved as written. The motion was seconded by Mr. Brown, and upon a unanimous vote in favor, the motion carried.

Chairman Adcock addressed the audience, offering an invitation for individuals or delegations who wished to address the Board. Mr. Colvin addressed the board to update the TDEC project & said the specs would be ready in 2-3 weeks. There will be 12 fire hydrants put in & they want us to mark where these are to be installed. Until TDEC approval is complete, we don't need to advertise for bids.

August 11, 2022 dinner will be at Park Grille for those attending the conference in Gatlinburg

Old Business

- Accounts to Send to Collection
 - The Board was provided with a list of delinquent inactive customer accounts with balances totaling \$231.84 with the recommendation that all of the accounts be written off as bad debt and those which were eligible be sent to collections, with the remainder to be written off only. There was a motion by Mr. Jenkins to write off the accounts and/or turn them over for collection as recommended. The motion was seconded by Mr. Brown, and upon a unanimous vote in favor, the motion carried.
- Credit card fees – New Company
 - It was brought to the attention of the board, that the credit card company that we are currently using have dropped their rates from 3.5% to 2.7%. The base charge has dropped .7% & per item has dropped to \$.10 per item. Motion was made by Mr. Jenkins to wait on changing companies at this time. Motion was seconded by Chairman Adcock, and upon a unanimous vote in favor, the motion carried.

New Business

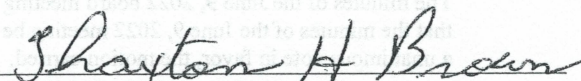
- Banking – One Bank
 - Daniel Peterson recommended that we consider changing to One Bank which would save the company approximately \$400/mo in fees that were charged by our current bank. Motion was made by Chairman Adcock to change banks. Motion was seconded by Mr. Jenkins, and upon unanimous vote in favor, the motion carried.
- Employee Wage Increases
 - The Board next discussed the request for a wage increase for three (3) employees. There was a motion by Chairman Adcock to increase \$18/hr, Increase \$22.46/hr & \$19/hr. These increases are to effective 7/16/22. The motion was seconded by Mr. Jenkins, and after a unanimous vote in favor, the motion carried.
- Personnel
 - The Board next discussed the matter of changes in the personnel of the office. It was recommended to move to the position the salary increase to was also recommended to promote Shanda Kring as HR Administrator at the rate of \$18/hr. Recommendation to move

June 9, 2022

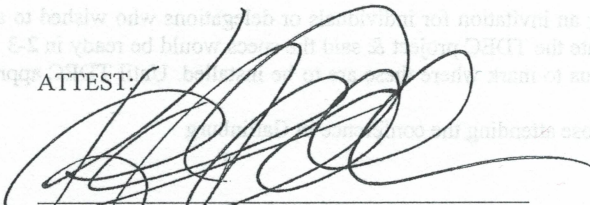
. A motion was made by Chairman Adcock to make all the changes as recommended. Motion was seconded by Mr. Jenkins, and after a unanimous vote in favor, the motion carried.

There being no further business to come before the Board, and upon motion duly made by Mr. Jenkins, the meeting was declared adjourned by Chairman Adcock.

Respectfully submitted,


Mr. Thaxton H. Brown, Secretary/Treasurer

ATTEST:


Mr. Keith Adcock, Chairman

Minutes
Meeting of the Board of Commissioners
Cumberland Utility District
August 18, 2022

The Board of Commissioners of the Cumberland Utility District of Roane and Morgan Counties, Tennessee met on Thursday, June 9 2022. The meeting was called to order by Chairman Adcock noting that all commissioners were present. Others present were Ernie Henley, Laurie Vincent, Daniel Peterson & Bob Colvin.

The minutes of the July 14, 2022 board meeting were considered for approval. There was a motion by Mr. Jenkins that the minutes of the July 14, 2022 meeting be approved as written. The motion was seconded by Chairman Adcock, and upon a unanimous vote in favor, the motion carried.

Chairman Adcock addressed the audience, offering an invitation for individuals or delegations who wished to address the Board. There were none.

Old Business

- Accounts to Send to Collection
 - The Board was provided with a list of delinquent inactive customer accounts with balances totaling \$2948.11 with the recommendation that all of the accounts be written off as bad debt and those which were eligible be sent to collections, with the remainder to be written off only. There was a motion by Mr. Jenkins to write off the accounts and/or turn them over for collection as recommended. The motion was seconded by Chairman Adcock, and upon a unanimous vote in favor, the motion carried.
- One Bank progress
 - Daniel Peterson updated the board that we have moved money into accounts at One Bank in order to get them active. We will be moving the revenue money to the new accounts as of August 26, 2022. He suggested that there be a verbal authorization in place for Trish or Laurie, then approved by one of the commissioners. He asked that a transfer form be made with place for who requested, who approved, amount of transfer & place for commissioner to sign when they are in the office. This was approved by Mr. Jenkins & Chairman Adcock.
- Rural Development
 - Bob Colvin & Ernie Henley met with Kirk Morris with Rural Development today. He brought a letter of condition for the board to look over before approval at the next meeting. Plans are that we are getting a \$400K grant & \$600K loan. Specs are expected by the end of the year. Will be May/June before released for bids. Discussed the option of a Force account. If we decided to go that route, we can be reimbursed for labor, equipment, etc. which would save us 40-50% & then the rest of the grant money can be used for another project in Roane Co. All forms need to be signed & ready by next board meeting.
- Roane County ARPA/TDEC project
 - Ready for bid. Evan Sanders Sending form for signature for easements. Money available for Roane County in November.

New Business

- Budget for 2023
 - Daniel Peterson addressed the budget plan. Handed out budget assumption spreadsheet for consideration. Handed out debt cycle spreadsheet, capitol improvement list, & worksheet – methodology. Proposed having a workshop to discuss payroll more in depth. Set date for this for August 30, 2022 at 1pm. Look at price increase on bills. Restructure minimum bill & increase by 10% for next year. Commissioner pay -

June 9, 2022

- Vehicle purchase
 - Ernie Henley recommended \$34K to purchase used vehicle for meter reading. Motion was made by Mr. Jenkins seconded by Mr. Brown, and after a unanimous vote in favor, the motion carried.
- Personnel
 - The Board next discussed the matter of restructuring the Distribution Department. Recommendation from Mr. Jenkins is to set up two (2) foreman with crews of 4 under each foreman. Also recommended that we start doing projects in house instead of contracting out.

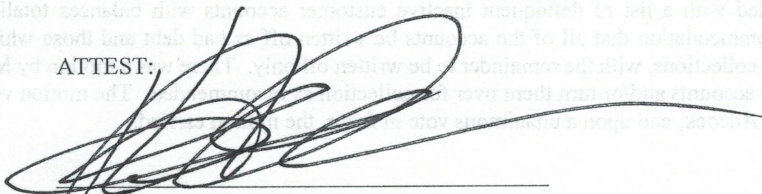
There being no further business to come before the Board, and upon motion duly made by Mr. Jenkins, the meeting was declared adjourned by Chairman Adcock.

Respectfully submitted,



Mr. Thaxton H. Brown, Secretary/Treasurer

ATTEST:



Mr. Keith Adcock, Chairman

Minutes
Meeting of the Board of Commissioners
Cumberland Utility District
September 15, 2022

The Board of Commissioners of the Cumberland Utility District of Roane and Morgan Counties, Tennessee met on Thursday, September 15, 2022. The meeting was called to order by Chairman Adcock noting that all commissioners were present. Others present were Ernie Henley, Laurie Vincent, Bob Colvin and Shanda Kring.

The minutes of the August 18, 2022 board meeting were considered for approval. There was a motion by Mr. Jenkins that the minutes of the August 18, 2022 meeting be approved as written. The motion was seconded by Commissioner Brown, and upon a unanimous vote in favor, the motion carried.

Chairman Adcock addressed the audience, offering an invitation for individuals or delegations who wished to address the Board. Bob Colvin informed the board that he was signing the agreement between owner/engineer for professional services. Passed all resolution/paperwork for rural development grant & loan. There was a motion by Mr. Jenkins for approval, seconded by Mr. Brown & upon a unanimous vote in favor, the motion carried.

Old Business

- Accounts to Send to Collection
 - The Board was provided with a list of delinquent inactive customer accounts with balances totaling \$2261.67 with the recommendation that all of the accounts be written off as bad debt. and those which were eligible be sent to collections. There were none eligible to be written off only. There was a motion by Mr. Jenkins to write off the accounts and/or turn them over for collection as recommended. The motion was seconded by Chairman Adcock, and upon a unanimous vote in favor, the motion carried.
- One Bank progress
 - Laurie Vincent reported that the new bank accounts & online services are going great! Has been a great change for CUD!

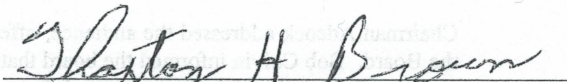
New Business

- Budget for 2023
 - Final draft of budget for 2022-2023 was sent from Daniel Peterson for final approval. Changes will include: ¾ TAP fees increasing to \$2,000, 1" TAP fees increasing to \$2,200, 2" TAP fees increasing to \$4,300, 10% increase overall for water bill, no minimum water usage included in base price. There was a motion made by Mr. Jenkins to approve the budget, motion seconded by Mr. Brown, and upon unanimous vote in favor, the motion carried.
- Personnel
 - Motion made by Mr. Jenkins to hire 2 new employees for the distribution department. payrate increases were discussed as follows: The following employees will receive pay increase of _____ effective 9/17/22. There will be 2 more changes in the next couple of weeks for _____ of increases to _____ & job title changes to _____. Also changing _____. There was a motion made by Mr. Jenkins to approve these personnel changes, motion seconded by Mr. Brown and upon unanimous vote in favor, the motion carried.
- Policy Changes
 - A motion was made by Chairman Adcock to amend the Utility Line extensions policy to change the cost per foot to be based on cost of materials at the time instead of a set dollar amount.


- ETHRA assistance program
 - Laurie Vincent & Ernie Henley brought the ETHRA assistance program information to the board for consideration. After reviewing the contract, it was decided that CUD does not want to participate in this program.

There being no further business to come before the Board, and upon motion duly made by Mr. Jenkins, the meeting was declared adjourned by Chairman Adcock.

Respectfully submitted,


 Mr. Thaxton H. Brown, Secretary/Treasurer

ATTEST:


 Mr. Keith Adcock, Chairman

Minutes
Meeting of the Board of Commissioners
Cumberland Utility District
October 13, 2022

The Board of Commissioners of the Cumberland Utility District of Roane and Morgan Counties, Tennessee met on Thursday, October 13, 2022. The meeting was called to order by Chairman Adcock noting that all commissioners were present. Others present were Ernie Henley, Laurie Vincent, Dax Mitchell, Roy Ooten and Bob Colvin.

The minutes of the September 15, 2022 board meeting were considered for approval. There was a motion by Mr. Jenkins that the minutes of the September 15, 2022 meeting be approved as written. The motion was seconded by Commissioner Brown, and upon a unanimous vote in favor, the motion carried.

Chairman Adcock addressed the audience, offering an invitation for individuals or delegations who wished to address the Board. Bob Colvin informed the board that the Holiday Shores tank has to be inspected in November. Need to fix fence & gate before the inspection. There was a motion made by Chairman Adcock for this to be done, the motion was seconded by Mr. Jenkins and upon unanimous vote in favor, the motion carried.

Old Business

- Accounts to Send to Collection
 - The Board was provided with a list of delinquent inactive customer accounts with balances totaling \$2,940.17 with the recommendation that all of the accounts be written off as bad debt. and those which were eligible be sent to collections. There were none eligible to be written off only. There was a motion by Chairman Adcock to write off the accounts and/or turn them over for collection as recommended. The motion was seconded by Mr. Jenkins, and upon a unanimous vote in favor, the motion carried.
- Employee Handbook
 - Laurie Vincent reported that the new handbook has been drafted & a meeting set up with all employees to bring questions & suggestions for changes in the handbook for October 28, 2022 at 8:00am. The finalized handbook will be brought to the next board meeting for approval.
- Utility Line Extension change
 - The changes in the Utility Line Extension were presented by Ernie Henley. A motion to adopt these changes was made by Chairman Adcock, motion was seconded by Mr. Jenkins and upon unanimous vote in favor, the motion carried.

New Business

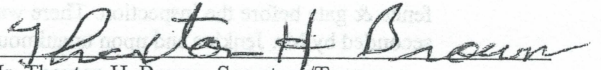
- Report from the Distribution Department
 - Roy Ooten & Dax Mitchell presented a list of closed tickets & open tickets to the Board. All orders of supplies for the Distribution Dept. are to be done by Stephanie Malone or Shanda Kring. The changes seem to be going great. Seem to be working together & communicating.
 - Vehicle #19 going back to shop for repair. Purchas Peto gauge to keep up with water loss during flushing.
 - Dax recommended cashing in the copper in stock in order to get it off the inventory list. Board wants to keep the copper for future needs, but wants it locked up & taken off the inventory.
 - Board asked for decals to be bought for the windows of all utility trucks.

Comments

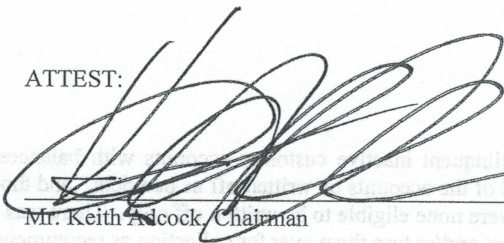
- We will be having Thanksgiving get together for all employees on Wednesday, November 16, 2022 at 12:00 noon. Wants to invite the Roane Co. Road Superintendent, Morgan Co. Road Superintendent & the County Executives from each county.

There being no further business to come before the Board, and upon motion duly made by Mr. Jenkins, the meeting was declared adjourned by Chairman Adcock.

Respectfully submitted,


 Mr. Thaxton H. Brown, Secretary/Treasurer

ATTEST:


 Mr. Keith Adcock, Chairman

Minutes
 Meeting of the Board of Commissioners
 Cumberland Utility District
 November 10, 2022

The Board of Commissioners of the Cumberland Utility District of Roane and Morgan Counties, Tennessee met on Thursday, November 10, 2022. The meeting was called to order by Chairman Adcock noting that all commissioners were present. Others present were Ernie Henley, Laurie Vincent, Jordan Young, Dax Mitchell, Allen Morgan, Shanda Kring & Bob Colvin.

The minutes of the October 13, 2022 board meeting were considered for approval. There was a motion by Mr. Brown that the minutes of the October 13, 2022 meeting be approved as written. The motion was seconded by Mr. Jenkins, and upon a unanimous vote in favor, the motion carried.

Chairman Adcock addressed the audience, offering an invitation for individuals or delegations who wished to address the Board. Roy & Nancy Hawkins were in attendance & came before the board with a concern about her meter being moved & having two (2) bills. She was requesting that her reconnect fee be reimbursed. Board members declined to reimburse the reconnect fee per Cumberland Utility District policy.

Old Business

- Accounts to Send to Collection
 - The Board was provided with a list of delinquent inactive customer accounts with balances totaling \$946.76 with the recommendation that all of the accounts be written off as bad debt, and those which were eligible be sent to collections. There were one eligible to be written off only. There was a motion by Chairman Adcock to write off the accounts and/or turn them over for collection as recommended. The motion was seconded by Mr. Jenkins, and upon a unanimous vote in favor, the motion carried.
- Employee Handbook
 - This has been postponed to the December meeting.

New Business

- Report from the Distribution Department
 - Reported that the Mountain Vista project has started.
 - Received 12 meters with 38 more on back order. Ordering 50 more when we receive the 38.
 - Mini X & Skid Steer leases are up. Wanting to buy back both of them & lease a bigger one. Ernie will be negotiating a price for the new equipment. This was put into the form of a motion by Mr. Jenkins. The motion was seconded by Mr. Adcock & upon a unanimous vote in favor, the motion carried.
 - Commissioners want a picture taken over every leak, before & after.
- Report from Plant
 - #3 filter being turned back on
 - Brushy tank is in bad shape. Has it valved down to a trickle right now. Requesting to shut down Brushy for a month. Commissioners don't want it shut down & asked for them to try to open the valve more first.
- Vacation carry over for new employees
 - Looking over new hires that have 2 weeks vacation but haven't been here 1 year yet.
 - Use 1 week before end of the year & sell back one week.
 - No carry over for new employees.

- Relocate fee change
 - Relocate is no longer different than a new tap. Relocate will be taken off the fee schedule & considered a new tap fee effective immediately. There was a motion by Mr. Adcock to remove the relocate service from the fee schedule & be considered a new tap fee with the same fees as a new tap. The motion was seconded by Mr. Jenkins & upon a unanimous vote in favor, the motion carried.

Comments

- We will be having Thanksgiving get together for all employees on Wednesday, November 16, 2022 at 12:00 noon.

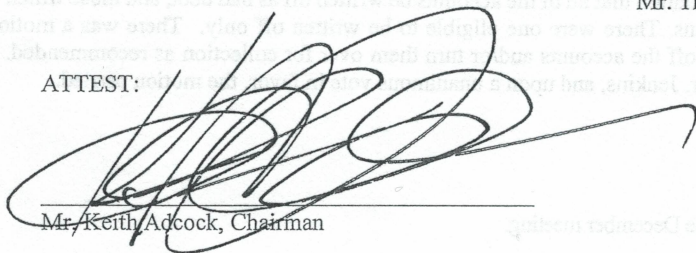
There being no further business to come before the Board, and upon motion duly made by Mr. Jenkins, the meeting was declared adjourned by Chairman Adcock.

Respectfully submitted,



Mr. Thaxton H. Brown, Secretary/Treasurer

ATTEST:



Mr. Keith Adcock, Chairman



Jason E. Mumpower
Comptroller

Entity Referred: **East Sevier County Utility District**

Referral Reason: **Investigation**

Utility Type Referred: **Water And Sewer**

Staff Summary:

The Utility Management Review Board ("the Board") opened an investigation into the East Sevier County Utility District, ("the Entity") in 2022. The Entity has since made improvements to its utility operations. The Entity is no longer contracted with Alliance Water Resources for management of the utility. The Entity has a new board of commissioners, since the start of the Board's investigation. The Entity has engaged with the Witt Utility District to improve the operations of the utility.

Witt Utility District has made great strides in improving the water service for the Entity. The Entity is experiencing difficulty finding internal staff to manage its operations. The Entity is also seeking out funding sources to pay for necessary infrastructure upgrades. The Entity has acted quickly to improve service to its customers. Board staff believes that many additional impactful decisions must be made, and Board staff believes that the Board should have a role in ensuring these decisions are educated and are pursued in a proper manner.

Staff Recommendation:

The Board should order the following:

1. The Entity shall not acquire any new debt without express consent of Board staff.
2. The Entity shall not make any decisions regarding a merger with another utility without express consent with Board staff.
3. Board staff shall have 60 days from the date on which Board staff is notified of any item described in paragraphs 1 and 2 to provide express written consent. If Board staff does not expressly consent in writing it is deemed denied.
4. The Board's December 21, 2022 Order required the Entity to obtain a rate study. In addition to any other specific requirements, the Board orders that the rate study shall make a preliminary examination of the feasibility of a merger between the Entity and other nearby utility systems. All original deadlines of the December 21, 2022 Order remain, but Board staff may, for good cause shown, grant a 60 day extension for the Entity to provide a supplemental study, addendum, or other report as to the feasibility of a merger. Any supplemental study, not part of the rate study, must be performed by the Tennessee Association of Utility Districts or other entity approved by Board staff.

East Sevier County Utility District

	Category: Water And Sewer		County: Sevier	
	2019	2020	2021	2022
Net Assets	\$2,518,066.00	\$2,785,428.00	\$3,218,680.00	\$3,898,454.00
Deferred Outflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Net Liabilities	\$1,093,864.00	\$794,489.00	\$1,189,730.00	\$1,444,160.00
Deferred Inflow Resources	\$26,417.00	\$30,421.00	\$33,070.00	\$35,675.00
Total Net Position	\$1,397,785.00	\$1,960,518.00	\$1,995,880.00	\$2,418,619.00
Operating Revenues	\$915,144.00	\$977,798.00	\$981,707.00	\$1,181,097.00
Net Sales	\$727,722.00	\$766,876.00	\$864,336.00	\$888,344.00
Operating Expenses	\$802,420.00	\$824,541.00	\$921,244.00	\$1,155,240.00
Depreciation Expenses	\$117,772.00	\$124,548.00	\$145,029.00	\$175,563.00
Non Operating Revenues	-\$16,585.00	-\$33,524.00	-\$25,101.00	-\$48,118.00
Capital Contributions	\$0.00	\$443,000.00	\$0.00	\$445,000.00
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	\$96,139.00	\$562,733.00	\$35,362.00	\$422,739.00
Statutory Change In Net Position	\$96,139.00	\$119,733.00	\$35,362.00	-\$22,261.00



Jason E. Mumpower
Comptroller

Entity Referred: **Hallsdale-Powell Utility District**

Referral Reason: **Investigation**

Utility Type Referred: **Water And Sewer**

Staff Summary:

The Hallsdale-Powell Utility District ("the District") is a water and sewer utility district that serves roughly 32,000 water and 25,000 sewer customers in Knox, Anderson, and Union counties. The District produces its water but has interconnections with several utilities in the area.

The District is currently experiencing excessive water loss. The District produced about 2,880 million gallons of water and sold 1,500 million gallons. The District did not sell about 46% of the water it produced. As a result, the District was referred to the Utility Management Review Board ("UMRB") for oversight.

On July 23, 2020, the UMRB conducted an informal hearing of a rate protest against the District. The UMRB found that the District's rates were neither too high nor too low based on the information presented at the hearing by the rate consultants for the District, Raftelis. The District based its argument on the defense of its rates around funding capital projects due to state and federal regulator mandates due to lack of capacity at water plants, infrastructure deterioration, and sewer overflows. The District has spent a large amount of money attempting to meet regulatory requirements and ensure future capacity. The District has used Raftelis for more than 15 years for rate setting. Raftelis designed these rates to cover operating expenses, capital projects, and funding the debt required to improve the District.

Based on the information in the 2022 audit for the District, a residential water customer using 1,000, 3,000, or 5,000 gallons of water would be billed for \$19.34, \$38.20, or \$57.06, respectively. Furthermore, a residential water and sewer customer using 1,000, 3,000, or 5,000 gallons of water would be billed for \$45.25, \$89.23, or \$133.21, respectively.

According to the 2022 audit, the District's current ratio is 1.74. Board staff is not concerned with the short-term solvency of the District. Furthermore, according to the same audit, the Hallsdale-Powell Utility District has \$167,767,897 of long-term debt on \$306,240,643 of capital assets. The audit did not disclose any findings.

Board staff has concerns regarding the long-term success of this utility. With its current level of debt, the District may have trouble raising the funds to make repairs and improvements to correct its non-revenue water. Board staff is concerned with the current infrastructure needs of the District as seen in its water and sewer issues in tandem with the debt levels and rate affordability. Board staff believes an investigation into the District is necessary to ensure it is poised to comply with all Tennessee utilities' financial, technical, and managerial requirements while maintaining a rate structure that is fair and reasonable for its customers. Due to these concerns, Board staff recommends that the Board open an investigation into the Hallsdale-Powell Utility District.

Staff Recommendation:

The Board should order the following:

1. Board staff will investigate the financial, technical, and managerial competency of the District, with an emphasis on the fairness and reasonableness of the District's rate structure and the District's level of debt.
2. Board staff may, if they deem necessary, require the District to obtain a rate study from the Tennessee Association of Utility Districts or another qualified third party approved by Board staff.
 - (a) The District shall submit to Board staff proof of contract with a qualified 3rd party within sixty (60) days of the date on which the District was notified by Board staff that a rate study is necessary.
 - (b) The District shall submit the results of this study, with proof of implementation, within 180 days of the date on which the District was notified by Board staff that a rate study is necessary.
 - (c) Board staff may require this rate study include any other reasonable items of study. Board staff will give the District reasonable notice of any other items the rate study must include.
3. Board staff will make a preliminary report and recommendation at the Board's next meeting.

Hallsdale-Powell Utility District

	Category: Water And Sewer		County: Knox	
	2019	2020	2021	2022
Net Assets	\$287,608,483.00	\$324,692,325.00	\$336,766,644.00	\$358,407,195.00
Deferred Outflow Resources	\$1,425,751.00	\$454,469.00	\$417,922.00	\$2,189,448.00
Net Liabilities	\$138,783,289.00	\$167,472,199.00	\$171,228,492.00	\$182,623,593.00
Deferred Inflow Resources	\$914,617.00	\$989,548.00	\$1,090,596.00	\$1,602,362.00
Total Net Position	\$149,336,326.00	\$156,685,045.00	\$164,865,478.00	\$176,370,688.00
Operating Revenues	\$31,504,927.00	\$33,253,193.00	\$34,915,078.00	\$38,982,122.00
Net Sales	\$30,301,397.00	\$31,872,088.00	\$33,905,454.00	\$36,821,800.00
Operating Expenses	\$23,180,496.00	\$24,166,761.00	\$24,041,273.00	\$23,190,459.00
Depreciation Expenses	\$7,460,026.00	\$7,499,743.00	\$7,755,500.00	\$7,952,030.00
Non Operating Revenues	-\$2,514,470.00	-\$2,332,703.00	-\$3,226,414.00	-\$4,758,973.00
Capital Contributions	\$0.00	\$594,992.00	\$533,040.00	\$472,520.00
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	\$5,809,961.00	\$7,348,721.00	\$8,180,431.00	\$11,505,210.00
Statutory Change In Net Position	\$5,809,961.00	\$6,753,729.00	\$7,647,391.00	\$11,032,690.00

BEFORE THE TENNESSEE UTILITY MANAGEMENT REVIEW BOARD

RUSS RYMER)
)
)
 v.)
)
HALLSDALE-POWELL UTILITY)
DISTRICT)
)

ORDER

On July 23, 2020, the Tennessee Utility Management Review Board (“the Board”) conducted an informal hearing of Russ Rymer’s (“Rymer”) rate protest against Hallsdale-Powell Utility District (“HPUD” or “the District”) pursuant to Tenn. Code Ann. §§ 7-82-402(a)(3) & 7-82-702(a)(7). Persons in attendance and addressing the Board were Rymer on his own behalf, Darren Cardwell (“Cardwell”), HPUD General Manager, John Valliant, attorney for HPUD, and Bart Kreps (“Kreps”), Raftelis representative. Based upon the documents, testimony, and information provided by the parties, the Board finds that HPUD’s published rates are neither too high nor too low and therefore denies Rymer any requested relief.

JURISDICTION

While neither party disputes the Board’s jurisdiction to hear Rymer’s protest, the Board finds that it has jurisdiction. Rymer has submitted his request for the Board’s review pursuant to Tenn. Code Ann. §§ 7-82-402(a)(3) & 7-82-702(a)(7). Tenn. Code Ann. § 7-82-402(a)(1) provides that, after a utility district has published its annual statement,¹ a customer may file a protest with

¹ Tenn. Code Ann. § 7-82-401(d) requires

Within ninety (90) days after the close of the fiscal year of each district organized and operating under this law, the commissioners of the district shall publish in a newspaper of general circulation, published in the county in which the district is situated, a statement showing:

the local commissioners giving reasons why the published rates are too high or too low. After hearing the customer's arguments and evidence, the commissioners then determine the reasonableness of the published rates.

Tenn. Code Ann. § 7-82-402(a)(3) provides

Any protestant feeling aggrieved by the final action of the commissioners under this section may obtain a review of the commissioners' action by simple written request to the utility management review board within thirty (30) days thereafter, with the right to judicial review as provided in § 7-82-702.

Tenn. Code Ann. § 7-82-702(a)(7) provides that the Board has the power to

Review and conduct an informal hearing of any decision of any utility district under § 7-82-402(a) upon simple written request of any utility district customer or any member of the public within thirty (30) days after such decision. In making its decision as to whether the published rates are too high or too low, the utility management review board shall take into account the reasonableness of the utility district's rules, policies, and cost of service as well as any evidence presented during the hearing. Any judicial review of any decision of the board will be held by common law certiorari within the county in which the hearing was held.

The documents that the parties previously provided to the Board reflect that on June 27, 2019, the District published its annual statement, containing its rates, in the Knoxville News Sentinel. On July 22, 2019, Rymer, along with three other customers, filed rate protests with the District in accordance with Tenn. Code Ann. § 7-82-402(a). The District's board of commissioners heard the protest at a public meeting on August 22, 2019, and concluded that the published rates should not be adjusted. On September 18, 2019, Rymer timely submitted his written request to the Board for its review. Rymer was the only protestant to request review by the Board.

-
- (1) The financial condition of the district at the end of the fiscal year;
 - (2) The earnings of the district during the fiscal year just ended;
 - (3) All travel and related costs or expenses where any portion of such costs or expenses is paid by the district or any entity or entities, public or private, associated with the district, including, but not limited to, travel for commissioners and employees;
 - (4) A statement of the water rates then being charged by the district; and
 - (5) A brief statement of the method used in arriving at such rates.

The parties complied with each statutory deadline prior to this Board's review. The Board finds that HPUD did in fact hear Rymer's complaint at a meeting of its board of commissioners on August 22, 2019. Further, the documents provided to the Board reflect that Rymer timely filed his request for review. Therefore, the Board finds that it has jurisdiction to hear Rymer's complaint.

HPUD'S PUBLISHED RATES

Relevant Statutory Provisions and Issue before the Board

As set out above, Tenn. Code Ann. § 7-82-702(a)(7) empowers the Board to

Review and conduct an informal hearing of any decision of any utility district under § 7-82-402(a) upon simple written request of any utility district customer or any member of the public within thirty (30) days after such decision. In making its decision as to whether the published rates are too high or too low, the utility management review board shall take into account the reasonableness of the utility district's rules, policies, and cost of service as well as any evidence presented during the hearing. Any judicial review of any decision of the board will be held by common law certiorari within the county in which the hearing was held.

Tenn. Code Ann. § 7-82-402(a) additionally provides

Any protestant feeling aggrieved by the final action of the commissioners under this section may obtain a review of the commissioners' action by simple written request to the utility management review board within thirty (30) days thereafter, with the right to judicial review as provided in § 7-82-702.

Regarding the sufficiency and reasonableness of a utility district's rates, Tenn. Code Ann.

§ 7-82-403 provides the following:

The board of commissioners of any district shall prescribe and collect reasonable rates, fees, tolls, or charges for the services, facilities and commodities of its system or systems, shall prescribe penalties for the nonpayment of the rates, fees, tolls, or charges, and shall revise such rates, fees, tolls or charges from time to time whenever necessary to ensure that such system or systems shall be and always remain self-supporting. The rates, fees, tolls or charges prescribed shall be such as will always produce revenue at least sufficient to:

- (1) Provide for all expenses of operation and maintenance of the system or systems, including reserves for the expenses; and
- (2) Pay when due all bonds and interest on the bonds, for the payment of which such revenues are or shall have been pledged, charged or otherwise encumbered, including reserves for the bonds and interest.

To reiterate, Tenn. Code Ann. § 7-82-702(a)(7) provides in pertinent part that “[i]n making its decision as to whether the published rates are too high or too low, the utility management review board shall take into account the reasonableness of the utility district's rules, policies, and cost of service as well as any evidence presented during the hearing.” The plain language of the statute makes it clear that the sole issue before the Board is whether HPUD’s rates, as published in the Knoxville News Sentinel on June 27, 2019, are too high or too low. The Board does not have the authority to consider other issues raised by the parties.

Positions of the Parties and Burden and Standard of Proof

Rymer argues that the Board should find that HPUD’s rates are too high. Under Tenn. Comp. R. & Regs. 1360-04-01-.02, Rymer bears the burden of proof and must show, by a preponderance of the evidence, that HPUD’s rates are too high in order for the rate protest to be resolved in his favor.

In support of his position, Rymer contends that although HPUD is under a costly order issued by the Tennessee Department of Environment and Conservation (“TDEC”), HPUD fails to make progress toward compliance despite the high rates. Rymer indicates, and the documents provided to the Board show, that HPUD’s rates are the highest in Knox County. He therefore asks that HPUD provide rate relief or a freeze in its rates.

Cardwell, speaking on behalf of HPUD, contends that the District has been under mandates from both state and federal regulators since the late 1990’s due to lack of capacity at water plants, infrastructure deterioration, sewage overflows and other state and federal regulatory violations. He explained that these issues have been costly to the HPUD, as it has spent millions of dollars in attempting to meet regulatory requirements and to plan for future capacity. The District has developed a capital improvement plan for all its systems, has employed engineers to detect issues

with its systems, and has replaced a significant amount of its infrastructure. Many of its capital improvements have been funded by rates.

HPUD has worked with Raftelis, a water and sewer practice, for fifteen years to develop its rate and financial planning model. Kreps of Raftelis informed the Board that HPUD's financial plan to cover its capital investments and other regulatory issues has been aggressive and has required consistent rate increases. Kreps indicated that the District's rate increases and financial plans have been updated yearly using analytics and analysis, taking into account projections of operating and maintenance expenses, debt service, projected debt service related to capital improvement plan, cash fund and capital to finance projects, reserve position and other financial policies related to coverage to ensure the debt is managed effectively. Kreps indicated that HPUD does have significant debt, which is a significant part of its financial forecast and includes current debt service and future debt as more borrowing will be required, but HPUD manages the debt well. Kreps indicated that HPUD has a strong liquidity position, which helps balance its debt and improves the District's position with credit rating agencies.

Findings of Fact and Conclusions of Law

After reviewing the relevant documents, hearing the testimony, and considering the arguments of the parties, the Board makes the following factual findings and conclusions of law related to HPUD's published rates:

1. Raftelis, an expert in water and sewer rates, performed a rate study which recommends and supports HPUD's published rates. The Raftelis rate study was included in the packet of documents provided, which the Board reviewed prior to the informal hearing. The Board heard testimony from Cardwell of HPUD and Kreps of Raftelis regarding the rate study

and HPUD's financial position and forecast. Upon review and consideration of the foregoing, the Board finds that the rate study is both valid and reasonable.

2. Based on the rate study, which indicates that HPUD's rates, while high, are reasonable and justifiable under the circumstances pursuant to Tenn. Code Ann. § 7-82-403, the Board finds that HPUD's rates are neither too high nor too low under Tenn. Code Ann. §7-82-702(a)(7).
3. The Board therefore denies Rymer any requested relief.

It is so **ORDERED**.

ENTERED this bkh day of August, 2020.



BETSY KNOTTTS, Chair
Utility Management Review 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 6th day of August, 2020:

Russ Rymer
6812 Shinnecock Lane
Knoxville, TN 37918

Darren Cardwell
Hallsdale-Powell Utility District
3745 Cunningham Rd.
Knoxville, TN 37928

John P. Valliant, Jr.
Valliant & Harrison
800 S. Gay St. Ste. 1650
Knoxville, TN 37929



Rachel E. Buckley
Assistant General Counsel



Jason E. Mumpower
Comptroller

Entity Referred: **Tarpley Shop Utility District**

Referral Reason: **Annual Information Report**

Utility Type Referred: **Water**

Staff Summary:

The Tarpley Shop Utility District (TSUD) is a water utility district in Giles County, serving 1,160 customers. It purchases water from the City of Pulaski and is connected to the South Giles Utility District, which purchases water from TSUD. In December 2022, the Utility Management Review Board (UMRB) began investigating TSUD. The TSUD board consists of three commissioners: Larry Duncan (President), Sean Collins (Vice-President), and Jeff Williams (Secretary/Treasurer). TSUD did not provide any of the requested annual training statements for the commissioners as applicable. As such, Board staff believes no commissioner was eligible to receive compensation from TSUD. Board staff finds that the commissioners should have to repay their compensation to the District should they wish to continue to serve as members on the Board.

The District has operated in a manner with no employees and contracted out all of the work for many decades. Mr. Cleveland Byrd and his wife Mrs. Betty Byrd served as the contracted general manager and office manager respectively through Mr. Byrd's company, Byrd Construction. Mr. Freddy Byrd and his wife Gina Byrd have since taken over these roles still through Byrd Construction. Board staff was told that the contract with Byrd Construction is a contract in perpetuity. Board staff has been furnished a copy of the original contract between Mr. Cleveland Byrd and TSUD. Board staff has not been given a copy of the contract between Mr. Freddie Byrd and TSUD. Board staff does not believe such a contract exists.

Board staff made several information requests to TSUD, resulting in findings related to inadequate training records, lack of proper policies, and issues with rate increases. In February 2023, Board staff met with the contractor, Byrd Construction, and TSUD board members to conduct interviews. These interviews caused concerns about the district's operation, expenses, and contractor relationships.

In a follow-up information request, UMRB staff found that Byrd Construction's compensation had increased, and the contract details were unclear. Additionally, the board approved a \$220,000 meter replacement without proper bidding, with actual costs of \$306,534.85 exceeding the approved amount.

In August 2021, the Board voted to increase Byrd Construction's compensation to \$8,500 per month from \$6,000 per month. This is in addition to the rate Byrd Construction charges for labor invoiced to the TSUD. Board staff has reviewed the contract provided that started on July 1, 2004. The contract was originally between Mr. Cleveland Byrd and TSUD- the contract was not between Byrd Construction and TSUD. The original contract stipulated payments of \$57,800 a year plus the cost of labor for repairs. Mr. Byrd was not to complete repairs if any such job exceeded in cost of \$5,000. At that time, a repair in excess of \$5,000 would be bid out in accordance with TSUD's bidding policy. Board staff has not been provided a contracted between Mr. Freddie Byrd and TSUD, nor a contract between Byrd Construction and TSUD. In the periods of 2021 and 2022, the contractor was paid \$310,597.50. This included payments of \$186,500 in monthly flat charges with \$124,097.50 in labor

TSUD had not had a rate increase in roughly 7 years. The Board voted in December to raise rates. These rates were not based on a rate study or cost of service study. Board staff is unable to determine if the current rate structure is reasonable or justifiable.

TSUD owns three vehicles, a 1998 Dodge, a 2001 Ford, and 2015 Ford. The District only uses the 2001 Ford and the 2015 Ford. Board staff was informed in this document request that no vehicle is provided to any one person. During the interview process, Board staff was told Mr. Byrd uses the 2015 Ford exclusively. Board staff does not believe furnishment of a personal or business vehicle is part of the agreement with Mr. Byrd.

TSUD does not have a copy of its capitalization policy. TSUD provided an excerpt from its audit regarding capital assets when asked for its capitalization policy. These two items are not the same.

TSUD does not have a copy of its purchasing policy. TSUD's response when asked for its purchasing policy was "Purchasing policy- as to the state's bid laws."

TSUD does not have a copy of its debt management policy. TSUD's response when asked for its debt management policy was "Our auditor said that the state should have a copy of that. We do not have a copy of that in our office."

TSUD does not have a leak adjustment policy, but they were providing one adjustment per account annually for an amount not disclosed to Board staff.

Board staff requested all customer invoices, billing adjustments, and cell phone bills from January 2022 to present. These were either not provided or illegible.

The investigation into TSUD raises concerns about the district's management, adherence to proper procedures, and transparency in decision-making.

Staff Recommendation:

The Board should order the following:

1. The Entity 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. a review of the debt management 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;
 - d. a review of relevant utility fees including but not limited to connection or tap fees, including any recommended modifications;
 - e. verification that all governing body members of the utility are in compliance with all relevant training requirements;
 - f. a review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist; and
 - g. a summary of the illegal payments made to commissioners attributable to non-compliance with the annual training statement law.
2. The Entity shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, study and determine the best manner to remedy the repeat finding in the Entity's audits regarding Byrd Construction's employees serving as employees of the District, and whether it is in the best interest of the District and its customers that the District continue to contract with Byrd Construction. This study may be contracted for as part of the rate study ordered in paragraph 1.
3. By June 30, 2023, the Entity shall send Board staff a copy of the contract between the Entity and the qualified expert who is to perform the tasks in paragraph 1.

4. By June 30, 2023, the Entity shall send Board staff a copy of the contract between the Entity and the qualified expert who is to perform the tasks in paragraph 2.
5. By December 31, 2023 the Entity shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
6. By December 31, 2023 the Entity shall provide Board staff with the determination from the qualified expert from paragraph 2.
7. The commissioners of the district have 90 days following the completion of paragraph 6 to repay funds made to the district should the commissioners still choose to be serving with the District. The amount owed shall be the amount calculated pursuant to paragraph 1(g).
8. The Entity shall not enter into any management agreements with any other Entity without express consent of Board staff.

Tarpley Shop Utility District

	Category: Water		County: Giles	
	2019	2020	2021	2022
Net Assets	\$3,712,495.00	\$3,702,039.00	\$3,664,969.00	\$3,561,864.00
Deferred Outflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Net Liabilities	\$456,030.00	\$433,728.00	\$385,106.00	\$364,924.00
Deferred Inflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Total Net Position	\$3,256,465.00	\$3,268,311.00	\$3,279,863.00	\$3,196,940.00
Operating Revenues	\$570,953.00	\$592,339.00	\$612,842.00	\$660,452.00
Net Sales	\$537,981.00	\$577,744.00	\$607,712.00	\$652,717.00
Operating Expenses	\$550,620.00	\$571,587.00	\$591,432.00	\$733,091.00
Depreciation Expenses	\$91,668.00	\$86,854.00	\$82,561.00	\$82,561.00
Non Operating Revenues	-\$13,087.00	-\$8,906.00	-\$9,858.00	-\$10,374.00
Capital Contributions	\$0.00	\$0.00	\$0.00	\$0.00
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	\$7,246.00	\$11,846.00	\$11,552.00	-\$83,013.00
Statutory Change In Net Position	\$7,246.00	\$11,846.00	\$11,552.00	-\$83,013.00



JASON E. MUMPOWER
Comptroller

February 27, 2023

Tarpley Shop Utility District
517 S. 1st Street
Pulaski, TN 38478

Dear Mr. Duncan, Board of Commissioners, and Tarpley Shop Contractors:

On February 17th, 2023, Board staff to the Utility Management Review Board ("the Board") conducted interviews pertaining to the Board's investigation into the financial, managerial, and technical capacities of the Tarpley Shop Utility District ("the District") pursuant to Tenn. Code Ann. § 7-82-701(a).

As the next step in the investigation, Board staff requests the documents and information listed below, pursuant to Tenn. Code Ann. § 7-82-709(a) and Tenn. Comp. R. & Regs. 1715-01-.03(2), by **March 31, 2023**. If these documents are not timely provided the Board will issue subpoenas for them and will pursue this matter in chancery court if necessary.

- A list of all training classes and conferences attended by current Board President and former Vice President, Mr. Larry Duncan from January 1, 2018 to the present
- A list of all bank accounts including any accounts that have been closed since January 1, 2018.
 - Please provide bank statements for each account including cancelled check images from January 1, 2018 to the present
- A list of any credit card or charge card accounts including any accounts that have been closed since January 1, 2018.
 - Please provide credit/charge card account statements from January 1, 2018 to the present
- Please provide fuel card statements (if applicable) from January 1, 2018 to the present
- Please include a list of accounts related to equipment rentals and leases
- A detailed list of all payments (or reimbursements) made to the District commissioners from January 1, 2018 to the present. This includes payments from Tarpley Shop Utility District, Byrd Construction, or any other entity.
- A detailed list of all payments made to Byrd Construction from January 1, 2020 to present.
- A detailed list of all loans or other obligations currently held by the District
- A list of payments made to any businesses owned by or associated with commissioners or employees from January 1, 2018 to the present



JASON E. MUMPOWER
Comptroller

- Records from January 1, 2018 to the present pertaining to petty cash, including receipts and detailed purchase records
- Detailed cellular bills paid for by the District from January 1, 2019 to the present, in addition to any policy or agreement governing the use of District-issued cellular phones
- A list of vehicles provided by the District and to whom they are provided, in addition to any policy or agreement governing the use of District-issued vehicles
- A summary of customers by class (e.g. residential, commercial)
- A list of current customers
- All meeting minutes from January 1, 2015 to the present
- All payment invoices relative to the meter installation project from 2022
- All customer invoices from January 1, 2022 to the present.
- All billing adjustments made to customer accounts from January 1, 2022 to the present

If you need to contact our office, please call 615.747.5379 or email Meghan.Huffstutter@cot.tn.gov.

The requested documents may be provided digitally via email or in hard copy mail with postal service. If utilizing postal service, please send documentation to the following address:

Tennessee Comptroller of the Treasury
c/o Meghan Huffstutter, Local Government Finance
Cordell Hull Building
425 Rep. John Lewis Way N.
Nashville, TN 37243

Sincerely,

Ross Colona

Technical Secretary, Utility Management Review Board

cc: Meghan Huffstutter, Financial Analyst, Comptroller of the Treasury

The Tarpley Shop Utility District met May 12, 2021 for their monthly meeting. Present were Larry Duncan, Eddy Petty, Jeff Williams, Freddie and Gina Byrd , Karen Morrison.

New business consisted of signing checks for bills. Dennis Perry and Turner Pilsch from Core & Main came to meeting to discuss drive by meters, software , etc. Core and Main do install the meters at \$ 40 to 45 dollars per meter. Ballpark figure of \$ 220,000 would include an estimate of 1100 meters, reading equipment and software. Freddie had also contacted Tom Shaw with G & C and Consolidated, Landon about coming to meeting to give us input on their meters, but TSUD never heard back from them. Eddy made motion to accept Core & Main to get their meters with all that came with that, seconded by Larry. Approved to install meters.

Steve Thompson and Loretta Garner also attended. They are still wanting water down Bradshaw Rd and was waiting to see if we had had an update for them about that. It's understood at this point that money should be available for districts after July 1, 2021.

There was no further business. Larry made motion to adjourn, seconded by Eddy.

Respectfully submitted,

Gina Byrd
Office Manager

The Tarpley Shop Utility District met August 11, 2021 for their monthly meeting. Present were Larry Duncan, Eddy Petty, Jeff Williams; Freddie and Gina Byrd, Karen Morrison.

There was no old business. New business consisted of signing of checks for bills.

Steve Thompson came to meeting to talk about how many taps they would need to get before water line could be ran. He plans on attending meeting every month to keep check on project. Eddy is going to call Rural Development and speak with them about costs.

Eddy's term expired on June 30, 2021. Board approved the following three names to be submitted for commissioner:

Mr. Ed T. Petty III

Mr. Donny Lanier

Mr. Jeff Martin

Jeff needs to do his schooling for commissioner, but will do later.

Commissioners agreed to increase Cleveland's contract to \$ 8500.00.

There was no further business. Larry made motion to adjourn, seconded by Jeff.

Respectfully submitted,

Jeff Williams
Sec/Treas

From: [Meghan Huffstutter](#)
To: bbyrd@smwb.net
Cc: [Ross Colona](#)
Subject: RE: TSUD Document Request
Date: Friday, March 10, 2023 3:03:00 PM
Attachments: [image001.png](#)

Gina,

Once again, please utilize this email thread for communications. I just received a separate email from you stating the following:

ok, i looked back on feb 27th and i received that request. i thought this was something new. but on this one today,, the only thing i got in email was an 'image' that was blank. i didnt receive that list that you sent on the 27th of I feb.

I'm assuming this means you did receive the communication from our office on Feb 27 and you're aware of the requested documents that will be due March 31, 2023. Please confirm that is the case.

Thank you,

Meghan Huffstutter, CFE

Financial Analyst

Comptroller of the Treasury

Division of Local Government Finance

425 Rep. John Lewis Way N. | Nashville, TN 37243

Meghan.Huffstutter@cot.tn.gov | Direct Line 615.747.5379 | Main Line 615.747.5260

LGF@cot.tn.gov

signature_53013356



Mission: To Make Government Work Better

From: Meghan Huffstutter <Meghan.Huffstutter@cot.tn.gov>

Sent: Friday, March 10, 2023 11:27 AM

To: bbyrd@smwb.net

Cc: Ross Colona <Ross.Colona@cot.tn.gov>

Subject: Re: TSUD Document Request

Gina,

Please use this email thread for communication. You sent me an email in another thread today stating that you did not get the original message dated February 27th.

If you are attesting that you did not receive the original email in this email chain, but you received the follow up email, please indicate so.

Meghan

Get [Outlook for iOS](#)

From: Meghan Huffstutter <[Meghan.Huffstutter@cot.tn.gov](mailto: Meghan.Huffstutter@cot.tn.gov)>

Sent: Friday, March 10, 2023 8:55:35 AM

To: [bbyrd@smwb.net](mailto: bbyrd@smwb.net) <[bbyrd@smwb.net](mailto: bbyrd@smwb.net)>

Cc: Ross Colona <[Ross.Colona@cot.tn.gov](mailto: Ross.Colona@cot.tn.gov)>

Subject: Re: TSUD Document Request

Good morning,

I'm just reaching out to confirm you received the previous email.

Thanks,

Meghan

Get [Outlook for iOS](#)

From: Meghan Huffstutter

Sent: Monday, February 27, 2023 10:43:04 AM

To: [bbyrd@smwb.net](mailto: bbyrd@smwb.net) <[bbyrd@smwb.net](mailto: bbyrd@smwb.net)>

Cc: Ross Colona <[Ross.Colona@cot.tn.gov](mailto: Ross.Colona@cot.tn.gov)>

Subject: TSUD Document Request

Good Morning,

Please see the attached letter from our office requesting documents and information as part of the UMRB investigation.

Thank you,

Meghan Huffstutter, CFE

Financial Analyst

Comptroller of the Treasury

Division of Local Government Finance

425 Rep. John Lewis Way N. | Nashville, TN 37243

[Meghan.Huffstutter@cot.tn.gov](mailto: Meghan.Huffstutter@cot.tn.gov) | Direct Line 615.747.5379 | Main Line 615.747.5260

[LGF@cot.tn.gov](mailto: LGF@cot.tn.gov)

signature_53013356



Mission: To Make Government Work Better

From: bbyrd@smwb.net
To: [Meghan Huffstutter](#)
Subject: letter
Date: Friday, March 10, 2023 10:58:05 AM

Ms Meghan,

Gina Byrd from Tarpley Shop Utility, I did not receive a letter with your email.
please try and send it again.

Thank You

From: bbyrd@smwb.net
To: [Meghan Huffstutter](#)
Subject: documents
Date: Friday, March 10, 2023 2:58:47 PM

ok, i looked back on feb 27th and i received that request. i thought this was something new. but on this one today,. the only thing i got in email was an 'image' that was blank. i didnt receive that list that you sent on the 27th of I feb.



JASON E. MUMPOWER
Comptroller

Utility Management Review Board Investigative Questionnaire:

Please fill out the following questionnaire and include any supporting documents that have been requested. Based on the information provided, more documentation may be requested at a later date upon receipt of the completed questionnaire. This Questionnaire is due by January 31, 2023.

Section 1. Utility Board Information

If any of the pre-filled elected official information is incorrect, please note the changes needed to ensure that we have the correct list of Commissioners for the Utility.

- Fill out the following table:

	Title	Name	Initial Appointment Month and Year	Most Recent Appointment Month and Year
President ←	Commissioner	Larry Duncan	June / 2002	
Vice-Pres ←	Commissioner	Sean Collins	Nov / 2022	←
Sec/Treas ←	Commissioner	Jeff Williams	May / 2021	Oct / 2022

Note: The initial appointment date is the first appointment date in the commissioners' current line of service history. For example, if someone was appointed in November of 2012, and has consistently been reappointed, please list November of 2012 as their initial appointment month and year. If someone was appointed in November of 2012, was not reappointed in 2016, then was appointed in 2020, please list November 2020 as the initial election month and year.

- Provide all Annual Training Statements filed pursuant to § 7-82-308(f)(4) for each commissioner. Label this as Exhibit 1. If this individual is out of compliance with the training requirements or if these documents cannot be provided, please provide a written explanation as Exhibit 1.

Section 2. Utility Rates

- Provide a written statement as to any future rate increases that are currently planned. If there are no rate increases planned, please indicate so. Label this as Exhibit 2.

Section 3. Policies and Contracts

- Provide a copy of the District's Capitalization policy. Label this as Exhibit 3.
- Provide a copy of the District's Purchasing policy. Label this as Exhibit 4.
- Provide a copy of the District's Debt Management policy. Label this as Exhibit 5.
- Provide a copy of the District's Leak Adjustment policy. Label this as Exhibit 6.

TARPLEY SHOP UTILITY DISTRICT

Notes to Financial Statements

June 30, 2021

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Assets

Capital assets of the Utility District are recorded at cost. Depreciation is computed over the estimated life of the assets utilizing the straight-line method. The estimated life for capital assets in service is from 6 to 50 years. Capital assets are defined by the District as assets with an individual cost of \$5,000 and an estimated useful life in excess of three years.

Supply Inventory

Supply inventory is valued at the lower of cost (first-in, first-out) or market. Inventory items are considered expenditures when used (consumption method).

Restricted Assets

Restricted assets represent cash and certificates of deposit required to be set aside for the retirement of bonds payable and major repairs and maintenance of lines and water tanks. It is the policy of the District to apply restricted assets when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Operating revenues and operating expenses

The District recognizes operating revenues and operating expenses resulting from providing services and producing goods to its customers. All other revenues and services are deemed nonoperating.

Note 2 - CASH AND CERTIFICATES OF DEPOSIT

The District is authorized to invest funds in financial institutions and direct obligations of the Federal Government. During the year, the District invested funds that were not immediately needed in certificates of deposit and savings accounts. The District has deposit policies to minimize custodial credit risks. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the District. The District's deposits with financial institutions are fully insured or collateralized by securities held by the depository bank in the District's name. Additionally, the deposit accounts are covered by the Federal Depository Insurance Coverage (FDIC).

Exhibit 1:

When our commissioners have gone for training, they said they fill out a card, (provide name, phone # etc) and when they have completed their training, they turned this card in to whoever was teaching the class, and that person was suppose to turn that in to the State.

Mr. Duncan - is our president, he will be doing his training on line this time, but he has been ill, so he hasn't started as of this time.

Mr. Collins - is our vice-president and will be doing his training online as well. He will be starting his training in a few weeks. Did not give me a specific date.

Mr. Williams - is our secretas. He has completed 6 hrs of online training, and will be completeing his other 6 hrs in a few weeks.

Exhibit 2:

At our Dec 2023 meeting, our commissioners agreed to increase our rates within the next couple of months. They are working on this right now, and should have an increase in the works by our next meeting.

Exhibit 3 - Capitalization policy - a copy has been sent to you thru email.

Exhibit 4 - Purchasing policy - ~~As~~ As to the State's Bid Laws

Exhibit 5:

Our auditor said that the State should have a copy of that. We do not have a copy of that in our office.

Exhibit 6:

For as long as I have worked with Betty Byrd in this office, (^{approx} 28 yrs) she has always said we could only do one adjustment per year per customer. I have gone back several years in the minutes but have been unable to find where they adopted this policy. So in our next meeting, it will be brought up to formally adopt this policy.

Exhibit 7, 8, 9, 10.

None of our commissioners have ownership or employment with companies or organizations with this District.

Exhibit 11.

There are no employees of the District. The work is contracted out.

Exhibit 12-

The commissioners receive a monthly salary of \$250 each. There are no benefits provided.

TENNESSEE ASSOCIATION OF UTILITY DISTRICTS

Phone: (615) 896-9022
Fax: (615) 898-8283
Web: www.taud.org



Post Office Box 2529
Murfreesboro, TN 37133-2529

840 Commercial Court
Murfreesboro, TN 37129

December 26, 2013

Tarpley Shop Utility District
1202 Carol Drive
Pulaski, TN 38478

Provided below are commissioners from your utility that have received required training in the 2013 calendar year. This training is in accordance with SB3513 and HB2865 regarding the training for new and incumbent utility district commissioners. This is the information we have on file for your utility and have provided this to the State Comptroller's Office.

Larry Duncan 11/6-8/13	Course Code: 2013ULC	Hours: 12
William Dobbins 11/6-8/13	Course Code: 2013ULC	Hours: 12
Ed Petty, III 11/6-8/13	Course Code: 2013ULC	Hours: 12

Each commissioner must keep this letter and an annual statement of commissioner training (see enclosed) on file in the utility office by January 31, 2014. Commissioners failing to do so, will not be eligible for compensation until this information is filed. Commissioners failing to meet the training and continuing education requirements before the end of their term of office are not eligible for re-appointment or re-election. Should you have any questions, please feel free to contact our office at (615) 896-9022. Information on commissioner training requirements and forms can be found on our web site at www.taud.org under the "Resources" tab and select "Utility District Commissioners". We appreciate you training with TAUD.

Sincerely,

Bob Freudenthal
Executive Director

This is all I could find on any class or training they have taken. As Mr. Duncan told me, and I passed this along to you earlier, they filled out cards, turn them in to the instructor and the instructor turned them into the Comptroller's office. He said it's always been like that. I didn't start attending the meetings until Betty fell ill in 2010. I think or may have been a little later, so I have looked over + over for this in her files and this was it.

Garry Dineen

*has attended and participated in the
Utility Commissioner Training (Both Days)*

*An Approved Training Course Presented by the
Tennessee Association of Utility Districts*

Date: 10/12/2020

Location: Summertown Saddle and Bridle Club, 12 Saddle Bridle Club Circle, Summertown

Credit: 12 hours for Commissioner

**Tennessee Association
of Utility Districts**

Vital for Tennessee's future



A handwritten signature in black ink, appearing to read "B. Freudenthal".

Bob Freudenthal, Executive Director

LD3588

Larry Duncan

has attended and participated in the

Commissioner Training

*An Approved Commissioner Training Course Presented by the
Tennessee Association of Utility Districts*

Date: November 16-17, 2016

Location: Lawrenceburg Utility Systems

Hours: 12



Bob Freudenthal, Executive Director

**Tennessee Association
of Utility Districts**

Vital for Tennessee's Future



2016LUSCOM

Ed J. Oaty, Jr.

*has attended and participated in the
Utility Commissioner Training (Both Days)*

*An Approved Training Course Presented by the
Tennessee Association of Utility Districts*

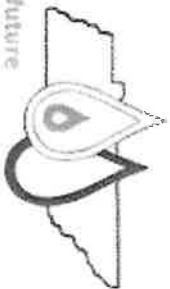
Date: 10/12/2020

Location: Summertown Saddle and Bridle Club, 12 Saddle Bridle Club Circle, Summertown

Credit: 12 hours for Commissioner

**Tennessee Association
of Utility Districts**

Vital for Tennessee's future



Bob Freundenthal, Executive Director

EP7520

Ed T. Petty, III

has attended and participated in the

Commissioner Training

*An Approved Commissioner Training Course Presented by the
Tennessee Association of Utility Districts*

Date: November 16-17, 2016

Location: Lawrenceburg Utility Systems

Hours: 12



Bob Freudenthal, Executive Director

**Tennessee Association
of Utility Districts**
Vital for Tennessee's future



2016LUSCOM

Chanute Pall Mall Utility District

Staff Summary:

The Chanute Pall Mall Utility District (“the District”) was under Board oversight for financial distress from approximately 2015 until its dissolution in 2021. The Board authorized Board staff to refer the District to the Attorney General’s Office for enforcement of Board orders on March 1, 2018. The Attorney General’s Office filed suit against the District on June 28, 2019. The District merged its service into the City of Byrdstown pursuant to a petition filed on or about March 8, 2021. The District no longer exists as a legal entity.

The Board’s case against the District remains open in the Chancery Court for Fentress County.

Staff Recommendation:

Board staff and the Attorney General’s Office may pursue the close of this case by whatever means they deem most expedient and appropriate.