



ANNUAL REPORT

Broadband Plans & Operations

as of June 30, 2023

February 1, 2024

Jason E. Mumpower
Comptroller of the Treasury



**DIVISION OF
LOCAL GOVERNMENT FINANCE**

Report on Broadband Plans and Operations

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

Comptroller Review of Broadband Plans

As of June 30, 2023

Statutory Requirement

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

Key Terms

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

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

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

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

History and Purpose

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

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

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

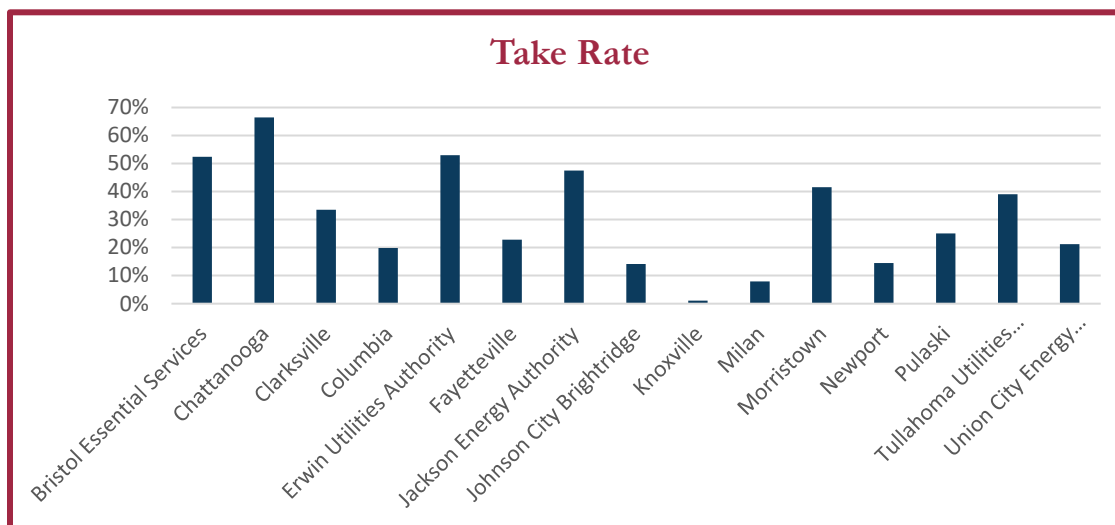
As summarized below, as of June 30, 2023, the Comptroller’s Office had reviewed 28 plans for 26 local governments since the law took effect in 1999.

	Feasible	Not able to Determine	Not Feasible	Total Plans
Comptroller Reviews	24	4	0	28

Of the 26 local governments that submitted **business plans** to our office, 16 were providing broadband services, five were building out infrastructure, four did not move forward with providing broadband services, and one sold their system to a private company as of June 30, 2023 (See Appendix B).

Take Rate Summary

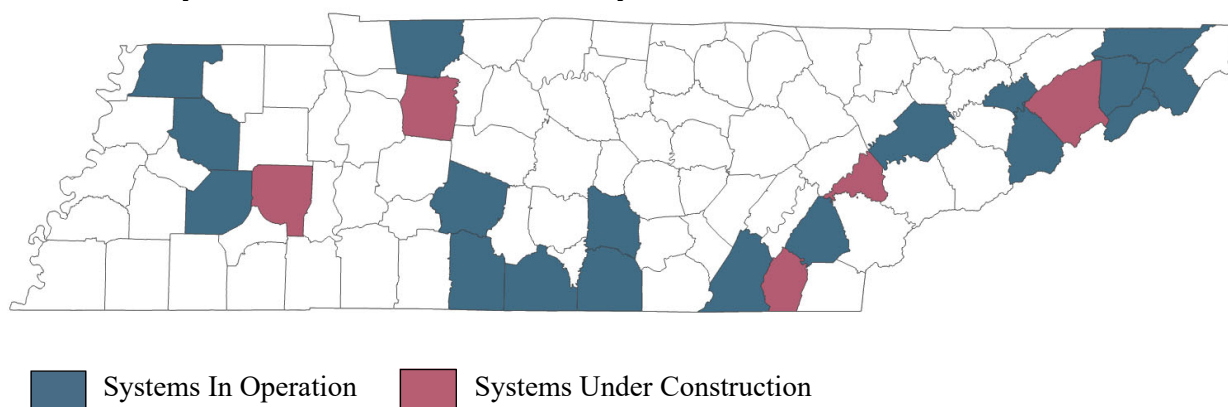
The **take rate** represents the percentage of electric customers that will subscribe to the broadband service and is a key determining factor of the feasibility of a proposed **business plan**. In the **business plan**, the percentage is based upon feedback from customer surveys and can take several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



The above **take rates** are for the 15 systems that reported a customer base of more than 100 in the audit for the fiscal year ended June 30, 2023. Note: Athens had a total of 21 customers as of June 30, 2023, with a **take rate** of 0.15% and is excluded from the chart due to scale.

Map of Local Governments Providing Broadband Services

The following map depicts counties where broadband services were being offered or where broadband infrastructure was being built out by local governments as of June 30, 2023. Twenty-three counties are represented, with the highest concentration in the state’s eastern division. Some of the systems serve more than one county.



Financial Overview of Broadband Systems

As of June 30, 2023, there were 21 local government-run broadband systems in Tennessee, with 16 in operation and five building out infrastructure. The Comptroller’s Local Government Finance division monitors the finances of these systems each year and compiles financial and customer data from the most recent audit for review and analysis. This information is included in Appendix A and is taken from fiscal year 2023 audits. Copies of the audits can be found at: <https://comptroller.tn.gov/advanced-search>. The five systems that had not started operations as of June 30, 2023, were the: City of Cleveland, City of Dickson, Greeneville Energy Authority, City of Lenoir City, and City of Lexington. These local governments have been excluded from the financial overview found in Appendix A.

Local Government Broadband Systems in Operation as of June 30, 2023

Appendix A

	Bristol Essential				
	Athens	Services	Chattanooga	Clarksville	Columbia
First Full Year of Operation	FY 2018	FY 2007	FY 2005	FY 2009	FY 2004
Comptroller Plan Review Status	Feasible	Feasible	Feasible	Feasible	Feasible
Electric Customers	13,854	34,043	194,119	81,993	34,963
Broadband Customers	21	17,844	129,000	27,476	6,944
Take Rate	0.2%	52.4%	66.5%	33.5%	19.9%
Revenues	\$ 163,156	\$ 25,845,764	\$ 169,068,000	\$ 29,522,334	\$ 9,332,866
Expenses	89,051	32,172,277	146,001,000	26,456,653	7,660,305
Operating Income	74,105	(6,326,513)	23,067,000	3,065,681	1,672,561
Other Income	1,428	512,356	3,384,000	268,551	(28,805)
Income Before Contributions and Transfers	75,533	(5,814,157)	26,451,000	3,334,232	1,643,756
Contributions and Transfers	62,500	(45,415)	(144,000)	(88,527)	4,468
Change in Net Position	\$ 138,033	\$ (5,859,572)	\$ 26,307,000	\$ 3,245,705	\$ 1,648,224
Beginning Net Position	\$ 422,418	\$ 35,284,655	\$ 183,202,000	\$ 15,075,026	\$ 5,417,915
Ending Net Position	560,451	29,425,083	209,509,000	18,320,731	7,066,139
Change in Net Position as a % Revenues	85%	-23%	16%	11%	18%
Cash	\$ 339,642	\$ 27,490,564	\$ 90,426,000	\$ 7,345,653	\$ 1,411,453

Local Government Broadband Systems in Operation as of June 30, 2023

Appendix A

	Erwin Utilities Authority	Fayetteville	Jackson Energy Authority	Johnson City Brihtridge	Knoxville
First Full Year of Operation	FY 2015	FY 2002	FY 2004	FY 2019	FY 2023
Comptroller Plan Review Status	Feasible	Feasible	Feasible	Unable to Determine	Feasible
Electric Customers	9,040	19,101	37,138	82,727	218,344
Broadband Customers	4,788	4,356	17,632	11,684	2,331
Take Rate	53.0%	22.8%	47.5%	14.1%	1.1%
Revenues	\$ 3,726,126	\$ 3,946,973	\$ 35,164,212	\$ 11,496,997	\$ 879,506
Expenses	2,724,426	2,643,143	33,435,860	13,649,507	9,495,651
Operating Income	1,001,700	1,303,830	1,728,352	(2,152,510)	(8,616,145)
Other Income	12,467	21,747	(788,193)	1,003,574	(626,330)
Income Before Contributions	1,014,167	1,325,577	940,159	(1,148,936)	(9,242,475)
Contributions and Transfers	(12,538)	52,049	19,010	-	-
Change in Net Position	\$ 1,001,629	\$ 1,377,626	\$ 959,169	\$ (1,148,936)	\$ (9,242,475)
Beginning Net Position	\$ 2,446,788	\$ 6,089,451	\$ 19,517,630	\$ 19,517,630	\$ (2,565,389)
Ending Net Position	3,448,417	7,467,077	20,476,799	18,368,694	(11,807,864)
Change in Net Position as a % Revenues	27%	35%	3%	-10%	-1051%
Cash	\$ 2,785,898	\$ 1,128,626	\$ 7,762,898	\$ 7,762,898	\$ 12,264,803

Local Government Broadband Systems in Operation as of June 30, 2023

Appendix A

	Milan	Morristown	Newport	Pulaski	Tullahoma Utilities Authority	Union City Energy Authority
First Full Year of Operation	FY 2020	FY 2007	FY 2019	FY 2007	FY 2010	FY 2018
Comptroller Plan Review Status	Feasible	Feasible	Unable to Determine	Feasible	Feasible	Feasible
Electric Customers	8,327	15,931	23,706	15,005	11,633	6,434
Broadband Customers	658	6,619	3,427	3,754	4,542	1,363
Take Rate	7.9%	41.5%	14.5%	25.0%	39.0%	21.2%
Revenues	\$ 611,366	\$ 11,697,165	\$ 4,524,033	\$ 3,980,510	\$ 7,127,723	\$ 1,440,529
Expenses	490,147	9,869,461	3,852,553	3,121,692	5,732,202	641,955
Operating Income	121,219	1,827,704	671,480	858,818	1,395,521	798,574
Other Income	1,108	(24,225)	(809)	(374)	183,462	79,535
Income Before Contributions and Transfers	122,327	1,803,479	670,671	858,444	1,578,983	878,109
Change in Net Position	\$ 121,925	\$ 1,803,479	\$ 670,671	\$ 858,444	\$ 1,578,983	\$ 878,109
Beginning Net Position	\$ 513,017	\$ 7,706,955	\$ (3,863,642)	\$ 2,205,573	\$ 6,476,981	\$ 1,968,983
Ending Net Position	634,942	9,510,434	(3,192,971)	3,064,017	8,055,964	2,847,092
Change in Net Position as a % Revenues	20%	15%	15%	22%	22%	61%
Cash	\$ 544,743	\$ 2,825,035	\$ 1,662,127	\$ 3,437,285	\$ 6,392,643	\$ 2,604,515

Local Government Broadband System Plans Reviewed as of June 30, 2023

Appendix B

Local Government	County	Comptroller Report Date	Feasibility Determination	Status
1. Athens	McMinn	June 6, 2002	feasible	providing service
2. Bolivar	Hardeman	October 29, 1999	feasible	did not move forward
3. Bristol	Sullivan	October 7, 2004	feasible	providing service
4. Chattanooga (internet services)	Hamilton	May 13, 2002	feasible	providing service
5. Chattanooga (cable tv)	Hamilton	August 21, 2007	feasible	providing service
6. Clarksville	Montgomery	January 11, 2006	feasible	providing service
7. Cleveland	Bradley	November 18, 2022	feasible	building out
8. Columbia	Maury	<i>Information Not Available</i> -----		providing service
9. Covington	Tipton	December 9, 1999	feasible	sold 2007
10. Dickson	Dickson	December 28, 2021	feasible	building out
11. Erwin Utilities Authority	Unicoi	August 21, 2014	feasible	providing service
12. Fayetteville	Lincoln	October 27, 1999	feasible	providing service
13. Greeneville Energy Authority (city)	Greene	December 14, 2022	could not determine	building out
14. Greeneville Energy Authority (rural)	Greene	June 21, 2023	feasible	building out
15. Jackson Energy Authority	Madison	February 28, 2002	feasible	providing service
16. Johnson City Energy Authority d/b/a BrightRidge	Washington, Sullivan, Carter	June 21, 2018	could not determine	providing service

Local Government Broadband System Plans Reviewed as of June 30, 2023

Appendix B (cont.)

Local Government	County	Comptroller Report Date	Feasibility Determination	Status
17. Knoxville	Knox	May 11, 2021	feasible	providing service
18. Lenoir City	Loudon	December 17, 2021	feasible	building out
19. Lexington	Henderson	February 18, 2022	feasible	building out
20. Milan	Gibson	June 21, 2018	feasible	providing service
21. Morristown	Hamblen	July 25, 2000	feasible	providing service
22. Newport	Cocke	May 17, 2017	could not determine	providing service
23. Paris	Henry	November 7, 2019	could not determine	did not move forward
24. Pulaski	Giles	June 7, 2002	feasible	providing service
25. Springfield	Robertson	March 20, 2002	feasible	did not move forward
26. Tullahoma (plan resubmitted)	Franklin, Coffee	March 5, 2007	feasible	providing service
27. Union City	Obion	August 15, 2016	feasible	providing service
28. Winchester	Franklin	May 6, 2004	feasible	did not move forward