



JASON E. MUMPOWER
Comptroller

WWFB Agenda

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MINUTES
WATER and WASTEWATER FINANCING BOARD MEETING
March 24, 2022
10:00 am

Chair Betsy Knotts detected a quorum and called to order the meeting of the Water and Wastewater Financing Board (“the Board”) in the Volunteer Conference Center in the Cordell Hull Building in Nashville, TN at 10:00 am.

Board Members Present

Betsy Knotts, Chairman
Tom Moss, Vice Chairman
Jim Redwine
Mike Adams
Nick Newman, participated virtually
Drexel Heidel
Eugene Hampton

Board Members Absent

Mike Goodman

Staff Present

Ross Colona, Comptroller’s Office
Meghan Huffstutter, Comptroller’s Office
Nate Fontenot, Comptroller’s Office
Steve Osborne, Comptroller’s Office

Counsel Present

Seth May, Comptroller’s Office, participated virtually

Others Present & Addressing the Board

Nathaniel Green, James C. Hailey Company, Engineer for Spencer, TN
Ricky Oakley, Civil and Environmental Consultants, Engineer for Mason, TN
Vena Jones, TDEC, Environmental Consultant
Chris Leauber, Executive Director, American Water Works Association, Water Loss Committee
Don Scholes, General Counsel, TAUD

Approval of Minutes

Ms. Knotts presented the September 16, 2021, and November 10, 2021 minutes for approval. Chairman Knotts moved to approve the minutes. Mr. Hampton seconded the motion which passed with the following roll call vote:

Mr. Adams- Yes
Mr. Heidel- Yes
Mr. Hampton- Yes
Mr. Newman- Yes
Mr. Redwine- Yes

Vice-Chair Moss- Yes
 Chairman Knotts- Yes

Financial Distress

Erin

Mr. Colona explained the staff recommendations. Mr. Moss moved to order the following:

1. By July 1, 2022, 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.
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 and Manager to appear in-person before the Board during its next meeting following non-compliance of this order.

Mr. Heidel seconded the motion which passed with the following roll call vote:

Mr. Adams- Yes
 Mr. Heidel- Yes
 Mr. Hampton- Yes
 Mr. Newman- Yes
 Mr. Redwine- Yes
 Vice-Chair Moss- Yes
 Chairman Knotts- Yes

Parrottsville

Mr. Colona explained the staff recommendations. Mr. Redwine moved to order the following:

1. By July 1, 2022, the Entity shall provide an update to Board staff regarding Newport's billing of the Entity's sewer system customers.
2. By July 1, 2022, the Entity shall contract with TAUD, or another qualified expert, to conduct a feasibility study of the potential merger between the Entity's utility and the City of Newport's utility.
3. 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 and Manager to appear in-person before the Board during its next meeting following non-compliance of this order.
4. The Board rescinds its prior order directing staff to refer the matter for enforcement through Chancery Court

Mr. Hampton seconded the motion which passed with the following roll call vote:

Mr. Adams- Yes
 Mr. Heidel- Yes
 Mr. Hampton- Yes
 Mr. Newman- Yes
 Mr. Redwine- Yes

Vice-Chair Moss- Yes
 Chairman Knotts- Yes

Puryear

Mr. Colona explained the staff recommendations. Mr. Moss moved to order the following:

1. By July 1, 2022, 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.
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 and Manager to appear in-person before the Board during its next meeting following non-compliance of this order.

Mr. Adams seconded the motion which passed with the following roll call vote:

Mr. Adams- Yes
 Mr. Heidel- Yes
 Mr. Hampton- Yes
 Mr. Newman- Yes
 Mr. Redwine- Yes
 Vice-Chair Moss- Yes
 Chairman Knotts- Yes

Update Cycle Orders

Staff indicated that the following entities had complied with or were nearing completion of all Board directives. Staff recommended that the Board monitor the progress of the entities by requiring twice-yearly financial updates. Chairman Knotts moved to combine the following items into one vote as the staff recommendation was the same for each entity. Mr. Adams moved to adopt the staff recommendation below for each entity:

1. The Entity shall send financial updates to Board staff by March 1st and September 1st of each year beginning September 1, 2022, until the Board releases the Entity from its oversight.

Bruceton
Goodlettsville
Lincoln County
Tellico Plains
Trimble

Mr. Heidel seconded the motion which passed with the following roll call vote:

Mr. Adams- Yes
 Mr. Heidel- Yes
 Mr. Hampton- Yes

Mr. Newman- Yes
Mr. Redwine- Yes
Vice-Chair Moss- Yes
Chairman Knotts- Yes

Board Investigations

MASON

Mr. Colona went over the staff summary and recommendations based on the board staff investigation. Mr. Ricky Oakley addressed the board. He shared that he believes that the investigation has been a blessing for the Town and thanked the board for their help. He agreed that the challenges the Town faces are water and sewer infrastructure, and he is hopeful that with SRF loans and grants they can address some of the issues they are facing. Mr. Newman asked Mr. Oakley if the Town would be able to achieve the board's recommendations. Mr. Oakley said he thought it was all is fair and reasonable. He also agreed that the Town needed to do a rate study. Mr. Moss asked if Mason could have impact fees in their rates. Mr. Oakley responded that they would most likely need to pass an ordinance to allow this. Mr. Hampton asked if anyone represented the Town at the meeting and had questions surrounding the \$500,000 transfers from the general fund to the water sewer fund and asked if that would get repaid. Mr. Colona responded and shared the Comptroller's plan for the repayment. Mr. Hampton asked how often they have to report the payments that were going to be made. Mr. Colona responded that the Town would be providing weekly financial requests for approval. Mr. Osborn shared the Comptroller's Corrective Action Plan for the financial oversight with the Division of Local Government Finance.

Mr. Heidel asked if the town had someone in place to ensure they were following statutory requirements. Mayor Gooden responded that they do. Mr. Redwine asked Board staff and the Mayor, if they had sufficient outside resources to deal with restructuring issues and new infrastructure. Mr. Redwine offered pro bono assistance if necessary. Mayor Gooden thanked him for the offer. Chairman Knotts said that assistance is always welcome, and Mr. Redwine was going to look into his resources. Mr. Adams made a motion to accept the staff recommendations and order the following:

1. The Utility 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 Utility's capitalization policy, including any recommended modifications;
 - b. A justification for the disparity in rates between customers inside the city limits and outside the city limits;
 - c. A review of The Utility's capital asset list, including any recommended modifications or upgrades;
 - d. A review of The Utility's debt management policy, including any recommended modifications;
 - e. A review of The Utility's purchasing policy, including any recommended modifications;
 - f. Creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;

- g. And a review of connection fees, tap fees, and required deposit amounts including any recommended modifications;
- 2. By June 3, 2022, The Utility shall send Board staff a copy of the contract between The Utility and the qualified expert who is to perform the tasks in paragraph 1. This qualified expert must be approved by Board staff if it is other than the Tennessee Association of Utility Districts.
 - a. By December 31, 2022, The Utility shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
 - b. Board staff is given the authority to grant an extension of up to six months of the foregoing deadlines upon a showing of good cause by The Utility.
- 3. Should The Utility fail to comply with any directive in this order, Board staff and Counsel shall issue subpoenas for The Utility's governing body and Manager to appear in-person before the Board during its next meeting following non-compliance of this order.

Mr. Hampton seconded the motion which passed with the following roll call vote:

Mr. Adams- Yes
 Mr. Heidel- Yes
 Mr. Hampton- Yes
 Mr. Newman- Yes
 Mr. Redwine- Yes
 Vice-Chair Moss- Yes
 Chairman Knotts- Yes

SPENCER

Mr. Colona shared the staff recommendations and summary from the board staff investigation. Mr. Moss shared his concerns with the inability to avoid pumping water from the Caney Fork River. Mr. Redwine asked what the merger option is and if it has been pushed. Mr. Colona said that he had spoken to Warren County and thinks it would be beneficial to have a merger occur. Mr. Moss asked if we could force a merger with the new legislation. Mr. Colona said that it does not apply to the WWFB but to the UMRB.

Mr. Nathaniel Green addressed the board with a letter. He believes that Warren County should own and operate the City of Spencer's water and sewer system. He shared that he had offered to make a presentation to the Warren County Commission on March 16, 2022 to acquire the facilities. Warren County will provide a letter and will assist the City. Warren County would like Spencer to formally request the acquisition. He inquired if depreciation could be helped with by the Comptroller's office, stating that small utilities are afraid to purchase new things due to depreciation. He formally requested assistance to investigate ways to help with deprecation.

Mr. Moss asked if they went to Warren County if they would still have to run their plant. Mr. Green said that perhaps Warren County and Spencer could split the service areas on the mountain. Mr. Moss asked how the lake was fed. Mr. Green replied it's fed with rain. Mr. Adams said that

his opinion is that consolidation of the whole system is necessary. Mr. Green said that the City does not want another system to take over, they want the state to help. But that this plan is not feasible. Mr. Adams shared his concerns about the misallocation of payment between public works and the sewer fund in regards to employees and asked if that would be something Jackson Thornton would note, or that the auditors would find. Mr. Colona stated that no, this was a board staff observation. Mr. Adams is concerned that the rate increases were not followed. Mr. Colona said the rate increased was vetoed in April 2017. Mr. Adams stated that the City needs significant rate increases and that they should follow the recommendations from Jackson Thornton. Mr. Redwine state that the City has to recognize if they want their independence it will come with a cost. And if they cannot recognize those issues, the board will be required to force issues. Mr. Adams agreed. Mr. Colona offered to alter staff recommendations to make the rate adoption mandatory. Mr. Redwine moved to accept staff recommendations and the following orders:

1. The Utility shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a study that includes the following:
 - a. A justification for the disparity in rates for customers inside the city limits and outside the city limits;
 - b. A review of the Utility's expenses to ensure that costs are being adequately allocated to the proper City funds;
 - c. If costs are not adequately allocated between the city's utilities functions and other city functions, the qualified expert shall conduct a new rate study;
 - d. A review of the City's capital asset list, including any recommended modifications;
 - e. A review of the City's debt management policy, including any recommended modifications;
 - f. A review of the City's purchasing policy, including any recommended modifications;
 - g. A review of connection fees, tap fees, and required deposit amounts including any recommended modifications; and,
 - h. An evaluation of the potential of a merger of the City's utility with a surrounding utility system. This includes a financial analysis of the costs for Spencer's utilities to be taken over by Warren County, including a rate comparison showing the effect of this takeover on customers within Spencer.

Experts contracted to assist with any of the above must be approved by Boards staff.

2. By June 3, 2022, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.
3. By December 31, 2022, the City shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation. If it is determined that the costs have been adequately allocated between the correct city funds, then the City shall also provide proof of implementation of the previous recommendations of the 2021 Jackson Thornton Water Cost of Service Study.
4. Board staff is given the authority to grant two extensions of up to six months of the foregoing deadlines upon a showing of good cause by the City.
5. Should the City fail to comply with any directive in this order, Board staff and Counsel shall issue subpoenas for the City's governing body and Manager to appear in-person before the Board during its next meeting following non-compliance of this order.

Mr. Adams seconded the motion which passed with the following roll call vote:

Mr. Adams- Yes
Mr. Heidel- Yes
Mr. Hampton- Yes
Mr. Newman- Yes
Mr. Redwine- Yes
Vice-Chair Moss- Yes
Chairman Knotts- Yes

ARP Update

Ms. Vena Jones attended the meeting virtually and addressed the board with an update on the American Rescue Plan and the portal launch in April. Mr. Redwine asked to view the score cards for the infrastructure scorecards that Ms. Jones discussed in her presentation. Ms. Jones stated they are not public right now, and that TDEC will need to develop a more robust database that will be more compatible to outside users. Mr. Redwine state that they are public records and he is looking forward to reviewing the scorecards. Mr. Colona thanked Ms. Jones for her presentation and another update will be provided to the board as requested or necessary.

City of Friendship

Mr. Colona addressed Seth May and asked him to explain the most recent update regarding the City of Friendship. Mr. May informed the board that the City of Friendship was subject to a previous board order, but due to ongoing litigation is unable to comply with that order. Specifically, the City cannot join its utilities to Countywide Utility District, and under threat of litigation CWUD is unwilling to pursue further negotiations at this time. Counsel recommended the Board amend the previous order such that the City could legally comply. The following are the new orders:

1. The requirement for the City to implement water rate option 4 of the TAUD report and TAUD's sewer rate recommendation is hereby stayed indefinitely pending further order of the Board. The Board reserves the right to reinstate or modify said requirement in any such subsequent order.
2. By June 30, 2022, the City shall implement, or adopt a plan for implementing that is acceptable to the Board staff, the recommendations listed under "Other Suggestions" on page 18 of the TAUD report and shall send Board staff proof of the same by July 31, 2022.
3. Notwithstanding the above, the City may proceed to install Zenner water meters in lieu of those currently used by Countywide Utility District.
4. The City shall provide Board staff regular updates on the status of litigation related to its water system and the City's progress in complying with this Order on at least a monthly basis.
5. Unless specifically modified herein, the provisions of the September 18 Order shall remain in full force and effect.

Mr. Moss noted that the wells were horribly contaminated. Mr. Colona shared that the order gives flexibility with current legal issues and to ensure that the City is in compliance. Mr. Adams made a motion to adopt the new orders. Mr. Newman seconded the motion which passed with the following roll call vote:

Mr. Adams- Yes
 Mr. Heidel- Yes
 Mr. Hampton- Yes
 Mr. Newman- Yes
 Mr. Redwine- Yes
 Vice-Chair Moss- Yes
 Chairman Knotts- Yes

Annual Information Report

Mr. Colona addressed the board regarding water loss, and the currently established parameters submitted in the audit reports from the AWWA workbook. He recommended to change water loss standards to be greater than 40% by volume. He also informed the board that entities are not equipped to fill out the report correctly, and legislation had been passed that it is no longer an audit report but rather an annual information report. Mr. Leauber addressed the board to discuss this more. Mr. Redwine share that he is concerned the board is being asked to do something that staff had not had adequate time to review, and the board does not have enough time today to consider all the implications. He agreed with adding them to the questionnaire but would like more information on the impact on this why the change. Mr. Colona state that they needed to move to a volumetric rate, because due to incorrect completion of the current report, there may be a bigger net of utilities that are out of compliance. This would address the actual water loss problem. Mr. Redwine is concerned that the standard is being loosened going from 20 to 40. Chairman Knotts moved to amend the motion that we not abandon the AWWA report but use it as a tool. Mr. Heidel clarified that this is a tool for accuracy. Mr. Colona formally amended the recommendation to include language to say the intention is the change the standard in which entities are referred but moving forward with a Corrective Action Plan. Mr. Adams moved to accept the changes as amended. Mr. Moss seconded the motion which passed with the following roll call vote:

Mr. Adams- Yes
 Mr. Heidel- Yes
 Mr. Hampton- Yes
 Mr. Newman- Yes
 Mr. Redwine- abstained from vote
 Vice-Chair Moss- Yes
 Chairman Knotts- Yes

Questionnaire

Mr. Colona addressed the board and shared the changes made to the annual information report. The changes include the addition of a phone number field and language that now states if you purchase 50% or more of water and you have a contract for water purchases that the Comptroller's office would require a copy of the contract.

Mr. Moss requested that an amendment be added that would inquire how big of a line for connections. Mr. Hampton requested that they also be required to list their website. Mr. Scholes addressed the board and shared that there are utilities that sell water wholesale that will not have

contracts. Chairman Knotts asked that the water purchase agreements include a no contract option. Mr. Heidel asked how water customers and sewer customers are counted and asked how the report should count. Mr. Colona suggested billing in “units”. Chairman Knotts made a motion to accept these changes. Mr. Hampton seconded the motion which passed with the following roll call vote:

Mr. Adams- Yes
 Mr. Heidel- Yes
 Mr. Hampton- Yes
 Mr. Newman- Yes
 Mr. Redwine- abstained from vote
 Vice-Chair Moss- Yes
 Chairman Knotts- Yes

Mr. Redwine made a motion to allow staff of the WWFB to adjust the questionnaire as needed and to inform the board as changes are made. Mr. Adams seconded the motion which passed with the following roll call vote:

Mr. Adams- Yes
 Mr. Heidel- Yes
 Mr. Hampton- Yes
 Mr. Newman- Yes
 Mr. Redwine- abstained from vote
 Vice-Chair Moss- Yes
 Chairman Knotts- Yes

Legislative Update

Mr. Colona shared that there are two main updates for legislation. The first is cyber security plans will be verified by audit. Secondly, if a utility customer attempts to make a connection to a utility, they can request a breakdown of the cost it will take to tap into the system. The utility will be required to give the customer a breakdown of the cost in a timely manner. If the utility will not provide this to the customer, then the customer can file a complaint with the WWFB.

Conflict of Interest Statements

Mr. Colona reminded board members to fill out and leave the statements here with staff, they are needed annually.

Board Discussion

None

Adjournment

Chairman Knotts moved to adjourn the meeting. Mr. Adams seconded the motion. The meeting concluded at 12:20PM.

Annual Information Report and Board Case Summary

Board Cases

This information is current as of November 10, 2022. There are 282 entities that fall under the jurisdiction of the Water and Wastewater Financing Board. Here is a breakdown of the cases under the WWFB. There are 154 cases under supervision or review, broken down as follows:

- 91 Financial Distress Cases (43 West TN, 24 Middle TN, 24 East TN)
 - 54 Update Cycle
 - 7 Questionnaires Outstanding
 - 8 Questionnaires Received
 - 22 Orders Outstanding
- 41 Water Loss Cases
 - 27 AWWA Submissions Outstanding
 - 14 AWWA Submissions Received
- 20 Training Compliance Cases
- 2 Investigations

Annual Information Report

244 have filed their Annual Information Report (“AIR”). Board staff expects full compliance by the first meeting of 2023. Any entities that are not in compliance by the first meeting of 2023 will be sent Board orders to comply with the statutory requirement of the AIR submission. Board staff is working on a dashboard to visualize the data that is gained from the AIR submissions. Below is some pertinent information that has been gathered so far out of the 244 submissions.

1. 204 Water Systems (41 Entities or 20% have water loss violations)
2. 213 Wastewater Systems
3. 38 Water Systems purchase more than half of the water they sell to customers
4. 27.49% median non-revenue water by volume
5. 20 Entities out of compliance with Training Requirements

Training Violations

In instances of training compliance violations, Board staff sent correspondence to the Entity asking for proof of compliance by December 31, 2022. This correspondence was sent in September 2022. The Comptroller’s office offers free online training for the training requirement. In 2022, the median number of free utility training courses being viewed monthly in was 422 courses per month. In October of 2022, that number spiked to 1699. Board staff believes this is an indicator that utility governing body members are working towards their compliance after receiving the notification of their non-compliance.

Water Loss Violations

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.

Bruceton
Celina
Henry
Lafollette
McEwen
Obion
Rockwood
Rogersville
Trenton
Troy
White Pine

Staff Recommendation:

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

1. The Entity shall send Board staff an update by February 28th, 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.



Jason E. Mumpower
Comptroller

Entity Referred: **Town of Brighton**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water And Sewer**

Staff Summary:

The Town of Brighton ("the Entity") has been referred to the Water and Wastewater Financing Board ("the Board") for financial distress since its fiscal year 2018 audit. The Entity has had delinquent audits for several years which has caused difficulties in trying to work with the Entity. The Entity is now current with their audit submissions. The Entity should work with a third-party to verify its rates are set in a manner to remedy its financial distress. The Entity also reported that members of the governing body have failed to meet their training requirements.

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 January 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. Should the Entity fail to comply with any directive in this order, Board staff and Counsel shall, with the full authority of the Board, issue subpoenas for the Entity's governing body and Manager to appear in-person before the Board during its next meeting following non-compliance of this order.

Brighton

	Category: Water And Sewer		County: Tipton	
	2018	2019	2020	2021
Net Assets	\$4,209,269.00	\$4,709,248.00	\$4,552,854.00	\$4,321,994.00
Deferred Outflow Resources	\$11,269.00	\$14,754.00	\$12,450.00	\$9,320.00
Net Liabilities	\$290,705.00	\$722,276.00	\$726,046.00	\$698,441.00
Deferred Inflow Resources	\$12,544.00	\$11,982.00	\$29,558.00	\$21,947.00
Total Net Position	\$3,917,289.00	\$3,989,744.00	\$3,809,700.00	\$3,610,926.00
Operating Revenues	\$1,004,865.00	\$966,339.00	\$1,009,738.00	\$1,062,591.00
Net Sales	\$963,722.00	\$964,688.00	\$971,868.00	\$985,821.00
Operating Expenses	\$1,144,643.00	\$1,071,866.00	\$1,205,438.00	\$1,260,550.00
Depreciation Expenses	\$187,249.00	\$220,740.00	\$210,852.00	\$229,536.00
Non Operating Revenues	\$2,632.00	\$2,057.00	\$443.00	-\$815.00
Capital Contributions	\$227,296.00	\$141,093.00	\$15,213.00	\$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	\$90,150.00	\$37,623.00	-\$180,044.00	-\$198,774.00
Statutory Change In Net Position	-\$137,146.00	-\$103,470.00	-\$195,257.00	-\$198,774.00



Jason E. Mumpower
Comptroller

Entity Referred: **Town of Bulls Gap**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Sewer**

Staff Summary:

The Town of Bulls Gap ("the Entity") has been referred to the Water and Wastewater Financing Board ("the Board") for financial distress since its fiscal year 2021 audit. The Entity is currently undergoing a large capital project that should add more customers to its customer base. The increased revenue from these potential customers may be enough to offset the financial distress the Entity is under. Furthermore, the increased costs from the project they are doing may also contribute to their financial distress. Board staff believes that a third party should evaluate the current and future rates necessary to ensure the financial health of the Entity.

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. a review of anticipated changes to the Entity's customer base and ongoing capital projects, including any recommended modifications or considerations for future rate modifications; and;
 - f. confirmation that all members of the utility system's governing body have complied with the applicable training requirements.
2. By January 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.

Bulls Gap

	Category: Sewer		County: Hawkins	
	2018	2019	2020	2021
Net Assets	\$2,050,515.84	\$2,101,977.63	\$2,086,889.54	\$2,615,453.08
Deferred Outflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Net Liabilities	\$4,922.87	\$5,760.36	\$24,173.64	\$590,665.07
Deferred Inflow Resources	\$0.00	\$0.00	\$50.00	\$50.00
Total Net Position	\$2,045,592.97	\$2,096,217.27	\$2,062,665.90	\$2,024,738.01
Operating Revenues	\$229,281.00	\$241,646.17	\$213,987.32	\$204,286.79
Net Sales	\$229,281.00	\$241,646.17	\$213,987.32	\$204,286.79
Operating Expenses	\$169,705.31	\$192,201.82	\$251,327.15	\$242,449.34
Depreciation Expenses	\$77,453.14	\$79,760.39	\$82,252.68	\$102,026.92
Non Operating Revenues	\$283.54	\$1,179.95	\$3,788.46	\$234.66
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	\$59,859.23	\$50,624.30	-\$33,551.37	-\$37,927.89
Statutory Change In Net Position	\$59,859.23	\$50,624.30	-\$33,551.37	-\$37,927.89

Contact Information and Comptroller Filings

Entity ID Number	1615
Name	Michael Solomon
Email	mike.bullsgap@gmail.com
Phone	(423) 235-5216
Mailing Address	PO Box 10 Bulls Gap, TN 37711

Has the most recent Annual Information report been timely filed for this utility? Yes

Has the utility filed its most recent budget with the Comptroller's Office within 15 days of adoption? Yes

Has the utility filed its most recent audit with the Comptroller's Office within 6 months of the last fiscal year end? Yes

Financial Distress Remedy Plans

Does this utility have a plan to remedy the current financial distress? Yes

Please describe the current plan to remedy the utility's financial distress.

The current financial distress, is primarily due to delays in construction that has caused the Utility to expend funds in three fiscal years, the payment of invoices throughout this period, has increased expenditures, yet until construction is underway the funding package that was assembled for this sewer upgrade and extension, would not issue any funds, that decreased overall anticipated revenues. Over the past several years, knowing that this project was moving forward, the Utility has tried to increase our fund balance, year after year, making funds available for invoices, and not having to wait for disbursement from funding sources, creating our change in net position during this period

Rates and Fees Information

Has a rate study been completed for the utility in the previous 5 years? No

Has the utility implemented a rate increase in the last 6 months? No

Does the utility have plans to implement a rate increase in the next 6 months? No

Please upload a copy of the current rate ordinance or resolution. <https://www.formstack.com/admin/download/file/12536250419>

Has this utility had any changes to fees in the last 5 years? Yes

Please upload a copy of the current utility fee schedule. <https://www.formstack.com/admin/download/file/12536250425>

Please provide a written rationale for the fees contained in the current fee schedule and any changes that may have occurred if indicated so in the previous question.

The utility increased the base rate in 2020 by more than 10% for all of our customers, we increased the over minimum fee by 20%. Even though our fee schedule includes residences outside the Town's jurisdiction, and those that utilize private wells, two residences are subject to this fee. We review our rates annually, and adjust as we see necessary.

Financial Initiatives

Has the utility incurred any new debt during its current fiscal year, or does the utility plan on incurring any new debt during the current or next fiscal year? No

Has the utility received any grants during its current fiscal year, or does the utility plan on applying for or receiving any new grants during the current or next fiscal year? Yes

How much is this funding, and what is the source of this funding? \$ 627,000 USDA Rural Development Grants, ARC Grant matching Funds

What will this funding be used for? This was the final draw for the completion of our Sewer Extension Project, that brings service to previously unserved residents, and increases our ability to grow economic development in the Town.

Utility Information

Does this utility offer water service? No

Does this utility offer sewer or wastewater service? Yes

Water Utility Information

What percentage of volume do the largest 10 customers account for annually? 0

Wastewater Utility Information

How many billed customers does the wastewater utility have? 325

How many unbilled customers does the wastewater utility have? 0

How many metered customers does the wastewater utility have? 0

How many unmetered customers does the wastewater utility have? 0

What was the net sales revenue from the largest 10 customers last fiscal year? 118694

What was the net sales revenue for the wastewater utility last fiscal year? 204565

How many thousand gallons of wastewater were treated for the largest 10 customers last fiscal year? 12668

How many thousand gallons of wastewater were treated by the utility last fiscal year? 24209

Percentage of sales from Largest 10 Customers 58.86%

Percentage of flow from Largest 10 Customers 52.32%

Does the wastewater utility have a rate structure with differing rates based on geographical location? No

Does this utility treat all of the wastewater collections without sending wastewater to another utility for treatment?	No
Does this utility treat wastewater from another utility?	No
Does a contract exist for the treatment of wastewater for or from another utility?	Yes
Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve wastewater service to its current or future customer base?	Not at this time
Does this utility treat wastewater for customers on wells?	No
Excluding any potential customers on wells, are all customers billed based on metered water usage?	Yes
Does this utility treat wastewater at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities?	No
What is the design capacity of the wastewater treatment facility?	150000
What is the average operating capacity of the wastewater treatment facility?	55000
Are there any environmental concerns including government environmental orders for the wastewater utility?	No
Does this utility have a sewer use ordinance or resolution?	Yes
How is this sewer use ordinance or resolution enforced?	Citations and Fines

Plans and Policies

Does this utility have a debt management policy?	Yes
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Does this utility have a capitalization policy?	Yes
Does this utility have an asset management plan?	Yes
Does this utility have a copy of its capital asset list on file?	Yes
How often is this capital asset list reviewed and by whom?	Annually by CMFO, and Auditor

TOWN OF BULLS GAP, TENNESSEE
 SEWER SYSTEM DATA-PUBLIC UTILITY FUND
 SCHEDULE OF SEWER RATES
 For The Fiscal Year Ended June 30, 2021

1. SEWER CHARGES

Residential and Small Commercial Rates Inside City Limits:

Customers with well water will pay a flat rate (\$27.34). The flat rate for 0-2000 gallons is \$20.00 per month (minimum billing), and over 2,000 gallons is charged at \$5.50 per 1,000 gallons.

Commercial And Industrial Rates:

For 0-2,000 Gallons	Cost is \$18.00
Over 2,000 Gallons	Cost is \$5.50 per 1,000 Gallons

Industrial Rates:

Less than 1MG/month	Minimum \$5,000.00/Month
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2. SEWER CHARGES OUTSIDE THE CITY OF BULLS GAP, TENNESSEE

RESIDENTIAL AND SMALL COMMERCIAL RATES:

Residential:	Cost
For 0-2,000 Gallons	\$24.00
Over 2,000 Gallons	\$ 6.50 (per 1,000 Gallons)

Commercial

For 0-2,000 Gallons	\$24.00
Over 2,000 Gallons	\$ 6.50 (per 1,000 Gallons)

Well Customers	\$34.00/month
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3. SEWER TAP FEES

- A. \$ 3,500 for Grinder /Pump
- \$1,500 for Small Gravity Line
- \$ 2,000 for Large Gravity Line

4. NUMBER OF CUSTOMERS	295
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Jason E. Mumpower
Comptroller

Entity Referred: **Town of Cumberland Gap**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water And Sewer**

Staff Summary:

The Town of Cumberland Gap ("the Entity") has been referred to the Water and Wastewater Financing Board ("the Board") for financial distress since its fiscal year 2021 audit. The Entity timely completed the financial distress questionnaire. Board staff has compiled the following findings in reading through the financial distress questionnaire:

1. The Entity last had rate increases in August of 2021. Prior to those increases, the Entity implemented rate increases in 2015. The rate increases passed in 2021 were not based on a rate study. The Entity should have a rate study done to confirm the passed rates or offer differing rates.
2. There are not outside the city limit water rates, but there are differing rates for sewer customers outside of the city limits. The rate study ordered should provide an initial assessment as to whether these rates are fair.
3. The Entity reported having 78 unbilled sewer customers. The City should ensure that all customers are appropriately billed for the usage of the system.

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. a review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist;
 - f. a justification of the inside and outside the city limit rates, including any recommended modifications to the rate structure;
 - g. a justification for having unbilled sewer customers, including any recommendations to bill all customers if needed; and,
 - e. verification that all governing body members of the utility are in compliance with all relevant training requirements;
2. By January 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.

Cumberland Gap

	Category: Water And Sewer		County: Claiborne	
	2018	2019	2020	2021
Net Assets	\$2,704,657.00	\$2,687,875.00	\$2,650,462.00	\$2,609,724.00
Deferred Outflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Net Liabilities	\$316,702.00	\$309,109.00	\$309,335.00	\$293,844.00
Deferred Inflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Total Net Position	\$2,387,954.00	\$2,378,766.00	\$2,341,127.00	\$2,315,880.00
Operating Revenues	\$287,521.00	\$268,830.00	\$239,040.00	\$268,051.00
Net Sales	\$278,265.00	\$262,395.00	\$237,618.00	\$261,963.00
Operating Expenses	\$260,842.00	\$265,533.00	\$265,443.00	\$283,467.00
Depreciation Expenses	\$97,572.00	\$100,911.00	\$107,874.00	\$122,561.00
Non Operating Revenues	-\$12,972.00	-\$12,485.00	-\$11,236.00	-\$9,831.00
Capital Contributions	\$166,993.00	\$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	\$180,700.00	-\$9,188.00	-\$37,639.00	-\$25,247.00
Statutory Change In Net Position	\$13,707.00	-\$9,188.00	-\$37,639.00	-\$25,247.00

Contact Information and Comptroller Filings

Entity ID Number	1651
Name	Linda Moyers
Email	cityhall@townofcumberlandgap.com
Phone	(423) 869-3860
Mailing Address	P.O Box 78 Cumberland Gap, TN 37724

Has the most recent Annual Information report been timely filed for this utility? Yes

Has the utility filed its most recent budget with the Comptroller's Office within 15 days of adoption? Yes

Has the utility filed its most recent audit with the Comptroller's Office within 6 months of the last fiscal year end? Yes

Financial Distress Remedy Plans

Does this utility have a plan to remedy the current financial distress? Yes

Please describe the current plan to remedy the utility's financial distress. The water and wastewater rates were increased.

Rates and Fees Information

Has a rate study been completed for the utility in the previous 5 years? No

Has the utility implented a rate increase in the last 6 months? Yes

Does the utility have plans to implement a rate increase in the next 6 months? Yes

Is this rate increase based on a rate study conducted by an independent third party? No

Please upload a copy of the current rate ordinance or resolution. <https://www.formstack.com/admin/download/file/12653338241>

27

Has this utility had any changes to fees in the last 5 years? No

Please upload a copy of the current utility fee schedule. <https://www.formstack.com/admin/download/file/12653338243>

Please provide a written rationale for the fees contained in the current fee schedule and any changes that may have occurred if indicated so in the previous question. Material and labor cost were considered when establishing the fees.

Financial Initiatives

Has the utility incurred any new debt during its current fiscal year, or does the utility plan on incurring any new debt during the current or next fiscal year? No

Has the utility received any grants during its current fiscal year, or does the utility plan on applying for or receiving any new grants during the current or next fiscal year? Yes

How much is this funding, and what is the source of this funding? Tennessee's Water Infrastructure Investment Program by American Rescue Plan Act (ARPA)

What will this funding be used for? Items required to be addressed per results of the Tennessee Infrastructure Scorecard
Water Infrastructure Needs Assessment.

Utility Information

Does this utility offer water service? Yes

Does this utility offer sewer or wastewater service? Yes

Water Utility Information

How many billed customers does the water utility have? 143

How many unbilled customers does the water utility have? 21

How many metered customers does the water utility have? 164

How many unmetered customers does the water utility have? 0

What was the net sales revenue from the largest 10 customers last fiscal year? 11184

What was the net sales revenue for the water utility last fiscal year? 86176

What percentage of sales do the largest 10 customers account for annually? 12.98%

How many thousand gallons were sold to the largest 10 customers last fiscal year? 1414.00

How many thousand gallons were sold last fiscal year? 4861.00

What percentage of volume do the largest 10 customers account for annually? 29.09%

Does the water utility have a rate structure with differing rates based on geographical location? No

Does this utility have a water connection to another utility to purchase water or to have a backup water supply in case of emergency? Yes

Does this utility produce its entire water supply without purchasing water from another utility? No

Does a contract exist for the purchase of any water from another utility? Yes

Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve water service to its current or future customer base? It is not feasible at this time.

Does this utility sell water at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities?

No

Does this utility have a water treatment facility?

No

Are there any environmental concerns including government environmental orders for the water utility?

No

Please describe these environmental concerns for the water utility and the extent of the financial burden to remedy these financial concerns.

There are no environmental concerns at this time.

Wastewater Utility Information

How many billed customers does the wastewater utility have?

344

How many unbilled customers does the wastewater utility have?

78

How many metered customers does the wastewater utility have?

422

How many unmetered customers does the wastewater utility have?

0

What was the net sales revenue from the largest 10 customers last fiscal year?

69963

What was the net sales revenue for the wastewater utility last fiscal year?

175785

How many thousand gallons of wastewater were treated for the largest 10 customers last fiscal year?

6667

How many thousand gallons of wastewater were treated by the utility last fiscal year?

12021

Percentage of sales from Largest 10 Customers

39.80%

Percentage of flow from Largest 10 Customers 55.46%

Does the wastewater utility have a rate structure with differing rates based on geographical location? Yes

Please provide a customer count breakdown of these different wastewater rate classes. Town limits- 362
outside town limits- 60

Please explain the method in which these wastewater rate classes have been determined to be reasonable and justifiable. Extra equipment, maintenance, and expenses is involved for the outside city limits customers. A pumping station is needed as the distance to the wastewater treatment plant is greater.

Does this utility treat all of the wastewater collections without sending wastewater to another utility for treatment? Yes

Does this utility treat wastewater from another utility? No

Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve wastewater service to its current or future customer base? It is not feasible at this time.

Does this utility treat wastewater for customers on wells? Yes

How are these customers on wells billed? The customers with are wells are billed the minimum rate.

Excluding any potential customers on wells, are all customers billed based on metered water usage? Yes

Does this utility treat wastewater at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities? No

What is the design capacity of the wastewater treatment facility? 100000

What is the average operating capacity of the wastewater treatment facility? 35000

Are there any environmental concerns including government environmental orders for the wastewater utility?	No
Does this utility have a sewer use ordinance or resolution?	Yes
How is this sewer use ordinance or resolution enforced?	The billing manager, public works director, and governing board enforce the ordinance.

Plans and Policies

Does this utility have a debt management policy?	Yes
Does this utility have a capitalization policy?	Yes
Does this utility have a leak adjustment policy?	Yes
Does this utility have an asset management plan?	No
How are capital projects or purchases adequately planned for?	The depreciation schedule is utilized. An asset management plan is being developed.
Does this utility have a copy of its capital asset list on file?	Yes
How often is this capital asset list reviewed and by whom?	Once a year; city recorder and auditors

CHAPTER 6

WATER AND SEWER BILLING STANDARDS AND RATES

SECTION

- 18-601. Application and agreement for utility services.
- 18-602. Application service fee.
- 18-603. Water and sewer charges due date.
- 18-604. Water and sewer late charges.
- 18-605. Owner responsible for tenants' unpaid water or sewer service.
- 18-606. Termination of service for failure to pay charges.
- 18-607. Reconnect fee.
- 18-608. Failure to pay sewer bill; penalty, etc.
- 18-609. Minimum water and sewer charges.
- 18-610. Turn-off/on fees.
- 18-611. Fees to be set by town council.
- 18-612. Leak adjustments.
- 18-613. Swimming pool wastewater usage credit.

18-601. Application and agreement for utility services. All present and future residents shall complete an application and agreement for utility services. Present residents must complete the application/agreement within thirty-days (30-days) of reception. Future residents will complete the application/agreement at the time of request for utility services. (Ord. #4-1999, July 1999)

18-602. Application service fee. All applicants for water/sewer services will pay a service fee, as set by roll call vote by the town council. (Ord. #4-1999, July 1999)

18-603. Water and sewer charges due date. All water and sewer charges are due by the twentieth (20th) of each month. (Ord. #4-1999, July 1999)

18-604. Water and sewer late charges. All water and sewer charges paid after the twentieth (20th) of each month will incur a uniform late charge as set by a roll call vote by town council. (Ord. #4-1999, July 1999)

18-605. Owner responsible for tenants' unpaid water or sewer service. Owners of any property receiving water or sewer service shall be responsible for any fees charged to any tenants of said property that are not satisfied by that tenant. (Ord. #9-1999, Aug. 1999)

18-606. Termination of service for failure to pay charges. 1. All water and sewer charges not paid within ten (10) days after the late charge date

will result in services being terminated without further written notice, as this notice appears in the application and agreement for utility services and on the monthly billing card.

2. Whenever water or wastewater service has been disconnected for non payment of any bill rendered, or because of violation of any bill rendered, or because of violation of any other of the utility rules or policies, rates, and charges or any other town policy, a charge shall be made to cover the cost of this service. Any unpaid bills must be settled or paid, and the service connect fee renewed before the service is restored. (Ord. #4-1999, July 1999, as amended by Ord. #4-2003, July 2003)

18-607. Reconnect fee. All residents who have utility service terminated because of failure to pay charges as stated above will incur a reconnect fee as determined by roll call vote by the town council. (Ord. #4-1999, July 1999)

18-608. Failure to pay sewer bill; penalty, etc. 1. It shall be unlawful, and a civil offense, for any person, firm, or corporation, association, or any other person or organization, who receives city sewer service to fail or refuse to pay for such service.

2. The city shall have the following remedies in the event of the failure or refusal on the part of any person, firm, corporation or any other person or organization who receives city sewer service to pay for such service:

- a. Collect the amount owed by such customer as a civil debt.
- b. Cite such customer into the municipal court, and upon conviction, impose a civil penalty on such customer in an amount not to exceed five hundred dollars (\$500.00). Each day a violation is allowed to continue shall constitute a separate offense.
- c. Termination of sewer service, as follows:
 - i. Written termination (cut-off) shall be given to the customer at least five (5) days prior to the scheduled date of the termination. The cut-off notice shall specify:
 - (1) The reason for the cut-off;
 - (2) The amount due, including late charges and any other charges;
 - (3) The last date to avoid service termination charges;
 - (4) Notification that the customer has a right to a hearing prior to service termination, and the availability for special counseling for emergency and hardship cases.

d. The employee carrying out the termination procedure will attempt before disconnecting service to contact the customer at the premises in a final effort to collect payment and avoid termination.

18-48

e. Hearings on service terminations as provided for in (i)(D) above will be held by appointment at the city's sewer service office between the hours of 8:00 A.M. and 4:30 P.M., on any business day, or at other hours by special request of the customer.

f. Termination will not be made on any day preceding the day when the sewer department is scheduled to be closed.

g. If the customer does make payment of the bill, or does not request a termination hearing, the sewer department shall proceed on schedule with the termination of sewer service, as provided for in this section.

h. Sewer service will be reconnected only after the payment of all sewer charges, including late charges and any other charges, or only after satisfactory arrangements for payment of the same shall have been made, plus the payment of a reconnection charge of one hundred dollars (\$100.00).

3. The city shall have the right to use the above remedies prescribed for the failure or refusal to pay sewer bills collectively or selectively, and in any and all combinations. In addition, the use of any or all of the above remedies by the city shall not foreclose its right to use any other remedy that might now or in the future be authorized under state law. (Ord. #2-2001, Nov. 2001)

18-609. Minimum water and sewer charges. All residents for services will be charged the minimum charges for water/sewer services even if zero (0) gallons are used, or a request for meter removal is not submitted. (Ord. #4-1999, July 1999)

18-610. Turn-off/on fees. 1. All residents requesting a turn-off and turn-on of services except for repairs, will be charged turn-off/on fees as set by a roll call vote of the town council.

a. Temporary water or wastewater cut off or cut on at customer request, per trip for service inside the town limits is twenty-five dollars (\$25.00).

b. For reconnecting water or wastewater service after service is discontinued for non payment of a water or wastewater bill, twenty-five dollars (\$25.00) inside the town and fifty dollars (\$50.00) outside the town.

c. When the work is performed in other than normal business hours the fee shall be fifty dollars (\$50.00).

2. The customer shall pay for the additional costs incurred for disconnecting wastewater when the service is physically removed.

3. Customers who have had water or wastewater cut off for non-payment more than once in a twelve month period will be required to pay a seventy five dollar (\$75.00) reconnect fee.

18-49

4. A separate fee shall be charged for the connection and for the disconnect. A separate fee shall be charged for water and for wastewater.

5. The board may establish a higher utility deposit for those customers who are chronic non-payers. (Ord. #4-1999, July 1999, as amended by Ord. #4-2003, July 2003)

18-611. Fees to be set by town council. All fees and/or charges stated above as being passed by roll call vote by town council will be posted for public review in town hall. (Ord. #4-1999, July 1999)

18-612. Leak adjustments. 1. The city billing clerk is authorized to make adjustments for water and wastewater service affected by water leaks.

2. The adjustment shall be made as follows: Add the gallons used for the previous six (6) months and divide by six (6) to obtain the monthly average. Add this average to the current bill amount (bill to be adjusted) and divide by two (2). The calculated amount is the amount of gallons to adjust for.

3. The billing clerk will report all monthly adjustments made for leaks on a monthly basis to the board of mayor and aldermen.

4. Once the city suspects that there is a leak and notifies the customer, or if the city can determine when the customer discovered the leak, the city shall notify the customer of the suspected leak, and no adjustment shall be made for any period of time after a fifteen (15) day period for minor repairs or thirty (30) days for service line repairs. The customer shall repair leaks in a timely manner.

5. The customer shall not be entitled to more than one adjustment per year. (Ord. #6-2003, Aug. 2003)

18-613. Swimming pool wastewater usage credit. 1. Wastewater customers shall pay the appropriate water rates for filling of swimming pools. One adjustment per year shall be made by the town billing clerk on the sewer bill for water used to fill a swimming pool. The pool must be a minimum size of one-thousand (1,000) gallons and must not drain into the public wastewater system. The adjustment shall reduce the sewer service charge for the number of gallons required to fill the pool. Adding water to an already filled pool does not qualify for an adjustment. The clerk may estimate the gallons by using seven and one-half (7 ½) gallons per cubic foot of pool volume where metering is not practicable.

2. The customer must notify the town before filling the pool. (Ord. #7-2003, Aug. 2003)

ORDINANCE NO. 5-2021

Ordinance of the Town of Cumberland Gap, Tennessee to Adjust Water and Sewer Rates

WHEREAS, the Town of Cumberland Gap operates a water and sewer system for the benefit of the citizens and businesses therein; and

WHEREAS, in accordance with *Tennessee Code Annotated*, 7-35-414(a) which states in part, "...it is the governing body's duty, by ordinance, to establish and maintain just and equitable rates and charges for the use of and the service rendered by the waterworks or sewerage system, to be paid by the beneficiary of the service."; and

WHEREAS, when necessary it is incumbent upon the Town of Cumberland Gap to increase water and sewer charges to meet the financial requirements of the water and sewer system; and

WHEREAS, the governing body of the Town of Cumberland Gap finds an adjustment to the water and sewer rate charges is reasonable and justified:

NOW THEREFORE, BE IT ORDAINED by the Board of Mayor and Aldermen of the Town of Cumberland Gap, Tennessee as follows:

Section 1. The water usage rates adopted in ordinance number 2-2015 is hereby repealed and replaced with the following:

From:		To:	
0-3,000	\$42.65 per min	0-3,000	\$ 48.65 per min
3,001-7,000	\$.60 per 100 over min.	3,001-7,000	\$.60 per 100 over min.
7,001 and up	\$.70 per 100 above min.	7,001 and up	\$.70 per 100 over min.

Section 2. The wastewater (sewer) usage rates adopted in ordinance number 4-2020 hereby repealed and replaced with the following:

Sewer- Inside Town Limits

Residential and Small Commercial

From:		To:	
0-3,000	\$40.00 per min	0-3,000	\$43.00 per min
3,001 and up	\$.40 per 100 above min.	3,001 and up	\$.40 per 100 over min.

Large Commercial

From:		To:	
0-3,000	\$80.00 per min	0-3,000	\$83.00 per min
3,001 and up	\$.275 per 100 above min.	3,001 and up	\$.275 per 100 over min.

Outside Town Limits (Tiprell)

Residential and Small Commercial

From:		To:	
0-3,000	\$50.75 per min	0-3,000	\$53.75 per min
3,001 and up	\$.45 per 100 above min.	3,001 and up	\$.45 per 100 over min.

Large Commercial

From:		To:	
0-2,000	\$180.00 per min	0-2,000	\$183.00 per min
2,001 and up	\$.50 per 100 above min.	2,001 and up	\$.50 per 100 over min.

Section 2: This ordinance shall take effect with the July 2021 bills, the public welfare requiring it.

First Reading: July 6, 2021

Second Reading: August 2, 2021

Mayor

Recorder



Jason E. Mumpower
Comptroller

Entity Referred: **City of Friendship**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Sewer**

Staff Summary:

The City of Friendship (“the City”) operates a water and sewer system. The City has been financially distressed since its 2018 audit. The City is under TDEC directives to improve the operation of its utility. The City is currently involved in litigation with the Friendship Water Company regarding the City’s contract to purchase water exclusively from the Friendship Water Company. The City alleges the water purchased from the Company is unusable which has resulted in the City seeking other water sources.

A sustainability pilot assessment, a joint project from TAUD and USDA, was conducted for the City. There were several recommendations from that assessment the Board ordered the City to comply with. This included a rate increase and replacement of meters in the system. The City has performed a partial rate increase and has initiated meter replacements as ordered. However, one of the recommendations was to agree to connect to the County Wide Utility District to purchase water from the District to sell to the City’s customers.

The previous water and sewer rates were predicated on factors that are no longer true, including the then-pending connection to County Wide Utility District. The current situation has changed and the Mayor wants to pursue different capital projects. As such, Board staff finds that a new rate study is required for the City.

There are multiple outstanding Board orders involving the City. Given the number of orders and the change in the City’s situation, Board staff recommends the Board enter a new order and withdraw any previous orders, to the extent those orders are still in effect.

Staff Recommendation:

The Board should order the following:

1. All previous Board orders relating to Friendship, to the extent that they remain in effect, are hereby rescinded.
2. Friendship shall not enter into any capital projects or take on any new debt without express consent of Board staff.
3. Board staff shall determine if capital projects are feasible and in the best interest of Friendship. Staff’s determination will consider financial information, engineering plans and opinions, coordination with TDEC, and other sources of information as necessary.
4. Friendship shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - a. the creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;

b. a review of relevant utility fees including but not limited to connection or tap fees, including any recommended modifications;

c. a review of any capital improvements Friendship wishes to pursue, or that TAUD (or other expert retained by Friendship and approved by Board staff) finds necessary or advisable, including the result on future rates; and,

d. confirmation that all members of the utility system's governing body have complied with the applicable training requirements.

5. By January 31, 2023, Friendship shall send Board staff a copy of the contract between Friendship and the qualified expert who is to perform the tasks in paragraph 4.

6. By July 31, 2023, Friendship shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

7. Friendship shall not lower its water and sewer rates without approval of Board staff.

8. Friendship shall continue its meter replacement program.

9. Friendship shall provide monthly updates in a form prescribed by Board staff regarding its current litigation with the Friendship Water Company, status of current and proposed capital projects, and other information as necessary and requested by Board staff.

City of Friendship

MAYOR:
Casey Burnett
CITY RECORDER:
Debra J. Butler
CITY CLERK:
Terrie Smith
PUBLIC WORKS DIRECTOR:
Casey Burnett
POLICE CHIEF:
Bill Garrett

P.O. Box 265
631 Main Street
Friendship, TN 38034

Phone: 731-677-2396
Fax: 731-677-2496

debra@friendshipcity.net

ALDERMEN:
John D. Marvin
Bob Garrett
Rickey Ange
Robert Perry

FIRE CHIEF:
Casey Burnett

From: Casey Burnett

Date: 11/15/2022

In Re: City of Friendship: Proposal for New Project

The City of Friendship was previously ordered on September 30, 2019 by the WWFB to proceed with Option 4 of the TAUD Study referred to in the order. Due to complications presented by contamination of wells previously used by the City as its source of water and the ongoing litigation between the City of Friendship and the Friendship Water Company and other issues affecting the feasibility of Option 4, the order was revised on March 24, 2022 to postpone implementation.

Since the initial order of September 30, 2019, there have been many developments that cause Option 4 to be less feasible, including but not limited to cost of materials and other factors affecting the feasibility of Option 4.

Based on the current conditions, discussions with our engineers, and financing opportunities, the City of Friendship is proposing a project to construct an entirely new water plant with wells to be located on property owned by the City which is 2.5 miles northeast of what has been defined as the contaminated area and upstream of the contaminant flow. The location has three phase current available and the City already has a 10" water main in place there to bring water to our elevated tank. The City also already has a sewer main there to handle filter backwash water. There is nothing in the area that would cause problems or concern for Wellhead Protection.

We believe that construction of a new plant will lower maintenance costs and depreciation expense associated with our older plant and will ensure a safe and secure water source for our residents for decades to come.

Currently, the financial information we have indicates that we will be able to construct the new plant for approximately \$1,800,000. (This is in contrast to the \$2,500,000 it would take to increase the capacity of the County Wide Water Plant and run a 10" Water Main the 10.5 miles needed to hook-in to County-Wide's system which we had previously planned.) The projected cost estimate of \$1,800,000 includes the cost of 2 new wells at the site. We expect the new water plant to supply our current and future water needs plus provide extra capacity for future growth. It will also be large enough to accommodate the City's New Industrial Park which is the only State Certified Industrial Park in Crockett County.

Crockett County has agreed to fund \$1,200,000 toward construction of the new water plant. Combining these funds with the ARP funds we have available, we believe the City can construct the new plant with little or no new debt.

We request that the previous order of the Board be rescinded or modified to permit construction of this new plant in lieu of the project previously ordered by the Board.

Handwritten signature of Casey Burnett in cursive script.

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:)	
)	
)	
CITY OF FRIENDSHIP)	TENN. CODE ANN. § 68-221-1010
)	-FINANCIAL DISTRESS
)	& WATER LOSS
)	

ORDER

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

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

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

ENTERED this 30th day of September, 2019.

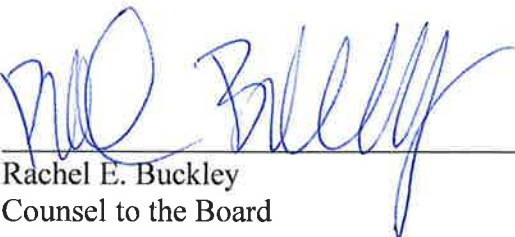


 ANN V. BUTTERWORTH, Chair
 Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

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

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



 Rachel E. Buckley
 Counsel to the Board

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:)	
)	TENN. CODE ANN. § 68-221-1010
)	FINANCIAL DISTRESS
CITY OF FRIENDSHIP)	

ORDER

On March 24, 2022, the Tennessee Water & Wastewater Financing Board (the “Board”) reviewed the financially distressed status of the City of Friendship (the “City”) pursuant to Tenn. Code Ann. § 68-221-1010. Board staff updated the Board on certain steps the City has taken as a result of the Board’s Order entered on September 18, 2020 (“September 18 Order”), and on litigation involving the City. Based on Board staff’s statements and recommendations, and with the consent of the City, the Board hereby modifies its September 18 Order as follows:

1. The requirement for the City to implement water rate option 4 of the TAUD report and TAUD’s sewer rate recommendation is hereby stayed indefinitely pending further order of the Board. The Board reserves the right to reinstate or modify said requirement in any such subsequent order.
2. By June 30, 2022, the City shall implement, or adopt a plan for implementing that is acceptable to the Board staff, the recommendations listed under “Other Suggestions” on page 18 of the TAUD report and shall send Board staff proof of the same by July 31, 2022.
3. Notwithstanding the above, the City may proceed to install Zenner water meters in lieu of those currently used by Countywide Utility District.
4. The City shall provide Board staff regular updates on the status of litigation related to its water system and the City’s progress in complying with this Order on at least a monthly basis.

5. Unless specifically modified herein, the provisions of the September 18 Order shall remain in full force and effect.

ENTERED this 21 day of April, 2022.

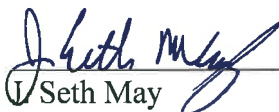


BETSY KNOTTS, Chair
Water & Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 21 day of April, 2022:

City of Friendship
PO Box 265
Friendship, TN 38034



Seth May
Assistant General Counsel

Courtesy copy via mail:
Carol Austin
Ashley & Arnold
322 Church Ave. N
Dyersburg, TN 38024



Jason E. Mumpower
Comptroller

Entity Referred: **City of Gallaway**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water And Sewer**

Staff Summary:

The City of Gallaway ("the Entity") was referred to the Water and Wastewater Financing Board ("the Board") for financial distress in its fiscal year 2021 Audit. The Entity has completed the prior directive of the board by completing its financial questionnaire, which is included in the supplemental packet. The Town has shown negative change in net position for the two previous audits.

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. and a review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist.
2. By January 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.

Gallaway

	Category: Water And Sewer		County: Fayette	
	2018	2019	2020	2021
Net Assets	\$2,125,741.00	\$2,131,491.00	\$2,132,163.00	\$2,159,300.00
Deferred Outflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Net Liabilities	\$177,493.00	\$165,021.00	\$161,247.00	\$185,903.00
Deferred Inflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Total Net Position	\$1,948,248.00	\$1,966,470.00	\$1,970,916.00	\$1,973,397.00
Operating Revenues	\$416,977.00	\$416,709.00	\$384,500.00	\$418,176.00
Net Sales	\$408,281.00	\$403,766.00	\$380,215.00	\$411,106.00
Operating Expenses	\$446,525.00	\$395,555.00	\$403,741.00	\$434,690.00
Depreciation Expenses	\$73,839.00	\$72,916.00	\$71,642.00	\$76,056.00
Non Operating Revenues	-\$3,047.00	-\$2,932.00	-\$2,806.00	-\$2,723.00
Capital Contributions	\$0.00	\$0.00	\$26,493.00	\$21,718.00
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	-\$32,595.00	\$18,222.00	\$4,446.00	\$2,481.00
Statutory Change In Net Position	-\$32,595.00	\$18,222.00	-\$22,047.00	-\$19,237.00



Jason E. Mumpower
Comptroller

Entity Referred: **Town of Gleason**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water And Sewer**

Staff Summary:

The Town of Gleason ("the Entity") has been referred to the Water and Wastewater Financing Board ("the Board") for financial distress since its fiscal year 2015 audit. However, the Entity has had a series of delinquent audits that has made it extremely difficult to actually assess the current state of the utility. The Entity's 2019 audit is the most recent audit that has been submitted to the Comptroller's Office. It is not in the best interest of the public to wait for up to date audits before the Board takes action to remedy the Entity's financial distress.

The Entity has been proactive in rectifying their current situation, and Board staff believes they will comply with the Board's directives.

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;
 - g. and a justification of the inside and outside the city limit rates, including any recommended modifications to the rate structure.
2. By January 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 two extensions of up to six months of the foregoing deadlines upon a showing of good cause by the Entity.



Jason E. Mumpower
Comptroller

Entity Referred: **Town of Gordonsville**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Sewer**

Staff Summary:

The Town of Gordonsville ("the Entity") has been referred to the Water and Wastewater Financing Board ("the Board") for financial distress since its fiscal year 2021 audit.

In its financial distress questionnaire, Board staff identified three findings:

1. The Entity's plan to remedy its financial distress is premised on an increase in future revenues. Board staff does not deny the viability of future revenues but it is not known when these future revenues will be realized. 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 stated it has 250 billed customers, 298 metered customers, and 338 customers in its customer class breakdown. It is unclear why there are discrepancies. The Entity should clarify the current customer count.
3. The Entity believes there is an opportunity for merger or consolidation with surrounding utilities. A rate study should be conducted to determine if a merger is viable and in the best interest of its customers.

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. justification of the inside and outside the city limit rates, including any recommended modifications to the rate structure;
 - e. a review of the Entity's roll of customers to ensure all customers are being billed adequately;
 - f. a summary of potential mergers or consolidations with surrounding utilities; and,
 - g. verification that all governing body members of the utility are in compliance with all relevant training requirements;
2. By January 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 send the completed rate study and proof of implementation or proposed plan of implementation to Board staff.

4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Entity.

Gordonsville

	Category: Sewer		County: Smith	
	2018	2019	2020	2021
Net Assets	\$4,203,395.00	\$5,605,668.00	\$5,050,710.00	\$5,378,267.00
Deferred Outflow Resources	\$26,173.00	\$26,490.00	\$22,124.00	\$18,643.00
Net Liabilities	\$1,956,499.00	\$3,226,947.00	\$2,372,153.00	\$2,298,113.00
Deferred Inflow Resources	\$2,181.00	\$3,390.00	\$7,075.00	\$12,674.00
Total Net Position	\$2,270,888.00	\$2,401,821.00	\$2,693,606.00	\$3,086,123.00
Operating Revenues	\$428,306.00	\$378,958.00	\$351,891.00	\$357,979.00
Net Sales	\$405,917.00	\$362,525.00	\$326,970.00	\$337,660.00
Operating Expenses	\$277,747.00	\$335,324.00	\$342,088.00	\$384,974.00
Depreciation Expenses	\$105,229.00	\$128,259.00	\$163,671.00	\$163,673.00
Non Operating Revenues	-\$9,327.00	-\$9,708.00	-\$40,394.00	-\$32,433.00
Capital Contributions	\$4,641.00	\$97,007.00	\$322,376.00	\$451,945.00
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	\$145,873.00	\$130,933.00	\$291,785.00	\$392,517.00
Statutory Change In Net Position	\$141,232.00	\$33,926.00	-\$30,591.00	-\$59,428.00

Financial Distress Questionnaire

Entity: Town of Gordonsville

Compliance

1. Has the utility filed its most recent annual information report? Yes
2. Has the Utility filed its most recent budget with the Comptroller's Office within 15 days of adoption? Yes.
3. Has the Utility filed its most recent audit with the Comptroller's Office within 6 months of the fiscal year end? Yes.

Financial Distress Remedy Plans

1. Does this utility have a plan to remedy the current financial distress? Yes. Agreement with Smith County to treat landfill leechate at our sewer plant will generate roughly \$60,000-\$65,000 of revenue each year.
2. A new subdivision with twenty plus homes is under construction. Each resident will be a sewer customer. \$6,480 per year.
3. Another subdivision with ten homes is under constructions. Each of these residents will be a sewer customer at our out of corporate limits rate. \$6,480 per year.
4. The remaining residents that have not hooked up to our Phase II and Phase III sewer installation project, est. 135, have slowly began to hook on. With all residents remaining residents hooking on, that will generate roughly \$43,000/yr.
5. Has a rate study been completed for the utility in the previous 5 years? No.
6. Has the utility implemented a rate increase in the last 6 months? No
7. Does the utility have plans to implement a rate increase in the next 6 months? No,
8. If a rate increase is planned, is this rate increase based on a rate study conducted by an independent third party?
See attached for current rate ordinance or resolution.
9. Has this utility had any changes to fees in the last 5 years? No
See attached for current fee schedule.
10. How were the current fees based when adopted? Below is an excerpt from a letter I found addressed the to Board in 2010.
11. ...The Ordinance No. 3-14-94R05-09 raised rates 19% in the budget year 2009-2010.
12. The Ordinance No. 3-14-94-R04-10 raised rates 20% in the budget year 2010-2011.
13. The Sewer System Budget for year 2010-2011.
14. Draft of the 2010 Sewer Audit.
15. Ralph Cross, MTAS Consultant, conducted a rate survey and a three year projection for the Town of Gordonsville.
16. Also, we have forms for Residential and Business customers with set up fees and renters deposits. The forms will be used starting July 1

Financial Initiatives

1. Has the utility incurred any new debt during its current fiscal year, or does the utility plan on incurring any new debt during the current or next fiscal year? No.
2. Has the utility received any grants during its current fiscal year or does the utility plan on applying for or receiving any new grants during the current or next fiscal year? No.

Water Utility Information

1. How many billed customers?
2. How many unbilled customers?
3. How many metered customers?
4. How many unmetered customers?
5. What was the net sales revenue from the largest 10 customers last fiscal year?
6. What was the net sales revenue for the water utility last fiscal year?
7. How many gallons were sold to the largest 10 customers last fiscal year?
8. How many gallons were sold last fiscal year?
9. Percent Sales from Largest 10 Customers:
10. Percent Usage from Largest 10 Customers:
11. Does the water utility have a rate structure with differing rates based on geographical location?
If so please provide a breakdown of the rate structure and the method in which these rates have been determined to be reasonable and justifiable:
12. Does this utility have a water connection to another utility to purchase water or to have a backup water supply in case of emergency?
13. Does this utility produce its entire water supply without purchasing water from another utility?
14. Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve water service to its current or future customer base?
15. Does this utility sell water at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities, if so is there a contract for the sale of this water? .
16. Does this utility have a water treatment facility?
17. What is the design capacity of the water treatment facility?
18. What is the average operating capacity of the water treatment facility?
19. Are there any environmental concerns including government environmental orders for the water utility? No
20. Please describe these environmental concerns for the water utility and the extent of the financial burden to remedy these financial concerns:

Wastewater Utility Information

1. How many billed customers? 250
2. How many unbilled customers? 0
3. How many metered customers? 296
4. How many unmetered customers? 0
5. What was the net sales revenue for the water utility last fiscal year? \$121,206.00
6. What was the net sales revenue for the wastewater utility last fiscal year? \$357,979.00
7. How many gallons of wastewater were treated for the largest 10 customers last fiscal year? 175,108.00
8. How many gallons of wastewater were treated by the utility last fiscal year?
35,418,000.00
9. Percent Sales from Largest 10 Customers: 33.85%
10. Percent Usage from Largest 10 Customers: 0.49%
11. Does the wastewater utility have a rate structure with differing rates based on geographical location? Yes
12. If so, please provide a breakdown of the rate structure and an explanation of how this rate structure has been determined to be reasonable and justifiable:

Commercial-1	13.00
Commercial-2	41.00
Commercial-2 Outside	1.00
Industrial-1	14.00
Industrial-1 Outside	1.00
Residential-1	219.00
Residential-2	49.00
	338.00

. Previous Council discussions and MTAS rate study.
13. Does this utility treat all of the wastewater collections without sending wastewater to another utility for treatment? Yes
14. Does this utility treat wastewater from another utility, and if so, does a contract exist for the treatment of this wastewater? No.
15. Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve wastewater service to its current or future customer base? YES
16. Does this utility treat wastewater for customers on wells? No
17. Excluding any potential customers on wells, are all customers billed based on metered water usage? Yes
18. Does this utility treat wastewater at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities? Yes
19. What is the design capacity of the wastewater treatment facility? 325000
20. What is the average operating capacity of the wastewater treatment facility? 100000
21. Are there any environmental concerns including government environmental orders for the wastewater utility? No
22. Does this utility have a sewer use ordinance or resolution? Yes

23. How is this sewer use ordinance or resolution enforced? Non payment can result in a summons being issued for the resident to appear in municipal court.

Plans and Policies

1. Does this utility have a debt management policy, if no why has a debt management policy not been adopted? Yes.
2. Does this utility have a capitalization policy, if no why has a debt management policy not been adopted? Yes.
3. Does this utility have a leak adjustment policy, if no why has a leak adjustment policy not been adopted? .
4. Does this utility have an asset management plan? Yes
5. How are capital projects or purchases adequately planned for?
6. Does this utility have a copy of its capital asset list on file? Yes
7. Who retains a copy of this capital asset list?
8. How often is this capital asset list reviewed and by whom? As needed.

TOWN OF GORDONSVILLE

ORDINANCE NO. 08-06-15

AN ORDINANCE TO AMEND THE SEWER RATES FOR THE TOWN OF GORDONSVILLE, TENNESEE AND CUSTOMERS OUTSIDE THE TOWN OF GORDONSVILLE WHO ARE SERVED BY THE TOWN OF GORDONSVILLE SANITARY SEWER SYSTEM ORDINANCE.

WHEREAS, it is mandated that the Town of Gordonsville Sewer System operate in a solvent financial posture; and

WHEREAS, the sanitary sewer service program for the Town of Gordonsville is an enterprise fund that is required by law to stand alone; and

WHEREAS, the Town of Gordonsville has applied for funding in order to construct sewer line extensions to serve additional customers; and

WHEREAS, the Funding Agency has completed their financial review and has recommended that additional revenue be generated to financially qualify for the requested funding; and

NOW, THEREFORE, BE IT ORDAINED that the Town of Gordonsville by the Board of Mayor and Aldermen/Women amend the following Sections of the Town of Gordonsville Sewer rates, with these rates to become effective September 1, 2015.

SECTION 1. The established Sanitary Sewer rates for customers served by the Town of Gordonsville Sanitary Sewer System within the city limits are as follows:

<u>Customer</u>	<u>Inside Corporate Limits</u>	<u>Outside Corporate Limits</u>
a. Residential – 1 User:	\$27.00 min + 7.75 @ 1,000 gal	\$54.00 min +10.00 @ 1,000 gal
b. Residential – 2 Users:	\$27.00 min + 8.50 @ 1,000 gal	\$54.00min +12.00 @ 1,000 gal
c. Commercial – 1 User:	\$27.00 min + 9.50 @ 1,000 gal	\$54.00min +12.50 @ 1,000 gal
d. Commercial – 2 Users:	\$27.00 min +11.00 @ 1,000 gal	\$54.00 min +14.50 @ 1,000 gal
e. Industrial – 1 User:	\$27.00 min +13.50 @ 1,000 gal	\$54.00 min +16.00 @ 1,000 gal
f. Industrial – 2 Users:	\$27.00 min +15.00 @ 1,000 gal	\$54.00 min +17.50 @ 1,000 gal

AMOUNT OF FEES

No permit to connect to any public sewer or appurtenance thereof shall be granted by the

Director unless the applicant first pays to the Town of Gordonsville a sewer connection maintenance fee, based upon the number of water taps to the property, as follows:

<u>Customer</u>	<u>Inside Corporate Limits</u>	<u>Outside Corporate Limits</u>
a. Residential – 1 User:	\$1,000 per tap	\$2,000 per tap
b. Residential – 2 Users:	\$1,500 per tap	\$3,000 per tap
c. Commercial – 1 User:	\$3,500 per tap	\$7,000 per tap
d. Commercial – 2 Users:	\$4,000 per tap	\$8,000 per tap
e. Industrial – 1 User:	\$7,500 per tap	\$15,000 per tap
f. Industrial – 2 Users:	\$12,500 per tap	\$25,000 per tap

SECTION 2. All customers shall be required to fill out an application approved by the Board of Mayor and Alderman/Woman of the town of Gordonsville. Setup fees effective September 1, 2015 are as shown below:

<u>Customer</u>	<u>Set Up Fee</u>
a. Residential	\$30.00
b. Business	\$50.00

A renter shall pay the renters deposit of \$200.00 or the property owner may sign a surety agreement.

SECTION 3. This ordinance shall become effective _____
 Passed and so ordered this the ____ day of _____, 2015, the public welfare requiring it.

Passed This:

First Reading: _____

Second Reading: _____

Third Reading: _____

Public Hearing: _____

Mayor: _____

ATTEST: _____

City Record

GORDONSVILLE SEWER USE ORDINANCE

ORDINANCE # 3-14-94

AN ORDINANCE REGULATING THE USE OF PUBLIC AND PRIVATE SEWERS AND DRAINS; PRIVATE SEWAGE DISPOSAL; INSTALLATION AND CONNECTION OF BUILDING SEWERS; ESTABLISHING STANDARDS AND LIMITATIONS ON THE DISCHARGE OF WATERS AND WASTES INTO THE PUBLIC SEWER SYSTEM(S) SUCH THAT DISPOSAL OF ANY POLLUTANT BY ANY PERSON IS UNLAWFUL EXCEPT IN COMPLIANCE WITH FEDERAL STANDARDS PROMULGATED PURSUANT TO THE FEDERAL WATER POLLUTION CONTROL ACT AMENDMENTS OF 1972; MAKING CERTAIN OTHER ACTIVITY IN VIOLATION OF THE PROVISIONS OF THIS ORDINANCE UNLAWFUL; PROVIDING FOR THE PERMITTING AND REVOCATION THEREOF FOR CERTAIN USERS; REQUIRING THE CONNECTION TO SEWERS IN CERTAIN CIRCUMSTANCES; PROVIDING FOR MONITORING AND CONTROL OF DISCHARGES; PROVIDING FOR THE ESTABLISHMENT, BILLING, TERMINATION AND DISCONNECTION OF SEWER SERVICE; AND ESTABLISHING, SETTING AND COLLECTING OF USER CHARGES, RATE SCHEDULE, AND INDUSTRIAL WASTE SURCHARGES.

NOW, THEREFORE, BE IT ORDAINED BY THE MAYOR AND COUNCILMEN OF THE TOWN OF GORDONSVILLE, TENNESSEE:

SECTION 1: DEFINITIONS

Unless the context specifically indicates otherwise, the meaning of terms used in this Ordinance shall be as follows:

- 1.1 "Act" or "the Act" shall mean the Federal Water Pollution Control Act, also known as the Clean Water Act of 1977.
- 1.2 "Approving Authority" shall mean the Town of Gordonsville or any authorized representative.
- 1.3 "A.S.T.M." Is the American Society for Testing and Materials, 1916 Race Street, Philadelphia, PA 19103.
- 1.4 "Authorized representative of industrial user." An authorized representative of an industrial user may be:
 - (1) A principal executive officer of at least the level of vice-president, if the industrial user is a corporation;
 - (2) A general partner or proprietor if the industrial user is a partnership or proprietorship respectively;
 - (3) A duly authorized representative of the individual designated above if such representative is responsible for the overall operation of the facilities from which the indirect discharge originates.
- 1.5 "BOD" of sewage or industrial waste shall designate its bio-chemical oxygen demand and shall mean the quantity of oxygen utilized in the bio-chemical oxidation of the organic matter of said sewage or industrial wastes under standard laboratory procedure in 5 days at 20°C, expressed in milligrams per liter. It shall be determined by one of the acceptable methods described in the latest edition of "Standard Methods for Examination of Water and Wastewater", published by the American Public Health Association.
- 1.6 "Building Sewer" A sewer conveying wastewater from the premises of a User to the POTW.
- 1.7 "Categorical Standards" shall mean the National Pretreatment Standards.

- 1.8 "Cooling Water" shall mean the water discharge from any use such as air conditioning, cooling or refrigeration, during which the only pollutant added to the water is heat.
- 1.9 "Compatible Waste" shall mean the biochemical oxygen demand, suspended solids, pH, the fecal coliform bacteria; plus any additional pollutant identified in a publicly owned treatment works NPDES permit, for which the publicly owned treatment works is designed to treat such pollutants, and, in fact does remove such pollutants to a substantial degree.
- 1.10 "C" means centigrade degrees.
- 1.11 "Customer" shall mean any individual, firm, company, association, society, corporation or group who are the beneficiaries of the water and sewerage service or who are utilizing the water and/or sewerage system of the Town of Gordonsville.
- 1.12 "Town" The Town of Gordonsville or the Town Council of Gordonsville.
- 1.13 "Public Works Director" The city's sewage treatment plant operator and/or superintendent.
- 1.14 "Direct Discharge" The discharge of treated or untreated wastewater directly to the waters of the State of Tennessee.
- 1.15 "EPA" shall mean the United States Environmental Protection Agency.
- 1.16 "Grab Sample" A sample which is taken from a waste stream on a one-time basis with no regard to the flow in the waste stream and without consideration of time.
- 1.17 "Garbage" shall mean solid wastes from the preparation, cooking and dispensing of food and from the handling, storage and sale of produce.
- 1.18 "Holding tank Waste" Any waste from holding tanks such as vessels, chemical toilets, campers, trailers, septic tanks, and vacuum-pump tank trucks.
- 1.19 "Incompatible Waste" shall mean all pollutants other than compatible waste as defined within.
- 1.20 "Indirect Discharge" means the discharge or introduction of non-domestic pollutants from any source regulated under Section 307(b) or (c) of the Act, (33 USC 1317), into the POTW (including holding tank waste discharged into the system) for treatment before direct discharge to the waters of the State of Tennessee.
- 1.21 "Industrial Discharger" For the purposes of this ordinance and related documents shall mean industrial user.
- 1.22 "Industrial User" shall mean a source of indirect discharge which does not constitute a "discharge of pollutants" under regulation issued pursuant to Section 402, of the Act.
- 1.23 "Industrial Wastewater" shall mean the wastewater from industrial processes, trade, or business as distinct from domestic or sanitary wastes.

- 1.24 "Interference" shall mean the inhibition or disruption of sewer treatment system process or operations of which contribute to a violation of any requirement of the Town's NPDES Permit.
- 1.25 "May" is permission; "shall" is mandatory.
- 1.26 "Meter Measurement" shall mean the act of or result of determining the quantity of water supplied to a customer by an instrument or device used for such purpose and approved by the Approving Authority.
- 1.27 "Mg/l" shall mean milligrams per liter.
- 1.28 "National Pretreatment Standards or Pretreatment Standards" shall mean any regulation containing pollutant discharge limits promulgated by the EPA and in accordance with Section 307(b) and (c) of the Act which applies to the industrial users.
- 1.29 "Natural Outlet" shall mean any outlet, including storm sewers, into a watercourse, pond, ditch, lake, or other body of surface or groundwater.
- 1.30 "NPDES" Permit" shall mean the National Pollutant Discharge Elimination System as defined in Section 402 of the Federal Water Pollution Control Act Amendments of 1972 (Public Law 92-500).
- 1.31 "Person" shall mean any individual, partnership, co-partnership, firm, company, corporation, association, joint stock company, trust, estate, government entity, or other legal entity, or legal representative, agents or assigns. The masculine gender shall mean to include the feminine, the singular shall include the plural where indicated by the context.
- 1.32 "pH" shall mean the negative logarithm or the log of the reciprocal of the concentration of hydrogen ions in gram moles per liter of solution as determined by acceptable laboratory procedures.
- 1.33 "Pollutant" Any dredged spoil, solid waste, incinerator residue, sewage, garbage, sewage sludge, munitions, chemical wastes, biological materials, radioactive materials, heat, wrecked or discharged equipment, rock, sand, cellar dirt and industrial, municipal, and agricultural waste discharged into water.
- 1.34 "Pretreatment" shall mean the treatment of wastewater by the user before introduction into the publicly owned system.
- 1.35 "Pretreatment Standards" shall mean all applicable rules and regulations contained in the Code of Federal Regulations as published in the Federal Register, under Section 307 of Public Law 92-500.
- 1.36 "Properly Shredded Garbage" shall mean the waste from the preparation, cooking and dispensing of food that has been shredded to such degree that all particles have a dimension no greater than 1/2 inch which will be carried freely under the flow conditions normally prevailing in public sewers.
- 1.37 "Publicly Owned Treatment Works, or POTW" shall mean a treatment works as defined by Section 212 of the Act, which is owned in this instance by the Town of

Gordonsville. This definition includes any sewer that conveys wastewater to such a treatment works, but does not include pipes, sewers, or other conveyances not connected to the facility providing treatment.

- 1.38 "Sewage" shall mean a combination of the water-carried wastes from residences, business buildings, institutions and industrial establishments, together with such ground, surface and stormwater as may be present.
- 1.39 "Shall" is mandatory: "May" is permissive.
- 1.40 "Sewer" shall mean a pipe or conduit that carries wastewater or drainage water.
- 1.41 "Sewerage Facilities" includes intercepting sewers, sewage treatment works, pumping stations, outfall sewers, and appurtenances constructed, operated and maintained by the Town of Gordonsville for sewage disposal purposes.
- 1.42 "Significant Industrial User" Any Industrial User of the Town's wastewater disposal system who (i) has a discharge flow of 25,000 gallons or more per average work day, or (ii) has a flow greater than 5% of the flow in the Town's wastewater treatment system, or (iii) has in his wastes toxic pollutants as defined pursuant to Section 307 of the Act of (State) Statutes and rules or (iv) is found by the Town, Protection Agency (EPA) to have significant impact, either singly or in combination with other contributing industries, on the wastewater treatment system, the quality of sludge, the system's effluent quality, or air emissions generated by the system.
- 1.43 "Slug" shall mean any discharge of water, sewage, or industrial waste which in concentration of any given constituent, or in quantity of flow exceeds for any period of duration longer than 15 minutes more than five times the average 24 hour concentration or flow during the normal operation and which shall adversely affect the collection system and/or performance of the wastewater treatment works.
- 1.44 "Standard Industrial Classification (SIC)" shall mean a classification pursuant to the Standard Industrial Classification Manual issued by the Executive Office of the President, Office of Management and Budget, 1972.
- 1.45 "Standard Methods" shall mean "Standard Methods for the Examination of Water and Wastewater" prepared and published jointly by the American Public Health Association, American Water Works Association and the Water Pollution Control Federation.
- 1.46 "Storm Water" shall mean any flow occurring during or immediately following any form of natural precipitation and resulting therefrom.
- 1.47 "Suspended Solids" shall mean solids that either float on the surface or are in suspension in water, sewage, industrial waste, or other liquids, and which are removable by laboratory filtration. The quantity of suspended solids shall be determined by one of the acceptable methods described in the latest edition of "Standard Methods for the Examination of Water and Wastewater" published by the American Public Health Association.

- 1.48 "Toxic Pollutant" shall mean any pollutant or combination of pollutants listed as toxic in the regulations promulgated by the Administrator or Environmental Protection Agency under the provisions of 33 USC 1317.
- 1.49 "Treatment Works" shall mean any device and systems used in the storage, treatment, recycling, and reclamation of domestic wastewater or industrial waste of a liquid nature including interceptor sewers, outfall sewers, sewer collection systems, pumping, power or other equipment and appurtenances; extensions; improvements, remodeling, additions and alterations thereof; elements essential to provide reliable recycle supply such as standby treatment units and clear well facilities; and any works, including land that will be an integral part of the treatment process or is used for the ultimate disposal of residues resulting from such treatment; including combined stormwater and sanitary sewer systems.
- 1.50 "TKN" of sewage or industrial waste shall designate its Total Kjeldahl Nitrogen content. The quantity of TKN shall be determined by one of the acceptable methods described in the latest edition of "Standard Methods for the Examination of Water and Wastewater: published by the American Public Health Association.
- 1.51 "Twenty-four Hour Flow Proportional Composite Sample" shall mean a sample consisting of several effluent portions collected during a twenty-four hour period in which the portions of the sample are proportional to the flow and combine to form a representative sample.
- 1.52 "Unpolluted Water" is water not containing any pollutants limited or prohibited by the effluent standards in effect, or water whose discharge will not cause any violation of receiving water quality standards and would not be benefited by discharge to the sanitary sewers and wastewater treatment facilities provided.
- 1.53 "User" means any person discharging wastes to the Town of Gordonsville Sewerage Facilities.
- 1.54 "Waste" shall include sewage and any other waste substances, liquid solid, or gases that are radioactive, associated with human habitation, or human or animal origin, or from any producing, manufacturing, or processing operation or whatever nature, including such waste placed within containers of whatever nature prior to, and for purposes of disposal.
- 1.55 "Wastewater" shall mean domestic sewage and industrial wastewaters discharged to the Town of Gordonsville's Sewerage Facilities together with any groundwater, surface water, and stormwater that may be present.
- 1.56 "WPCF" Is the Water Pollution Control Federation, 601 Wythe Street, Alexandria, VA 22314-1994.

Terms not otherwise defined herein shall be defined as shown in the latest edition of Standard Methods or other appropriate Federal or State Guidelines and Regulations.

SECTION 2 - USE OF PUBLIC SEWERS REQUIRED

- 2.1 It shall be unlawful for any person to place, deposit, or permit to be deposited in any unsanitary manner on

- public or private property within the Town of Gordonsville, or in any area under the jurisdiction of said Town, any human or animal excrement, or other objectionable waste.
- 2.2 It shall be unlawful to discharge to any natural outlet within the Town of Gordonsville, or any area under the jurisdiction of said Town, any sewage or other polluted waters, except where a Federal or State discharge permit has been duly issued and is currently valid for such discharge.
- 2.3 Except as hereinafter provided or as otherwise permitted by ordinance or regulation, it shall be unlawful to construct or maintain any privy, privy vault, septic tank, cesspool, or other facility intended or used for the disposal of sewage.
- 2.4 The owner, tenant or occupant of all houses, buildings, improvements or properties used for residential, commercial, industrial or recreational and all other human occupancy purposes which abut upon a street, road, right-of-way or other public way containing a public sanitary or combined sewer shall upon demand by the Town install suitable toilet facilities therein and connect the same directly with the proper public sewer in accordance with the provisions of this ordinance and shall cease to use any other means for the disposal of sewage, waste, wastewater, and other polluting matter, provided however the Town may waive such requirement in specific cases where it has determined that public sewer service to any particular individual user(s) would be unduly difficult or expensive and that alternative measures of disposal would not be hazardous to public health.
- 2.5 The owner, tenant or occupant of all houses, buildings, improvements or properties used for residential, commercial, industrial or recreational and all other human occupancy purposes which abut upon a street, road, right-of-way or other public way containing a public sanitary or combined sewer shall upon demand by the Town connect such house, building, improvement or property with the proper public sewer in accordance with the provisions of this ordinance and shall cease to use any other means for disposal of sewage, waste, wastewater or other polluting matter, provided however the Town may waive such requirement in specific cases where it has determined that public sewer service to any particular individual user(s) would be unduly difficult or expensive and that alternative measures of disposal would not be hazardous to public health.
- 2.6 Direct service connections made to the Town's sewerage system shall be made only by persons duly authorized by the Town.
- 2.7 The sewers are constructed for the purpose of transporting sewage - not storm water. Any customer of the sewerage system shall be responsible for the integrity of the pipes on this property which connect to the sewerage system. If it is determined that the pipes owned by the customer is faulty and in a bad state of repair, such that extraneous storm water can enter the sewerage system, the Town may require the customer to repair his pipes. If the pipes are not repaired within the time period allowed by the Town, service shall be terminated.

- 2.8 No person owning vacuum or "cess pool" pump trucks or other liquid waste transport trucks shall discharge directly or indirectly such sewage into the POTW, unless such person shall first have applied for and received a Truck Discharge Operation Permit from the Director of Public Works or his designated representative. All applicants for a Truck Discharge Operation Permit shall complete such forms as required by the Director, pay appropriate fees, and agree in writing to abide by the provisions of this article and any special conditions or regulations established by the Director. The owners of such vehicles shall affix and display the permit number on the side of each vehicle used for such purposes. Such permits shall be valid for a period of one (1) year from the date of issuance, provided that such permit shall be subject to revocation by the Director for violation of any provision of this article or reasonable regulation established by the Director. Such permits shall be limited to the discharge of domestic sewage waste containing no industrial waste. The Director shall designate the locations and times where such trucks may be discharged, and may refuse to accept any truckload of waste in his absolute discretion where it appears that the waste could interfere with the effective operation of the treatment works or any sewer line or appurtenance thereto. The owner of a Truck Discharge Operation Permit shall provide manifest to the POTW that states the source of the domestic waste they wish to discharge, the volume of wastewater from each source, and whether any industrial waste is included in the wastewater. The owner of the Truck Discharge Operation Permit shall provide a bond in an amount sufficient to cover his potential liability for violating his permit.
- 2.9 No person shall discharge any other holding tank waste into the POTW unless he shall have applied for and have been issued a permit by the Director. Unless otherwise allowed under the terms and conditions of the permit, a separate permit must be secured for each separate discharge. The permit shall state the specific location of discharge, the time of day the discharge is to occur, the volume of the discharge, and shall limit the wastewater constituents and characteristic of the discharge. Such user shall pay any applicable charges or fees therefore, and shall comply with the conditions of the permit issued by the Director. Provided, however, no permit will be required to discharge domestic waste from a recreational vehicle holding tank provided such discharge is made into an approved facility designed to receive such waste.

SECTION 3 - PRIVATE SEWAGE DISPOSAL

- 3.1 The disposal of sewage by means other than the use of the available public sanitary sewage system shall be in accordance with local, county and state law. The disposal of sewage by private disposal systems shall be permissible only in those instances where service from the available public sanitary sewage system is not available, or where such is otherwise permitted by Town ordinance or regulations.

SECTION 4 - BUILDING SEWERS AND CONNECTIONS

- 4.1 No unauthorized person shall uncover, make any connections with or opening into, use, alter, or disturb any public sewer or appurtenance thereof

- without first obtaining a written permit from the Approving Authority. The Owner or his agent shall make application on a special form furnished by the Town. The permit application shall be supplemented by any plans, specifications, or other information considered pertinent in the judgment of the Approving Authority.
- 4.2 All costs and expenses incident to the installation and connection of the building sewer shall be borne by the Owner. The Owner shall indemnify the Town from any loss or damage that may directly or indirectly be occasioned by the installation of the building sewer.
 - 4.3 A separate and independent building sewer shall be provided for every building.
 - 4.4 Old building sewers may be used in connection with new buildings only when they are found, upon examination and test by the Town, to meet all requirements of this ordinance.
 - 4.5 The size, slope, alignment, materials of construction of a building sewer, and the methods to be used in excavating, placing of the pipe, jointing, testing, and backfilling the trench, shall all conform to the requirements of the building and plumbing code or other applicable rules and regulations of the Town. In the absence of code provisions or in amplification thereof, the materials and procedures set forth in appropriate specifications of the A.S.T.M. and W.P.C.F. Manual of Practice No. 9 shall apply.
 - 4.6 Whenever possible, the building sewer shall be brought to the building at an elevation below the basement floor. In all buildings in which any building drain is too low to permit gravity flow to the public sewer, sanitary sewage carried by such building drain shall be lifted by an approved means and discharged to the building sewer.
 - 4.7 No person shall make connection of roof downspouts, exterior foundation drains, areaway drains, or other sources of surface runoff or groundwater to a building sewer or building drain which in turn is connected directly or indirectly to a public sanitary sewer unless such connection is approved by the Director of Public Works for purpose of disposal of polluted surface drainage.
 - 4.8 The connection of the building sewer into the public sewer shall conform to the requirements of the building and plumbing code or other applicable rules and regulations of the Town, or the procedures set forth in appropriate specifications of the A.S.T.M. and the W.P.C.F. Manual of Practice No. 9.
 - 4.9 All such connections shall be made gastight and watertight. Any deviation from the prescribed procedures and materials must be approved by the Approving Authority before installation.
 - 4.10 The applicant for the building sewer permit shall notify the Approving Authority or his representative when the building sewer is ready for inspection and connection to the public sewer. The connection shall be made by or under the supervision of the Approving Authority.

- 4.11 All excavations for building sewer installation shall be adequately guarded with barricades and lights so as to protect the public property disturbed in the course of the work which shall be restored in a manner satisfactory to the Town.
- 4.12 All cafes, restaurants, motels, hotels, or other commercial food preparation establishments shall install a grease trap on the kitchen waste line, provided however, all existing cafes, restaurants, motels, hotels, or other commercial food preparation establishments shall be required to construct a grease trap, at the owner's expense. The Town shall retain the right to inspect and approve installation of the grease trap facility. The grease trap must precede the septic tank on the kitchen waste line if a septic tank is used. The grease trap must be designed in accordance with current engineering standards and shall be easily accessible for cleaning. Grease traps shall be maintained by the owner or operator of the facility so as to prevent a stoppage of the Town sewer. If the Town employees are required to clean out the Town sewer lines as a result of a stoppage resulting from a clogged grease trap, the property owner or operator shall be required to pay the costs of the Town labor and materials required to clean out the sewer lines. The installation of grease traps shall be in accordance with Section 6.2 of this ordinance.

SECTION 5 - PROHIBITIONS AND LIMITATIONS ON WASTEWATER DISCHARGE

5.1 Prohibitions on Wastewater Discharge

No person shall discharge or cause to allow to be discharged into the Town of Gordonsville's sewerage facilities or any connected treatment facilities any waste which contains any of the following:

5.1.1 Oils and Grease

Fats, wax, grease or oils of more than one hundred (100) mg/l, whether emulsified or not, or containing substances which may solidify or become viscous at temperatures between 32 degrees and 150 degrees F (0 degrees and 56 degrees C) at the point of discharge into the system.

5.1.2 Explosive Mixtures

Liquids, solids, or gases which by reason of their nature of quantity are, or may be, sufficient to cause fire or explosion or be injurious in any other way to the sewerage facilities or to the operation of the system. At no time shall two successive readings on an explosion hazard meter, at the point of discharge into the sewer system, be more than five percent (5%) nor any single reading over ten percent (10%) of the Lower Explosive Limit (L.E.L.) of the meter. Prohibited materials included, but are not limited to gasoline, kerosene, naphtha, benzene, toluene, xylene, ethers, alcohols, ketones, aldehydes, peroxides, chlorates, perchlorates, bromates, carbides, hydrides and sulfides.

5.1.3 Noxious Materials

Noxious or malodorous solids, liquids or gases, which, either singly or by interaction with other wastes, are capable of creating a public nuisance or hazard to life, or are or may be sufficient to prevent entry into a sewer for its maintenance and repair.

5.1.4 Improperly Shredded Garbage.

Garbage that has not been ground or comminuted to such a degree that all particles are 1/2 inch or less and will be carried freely in suspension under flow conditions normally prevailing in the public sewers.

5.1.5 Radioactive Wastes

Radioactive wastes or isotopes of such half-life or concentration that they are in noncompliance with regulations issued by the appropriate authority having control over their use and which will or may cause damage or hazards to the sewerage facilities or personnel operating the system.

5.1.6 Solid or Viscous Wastes

Solid or viscous wastes which will or may cause obstruction to the flow in a sewer, or other interference with the proper operation of the sewerage facilities. Prohibited materials include, but are not limited to, grease, uncomminuted garbage, animal guts or tissues, paunch manure, bones, hair, hides or fleshings, entrails, whole blood, feathers, ashes, cinders, sand, spent lime, stone or marble dust, metal, glass, straw, shavings, grass clippings, rags, spent grains, spent hops, waste paper, wood, plastic, tar, asphalt residues, residues from refining or processing of fuel or lubricating oil, and similar substances.

5.1.7 Excessive Discharge Rate

Wastewaters at a flow rate which is excessive relative to the capacity of the treatment works and which could cause a treatment process upset and subsequent loss of treatment efficiency; or wastewaters containing such concentrations or quantities of pollutants that their introduction into the treatment works over a relatively short time period (sometimes referred to as "slug" discharges) would cause a treatment process upset and subsequent loss of treatment efficiency.

5.1.8 Toxic Substances

Any toxic substances, chemical elements or compounds, phenols or other waste, or odor-producing substances, or any other substances which may interfere with the biological processes or efficiency of the treatment works, or that will pass through the treatment works in concentrations which would cause the POTW to exceed its NPDES permit limits.

5.1.9 Unpolluted Waters

Any unpolluted water including, but not limited to, water from cooling systems or of stormwater origin, which will increase the hydraulic load on the sewerage facilities.

5.1.10 Discolored Materials

Wastes with objectionable color not removable by the treatment process.

5.1.11 Corrosive Wastes

Any waste which will cause corrosion or deterioration of the sewerage facilities. All wastes discharged to the public sewer system must have a pH value in the

range of (6) to (9). Prohibited materials include, but are not limited to acids, sulfides, concentrated chloride and fluoride compounds and substances which will react with water to form acidic products.

5.1.12 Thermal Discharge

Heat in amounts which will inhibit biological activity in the POTW or cause damage to the sewerage system resulting in interference, but in no case heat in such quantities that the temperature at the point of discharge exceeds 40 degrees centigrade (104°F). A higher temperature may be allowed in the users wastewater discharge permit.

5.1.13 Human Hazard

Any wastewater which caused hazard to human life or creates a public nuisance.

5.2 Limitation on Wastewater Discharges

5.2.1 No person shall discharge or convey or cause to be discharged or conveyed to the public sewer any wastewater containing pollutants of such character or quantity that will:

- A. Not be amenable to treatment or reduction by the wastewater treatment processes employed, or are amenable to treatment only to such degree that the wastewater treatment plant effluent cannot meet the requirements of other agencies having jurisdiction over discharge to the receiving waters.
- B. Constitute a hazard to human or animal life or to the stream or water course receiving the treatment plant effluent.
- C. Violate the Federal Pretreatment Standards.
- D. Cause the treatment plant to violate its NPDES permit, Tennessee Department of Environment & Conservation Permit, or other applicable receiving water standards.
- E. Contain any water or wastes whose strength or other characteristics exceed the limits for normal wastewater which may be established by the Approving Authority.

5.2.2 If the wastewater influent to the treatment plant creates adverse effects, or interferes with any wastewater treatment or collection processes, creates any hazard in receiving waters or results in the Town being in violation of applicable effluent standards, the Approving Authority shall establish industrial wastewater effluent limits as deemed necessary up to the following maximum concentrations. Furthermore, the Approving Authority shall have the authority to add to the list. Presently limits for certain parameters have been set as protection criteria for the POTW. These limits are influent concentrations to the POTW. Discharge limits for industrial users will be set in discharge permits as outlined in Section 10 of this Ordinance.

SECTION 6 - CONTROL OF PROHIBITED WASTES

6.1 Regulatory Actions

If wastewaters containing any substance in excess concentrations as described in Section 5 of this Ordinance are discharged or proposed to be discharged into the sewer system of the Town of Gordonsville or to any sewer system tributary thereto, the Town shall take any action necessary to:

- A. Prohibit the discharge of such wastewater.
- B. Require a discharger to demonstrate that in-plant modifications will eliminate the discharge of such substances to a degree as to be acceptable to the Town.
- C. Require pretreatment, including storage facilities or flow equalization, necessary to reduce or eliminate the objectionable characteristics or substances so that the discharge will not violate these rules and regulations or Federal pretreatment standards and any other applicable requirements promulgated by the EPA in accordance with Section 307 of the Clean Water Act of 1977.
- D. Require the person or discharger making, causing or allowing the discharge to pay any added cost of handling and treating excess loads imposed on the sewerage facilities. Nothing herein authorizes discharges, otherwise prohibited, upon payment of cost therefore.
- E. Take such other remedial action provided by law as may be deemed to be desirable or necessary to achieve the requirements of this Ordinance.

6.2 Submission of Plans

Where pretreatment or equalization of wastewater flows prior to discharge into any part of its sewerage facilities is required by the Town of Gordonsville, plans, specifications and other pertinent data or information relating to such pretreatment or flow-control facilities shall be submitted to the Approving Authority for review and approval. Approval shall in no way exempt the discharge of such facilities from compliance with any applicable code, ordinance, rule or regulation of any governmental unit or the Town. Any subsequent alterations or additions to such pretreatment or flow-control facilities shall not be made without due notice to, and approval of the Approving Authority.

6.3 Pretreatment Facilities Operations

If pretreatment or control of waste flows is required, such facilities shall be effectively operated and maintained by the Owner at his expense, subject to the requirements of these rules and regulations and all other applicable codes, ordinances and laws.

6.4 Reporting of Accidental Discharges

If an accidental discharge of prohibited or regulated pollutants to the sewerage facilities shall occur, the industrial facility response for such discharge shall immediately notify the Approving Authority so that corrective action may be taken to protect the sewerage facilities. In addition, a written report addressed to

the Approving Authority detailing the date, time and cause of the accidental discharge, the quantity and characteristics of the discharge and corrective action taken to prevent future discharges, shall be filed by the responsible industrial facility within thirty (30) days of the occurrence of the accidental discharge.

6.5 Right of Entry

Agents of the Town of Gordonsville, the Tennessee Department of Environment & Conservation (TDEC), and/or EPA upon presentation of credentials shall be permitted to enter all properties of the contributing industry for the purpose of inspection, observation, measurement, sampling, and testing.

SECTION 7 - WASTEWATER SAMPLING AND ANALYSIS

7.1 Analysis of Industrial Wastewater

All of the parameters listed in the Discharge Permit as authorized under Section 10 are to apply at the point where the industrial wastes are discharged into the public sanitary sewerage system and any chemical or mechanical corrective treatment required must be accomplished to practical completion before the wastes reach that point. The laboratory methods used in the examination of all industrial wastes shall be those set forth in the latest edition of "Standard Methods for the Examination of Water and Wastewater" published by the American Public Health Association, "Methods for Chemical Analysis of Water and Waste" published by the U.S. Environmental Protection Agency or the "Annual Book of Standards, Part 23, Water, Atmosphere Analysis" published by the American Society for Testing and Materials; however, alternate methods for the analysis of industrial wastes may be used subject to mutual agreement between the Approving Authority and the producer of such wastes. The frequency and duration of the sampling of any industrial waste shall be determined by the Approving Authority.

7.2 Control Manhole

When required by the Approving Authority, the Owner of any property serviced by a building sewer carrying industrial wastes shall install a suitable control manhole together with such necessary meters and other appurtenances in the building sewer to facilitate observation, sampling and measurement of the wastes. Such manhole, when required, shall be accessibly and safely located, and shall be constructed in accordance with plans approved by the Approving Authority. The manhole shall be installed by the Owner at his expense, and shall be maintained by him so as to be safe and accessible at all times. The Approving Authority shall have access and use of the control manhole as may be required for their monitoring of the industrial discharge.

SECTION 8 - INDUSTRIAL SELF-MONITORING REQUIREMENTS

In order to effectively administer and enforce the provisions of these regulations, the Approving Authority shall require any discharger to comply with any or all of the following requirements:

8.1 Discharge Reports

The Approving Authority shall require discharge reports, including but not limited to questionnaires, technical reports, sampling reports, test analyses, and periodical reports of wastewater discharge.

8.2 Monitoring Programs

The Approving Authority may require of users such technical or monitoring programs, including the submission of periodic reports, as he deems necessary. The discharger shall pay all applicable charges for the monitoring program, in addition to the sewage disposal and other charges established by the Town of Gordonsville.

The monitoring program shall require the discharger to conduct a sampling and analysis program of a frequency and type specified by the Approving Authority to demonstrate compliance with prescribed wastewater discharge limits. The discharger may either:

- A. Conduct his own sampling and analysis program provided he demonstrates to the Approving Authority that he has the necessary qualifications and facilities to perform the work; or
- B. Engage a private laboratory, approved by the Approving Authority.

SECTION 9 - ENFORCEMENT PROCEDURES

9.1 Penalties

Violation of any provisions of this Ordinance is hereby declared to be unlawful and shall be punishable as prescribed in Section 1-7 of the Code of Ordinances, Town of Gordonsville, Tennessee. Each day any such violation occurs shall be deemed a separate offense.

9.2 Liability

Any person violating any of the provisions of this Ordinance shall be liable to the Town for any expense, loss or damage incurred by the Town as a result of such violation.

9.3 Injunctive Relief

In addition to the penalties provided in the foregoing subsections, whenever a person violates any provision of this Ordinance or fails to comply with any requirement of the Town under authority of this Ordinance, the Town may petition the appropriate Court(s) for injunctive relief.

9.4 Remedies Nonexclusive

Use of any remedy herein contained shall not preclude utilization of any other remedy available at law or in equity nor shall it preclude revocation of permits as provided for hereafter.

SECTION 10 - PERMITS

- 10.1 All industrial users proposing to connect to or discharge into the sanitary sewer system must obtain a Wastewater Discharge Permit from the Approving Authority before connecting to or discharging into the sanitary sewer. All existing industrial users connected to or discharging into the Town's sanitary sewer must obtain a Wastewater Discharge Permit within 90 days after notice from the Town.
- 10.2 All persons within the Town's corporate limits, who intend to provide septic tanks for sewage disposal, shall make written request to the Approving Authority for a septic tank permit. Upon receipt of the written request, the Approving Authority shall determine whether the applicant is unable to connect to the Town's system, or whether other conditions exist as provided herein which would allow the use of a septic tank; if so, the Permit may be granted, conditioned upon proper installation in accordance with applicable standards, and such other requirements as necessary to protect the public health and safety.
- 10.3 Permit Application: Industrial users seeking a Wastewater Discharge Permit shall complete and file with the Approving Authority an application in the form prescribed by the Approving Authority, and accompanied by the applicable fees. The applicant shall be required to submit, in units and terms appropriate for evaluation, the following information.
- a) Name, address, and Standard Industrial Classification (SIC Manual, 1972, Office of Management and Budget) number of applicant;
 - b) Volume of wastewater to be discharged;
 - c) Wastewater constituents and characteristics including, but not limited to, those mentioned in Section 5 as determined by a laboratory approved by the Approving Authority.
 - d) Time and duration of discharge;
 - e) Average and 30-minute peak wastewater flow rates, including daily, monthly and seasonal variations, if any;
 - f) Site plans, floor plans, mechanical and plumbing plans and details to show all sewers and appurtenances by size, location and elevation;
 - g) Description of activities, facilities and plant process on the premises including all materials, processes and types of materials which are or could be discharged;
 - h) Each product produced by type, amount, and rate of production;
 - i) Number and type of employees, and hours of work;
 - j) All Tennessee Department of Environment & Conservation and Environmental Protection Agency permits required; and
 - k) Any other information as may be deemed by the Approving Authority to be necessary to evaluate the permit application.

The Approving Authority will evaluate the data furnished by the user and may require additional information. After evaluation and acceptance of the data furnished, the Approving Authority may issue a Wastewater Discharge Permit subject to terms and conditions provided herein.

- 10.4 Permit Conditions: Wastewater Discharge Permits shall be expressly subject to all provisions of this Ordinance and all other regulations, user charges and fees established by the Town. The conditions of Wastewater Discharge Permits shall be uniformly enforced by the Town in accordance with this Ordinance, and applicable State and Federal regulations.

Permits may include but not necessarily limited to the following:

- a) The unit charge or schedule of user charges and fees for the wastewater to be discharged to the public sewer;
 - b) The average and maximum wastewater constituents and characteristics;
 - c) Limits on rate and time of discharge or requirements for flow regulation and equalization;
 - d) Requirements for installation of inspection and sampling facilities;
 - e) 90 days after notice from the Town.
 - f) Specifications for monitoring programs which may include sampling locations, frequency and method of sampling, number, types, and standards for tests and reporting schedule;
 - g) Requirements for submission of technical reports or discharge reports;
 - h) Requirements for maintaining plant records relating to wastewater discharge as specified by the Approving Authority and, affording the Town access thereto; and
 - i) Other conditions as deemed appropriate by the Approving Authority to insure compliance with this Ordinance.
- 10.5 Duration of Permits: Permits shall be issued for a defined time period, not to exceed five (5) years. A permit may be issued for a period less than a year or may be stated to expire on a specific date. If the user is not notified by the Approving Authority 30 days prior to the expiration of the permit, the permit shall be extended one additional year. The terms and conditions of the permit may be subject to modification and change by the Approving Authority during the life of the permit as limitations or requirements as identified hereinbefore are modified and changed. The user shall be informed of any proposed changes in his permit at least 30 days prior to the effective date of change. Any changes or new conditions in the permit shall include a reasonable time schedule for compliance.
- 10.6 Transfer of a Permit: Wastewater Discharge Permits are issued to a specific user for a specific operation. A Wastewater Discharge Permit shall not be reassigned or transferred or sold to a new owner, new user, different premise, or a new or changed operation.

- 10.7 **Revocation of Permit:** Any user who violates the conditions of the permit or the revisions of this Ordinance, or applicable State and Federal regulations, or any of the following conditions shall be subject to having his permit revoked:
- a) Failure of a user to factually report the wastewater constituents and characteristics of his discharge;
 - b) Failure of the user to report significant changes in operations, or wastewater constituents and characteristics;
 - c) Refusal of reasonable access to the user's premises for the purpose of inspection or monitoring; or
 - d) Violation of conditions of the permit.
- 10.8 Upon revocation of any permit issued under this Ordinance, the user shall be notified that he shall be entitled to a hearing upon such revocation. Request for such hearing must be made within seven (7) days of notification of revocation of the permit. The hearing will be held before a Hearing Examiner and shall be heard within seven (7) days of the request for hearing. At the hearing, the Town and the customer shall be entitled to present evidence relevant and material to the revocation and to examine and cross examine witnesses. He may be represented by an attorney, if the user so chooses. The Hearing Examiner shall render a decision within seven (7) days upholding or overturning the revocation.

SECTION 11 - PROVISION OF SERVICE

11.1 Application for Service

Prior to use of the POTW, prospective users shall be required to sign an Application for Service and/or the Approving Authority's standard form of contract before service is supplied. Users requiring the installation of special equipment by the Approving Authority may be required to sign a form of contract guaranteeing a minimum charge for such period of time as may be required by the Approving Authority, but, in the absence of a completed application or contract, the usage by the User shall bind the User to the terms of the Approving Authority's standard form of application. If for any reason User, after signing application or contract for services, does not take the service, he shall reimburse the Approving Authority for the expense incurred by reason of its endeavor to furnish such service.

11.2 Temporary Service

Any user requiring temporary service may be required to pay all costs as determined by the Approving Authority for connection and disconnection incidental to the supplying and removal of service in addition to the regular sewer rate charges.

11.3 Billing

All bills for sewer service will be rendered monthly as a part of the regular monthly water billing and shall be computed using the applicable rates or charges in effect at the billing date. Billings will be computed and stated on a net and a gross basis. Such billings shall be payable in the net amount only if paid within

the discount period stated on the bill; otherwise the bill is payable in the gross amount. Should the final date for payment of the bill at the net rate fall on a Sunday or holiday, the business day next following the final date will be held as the last day to obtain the net rate. Remittance of net rate payment received by mail after the time limit for payment of said net rate will be accepted by the Approving Authority if the incoming envelope bears United States Post Office date stamp of the final date for payment of the net amount, or any date prior thereto. Failure to receive bill shall not release User from his obligation to make payment nor extend the discount date. No User shall be entitled to pay any bill at the net rate while such User is delinquent in payment of any obligation for sewer service owed the Approving Authority by such User. In the event sewer service bills are not paid on or before the discount date, water service may be discontinued upon five (5) days' written notice to User and not again resumed until all bills are paid. The Approving Authority shall not be liable for damages on account of such discontinuance of service, even though payment of such bills be made on the same day either before or after service is actually discontinued.

11.4 Point of Delivery - Water Service

The sewer service rates are based upon the supplying of water service to an entire premises through a single delivery and metering point. If water service is rendered to any User or premise through more than one delivery point, the Approving Authority will bill each such delivery point as a separate service.

11.5 Multiple Service Through a Single Meter - Water

Where the Approving Authority, as Distributor of Water, allows more than one dwelling or premise to be served through a single service line and meter, the monthly water billing for each such dwelling or premise will be computed in accordance with the rules and regulations for the distribution of water. The sewer service charge for each such dwelling or premise thus served shall then be computed at the Approving Authority's Applicable sewer service charge rates.

11.6 Discontinuance of Service

The Approving Authority, as the Distributor of Water, may disconnect its water service and may refuse to reconnect water service for a violation of this Ordinance, for failure to comply with any of its Water Rules and Regulations, for violation of any provision of the User's application or contract with the Approving Authority for sewer service furnished. Discontinuance of water service by the Approving Authority for any cause as stated in this Ordinance shall not release the User from liability for water or sewer service already received or from liability for payments that thereafter become due under the provisions of any contract between the User and the Approving Authority.

11.7 Termination of Service by Customer

Users who have fulfilled their contract terms and wish to discontinue service must give at least five (5) days' written notice to that effect, unless their

contract specifies otherwise. Notice to discontinue service prior to expiration of contract term will not relieve User from any minimum or guaranteed payment under contract or applicable rate schedule.

11.8 Notice of Trouble

User shall notify the Approving Authority immediately of any known defects, trouble or accident affecting the sewerage system.

11.9 Sewer Connections

Users requiring connections to existing mains or the extension of mains must arrange for whatever extension of the sewer main that may be necessary to reach a point in front of or adjacent to his property where his sewer service line or lines may be connected. Several Users may jointly arrange for the extension of a main to serve their properties and share the total expense in whatever manner they agree upon. Such mains, upon acceptance by the Approving Authority, will become part of the community system, without cost to the Approving Authority and will then be maintained by the Approving Authority. Connections with existing mains may be made only by the Approving Authority, at the User's expense, and after inspection of service lines ensure conformance with requirements of the building permit and the avoidance of any health hazard or interference with the existing system.

11.10 Scope

These Rules, Regulations and Rate Schedules are a part of all contracts for receiving sewerage service from the Approving Authority and apply to all service received from the Approving Authority whether the service is based upon contract, signed application or otherwise.

SECTION 12 - USER CHARGE

12.1 Definitions

For the purpose of this section only, which deals with sewer connection fees, the following terms shall have the following meanings:

"Residential User" means the owner or occupant of a dwelling.

"Commercial User" means the owner or occupant of a premise other than a dwelling, and other than a manufacturing plant employing more than twenty (20) persons on a regular basis. Commercial users include, but are not limited to: hotels, apartment buildings, retail stores, restaurants, nursing homes, service stations, beauty or barber shops, government buildings, banks, churches, doctor offices, and other similar businesses or enterprises.

"Industrial User" means the owner or occupant of a premise used for a manufacturing plant employing more than twenty (20) persons on a regular basis.

"Dwelling" means any single structure, with auxiliary buildings, occupied by no more than one household for residential purposes.

"Premise" means any structure or group of structures operated as a single business or enterprise, provided, however, the term "premise" does not include more than one dwelling.

"User" means any premise receiving sewer service from the Town.

"Low Income" means the total annual household income is less than \$16,850.00 for a one person household; \$19,250.00 for a two person household; \$21,650.00 for a three person household; \$24,100.00 for a four person household; \$26,000.00 for a five person household; \$27,950.00 for a six person household, \$229,85000 for a seven person household, and \$31,800.00 for an eight person household.

12.2 Amount of Fees

No permit to connect to any public sewer or appurtenance thereof shall be granted unless the applicant first pays to the Town a sewer connection fee as follows:

- (a) For residential users, the sewer connection fee shall be \$1,000.00 if paid by or before April 1, 1994, and \$1,000.00 after said date;
- (b) For commercial users, the sewer connection fee shall be \$1,500.00 if paid by or before April 1, 1994, and \$1,500.00 after said date;
- (c) For industrial users, the sewer connection fee shall be \$1,000.00.

12.3 Installment payments

A low-income residential user shall have the option to pay the sewer connection fee in not less than 24 equal monthly installments by submitting an application with sufficient information to determine if the applicant ^{is a low income residential user} qualifies as a low-income user and, if the applicant ^{is a low income residential user} does qualify, by signing an installment contract ^{for \$50.00 per month} agreeing to make all installment payments in order to ^{pay the sewer connection fee in full} pay the sewer connection fee in full. A low-income residential user shall be entitled to pay the lower connection fee as long as the user signs a contract to pay such fee on or before the last date to pay the lower fee.

12.4 Future Sewer Mains

The deadline to pay the lower sewer connection fee applies only to those premises which are serviceable by a sewer main to be installed pursuant to the Town's contract with Pat Eatherly Construction Company, which contract was approved by the Town Council on March 31, 1993. Premises which may be serviceable by sewer mains to be constructed pursuant to future contracts, may be granted a lower connection fee even after the deadline established by this section for paying the lower sewer connection fee.

SECTION 13 - USER CHARGE SYSTEM

13.1 GENERAL PROVISIONS

(a) Actual Use

The UCS shall be based on actual use, or estimated use, of waste water treatment services. Each user or user class must pay their proportionate share of the costs of waste water treatment services based on the quantity and quality of their discharge.

(b) Notification

Each user shall be notified annually in conjunction with their regular bill of the rate being charged for waste water treatment services.

(c) Financial Management System

The UCS must establish a financial management system that will accurately account for revenues generated and expenditures of the waste water system. This financial management system shall be based on an adequate budget identifying the basis for determining the annual operating expenses, interest expense, depreciation (if appropriate), and any reserve account requirements.

(d) Charges for Inflow and/or Infiltration

The UCS shall provide that the cost of operation and maintenance for all flow not directly attributable to users be distributed among all users in the same manner that it distributes the costs of the actual or estimated usage.

(e) Use of Revenue

Revenue derived from the waste water system, including but not limited to, sale of treatment-related-by-products; lease of land; or sale of crops grown on land purchased shall offset current user charges as well as moderate future rate increases.

(f) Other Municipalities

If the waste water system accepts waste water from other local governments, these subscribers receiving waste water treatment services shall adopt user charge systems in accordance with the same state regulations, requiring this ordinance.

(g) Inconsistent Agreements

This UCS shall take precedence over the terms or conditions of contracts between the city and users which are inconsistent with the requirements of this ordinance.

13.2 CHARGE STRUCTURE

(a) Classification of Users

Class 1: Those Residential and Commercial users whose discharge is considered to be treatable with normal practices. (C1)

Class 2: Those Industrial or other users whose average biochemical oxygen demand (BOD) is 300 milligrams per liter by weight or less, and whose suspended solids (SS) discharge is 300 milligrams per liter by weight or less. (C2)

Class 3: Those Industrial users whose average BOD exceeds 300 milligrams per liter concentration by weight and/or whose SS exceeds 300 milligrams per liter concentration. (C3)

Class 4: A discharge received from a truck which requests discharge privileges in accordance with Town of Gordonsville policy. (C4)

Class 5: A discharge received from a recreational vehicle in accordance with Town of Gordonsville policy.

(b) Determination of Costs

The governing body shall establish monthly rates and charges for the use of the waste water system and the services supplied by the waste water system. These charges shall be based upon the cost categories described as operation, maintenance, and replacement (OMR); interest (I), and principal repayments or depreciation, whichever is greater (P).

- (1) Each user who falls under Class I shall pay a minimum charge for usage less than 2000 gallons. For usage over 2000 gallons, their shall be a surcharge for each 1000 gallons over the 2000 gallon minimum.
- (2) All users who fall under Class 1 shall pay a single unit charge expressed as dollars per 1000 gallons of water purchased with the unit charge being determined by the following formula:

$$C2 = OMR + I + P / \text{Total gallons treated}$$

- (3) All users who fall within the Class 2 classification shall pay the same base unit charge per 1000 gallons of water purchased as for the Class I Users and in addition shall pay a surcharge rate on the excessive amounts of biochemical oxygen demand (BOD) and suspended solids (SS) in direct proportion to the actual discharge quantities.

C3 = C2 plus the following formula for excessive strength:

$$(A(D-300) + B(E-300) + C(F) \times .00834 \times G = \text{Surcharge Payment (\$/Mo.)}$$

The components of the formula are as follows:

- A = Surcharge rate for BOD, in \$/pound.
- B = Surcharge rate of SS, in \$/pound.
- C = Surcharge rate for other pollutant(s), in \$/pound.
- D = User's average BOD concentration, in mg/l.
- E = User's average SS concentration, in mg/l.
- F = User's average other pollutants concentration, in mg/l.
- G = User's monthly flow to sewage works, in 1000 gallons.

No reduction in sewage service charges, feeds, or taxes shall be permitted because of the fact that certain wastes discharged to the sewage works contain less than 300 mg/l of BOD and/or 300 mg/l of SS.

- (4) All users who fall under Class 4 shall pay a single charge for each separate discharge accepted from a truck.
- (5) All users who fall under Class 5 shall pay a single charge for each separate discharge accepted from a recreational vehicle.
- (6) The volume of water purchased which is used in the calculation of waste water use charges may be adjusted by the preceding month if a user does not discharge it to the public sewers (i.e. filling swimming pools or industrial heating). The user shall be responsible for documenting the quantity of waste water actually discharged to the public sewer.

SECTION 14 - VALIDITY

- 14.1 The provisions of this Ordinance shall supersede and take precedence over any other ordinance or part thereof or any other rules and regulations of the Town of Gordonsville.
- 14.2 It is hereby declared the intention of Town Council that sections, paragraphs, sentences, clauses, and words of this Ordinance are severable, and if any such section, paragraph, sentence, clause, or word be declared unconstitutional or invalid by valid judgment or decree of any court of competent jurisdiction, such unconstitutionality or invalidity shall not affect any remaining sections, paragraphs, sentences, clauses, or words since the same would have been enacted without the incorporation of the unconstitutional section, paragraph, sentence, clause or word.

SECTION 15 - ORDINANCE IN FORCE

This Ordinance shall become effective ten (10) days after adoption on second reading, the welfare of the Town of Gordonsville requiring it.

The Mayor and Sewer Superintendent will review the user charges annually along with the budget process and revise the rates as necessary to ensure that adequate revenues are generated to pay OMR, I, and P. The periodic review shall also ensure that the system continues to provide for the proportional distribution of these costs among users and user classes.

The rates shall be set in a resolution passed by the Town Council.

Section 2. This Ordinance shall take effect ten days from and after its final passage, the public welfare requiring it.

Motion was made by Councilman Dillard, seconded by Councilman Wane that the foregoing Ordinance be adopted on First Reading on the 10th day of January, 1994.

Upon roll call, the vote was as follows:

AYE: 3

NAY: 1

THOSE NOT VOTING:

ABSENT: 1

A majority of the Council for the Town of Gordonsville having voted in favor of the passage of said Ordinance on first reading, the same was declared to have been duly passed on this 10th day of January, 1994.

Joe K. Anderson
MAYOR

Sandra H. Kay
TOWN CLERK

At a session of the Town Council of the Town of Gordonsville held at the Town Hall on the 14th day of February, 1994, motion was made by Councilman Dance, seconded by Councilman Paschall that the foregoing Ordinance # 3-1497 be passed on second and final reading.

Upon roll call, the vote was as follows:

AYE: 4

NAY: 1

THOSE NOT VOTING:

ABSENT: 0

A majority of the Council having voted in favor of the final passage of said Ordinance on second and final reading, the same was declared to have been duly adopted on this 14th day of February, 1994, and it is ORDERED that an abstract of the essential provisions of this Ordinance be published in the official newspaper, same being the Carthage Courier within ten days as provided in Sec. _____ of Chapter _____ of the Private Acts for the year 19____, the same being the Town Charter.

Joe K. Anderson
MAYOR

Sandra H. Kay
TOWN CLERK

Published in the _____ Courier on the _____ day of _____, 1994.



Jason E. Mumpower
Comptroller

Entity Referred: **City of Grand Junction**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water And Sewer**

Staff Summary:

The City of Grand Junction ("the Entity") has been referred to the Water and Wastewater Financing Board ("the Board") for financial distress since its fiscal year 2020 audit. The Entity has not filed its 2021 audit which was due to the Comptroller's Office by December 31, 2021. The Entity should work with a third-party to verify its rates are set in a manner to remedy its financial distress. The Entity has reported water loss of 53.94% in its Annual Information Report. The Entity is working with TAUD to complete the AWWA 6.0 Water Loss Tool to submit to Board staff.

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. review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist;
 - g. and a justification of the inside and outside the city limit rates, including any recommended modifications to the rate structure.
2. By January 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.



Jason E. Mumpower
Comptroller

Entity Referred: **Town of Henning**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water And Sewer**

Staff Summary:

The Town of Henning ("the Entity") has been referred to the Water and Wastewater Financing Board ("the Board") for financial distress since its fiscal year 2020 audit. The Entity has not filed its 2021 audit which was due to the Comptroller's Office by December 31, 2021. The Entity should work with a third-party to verify its rates are set in a manner to remedy its financial distress. The Entity has not returned its 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. review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist;
 - g. and a justification of the inside and outside the city limit rates, including any recommended modifications to the rate structure.
2. By January 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 two extensions of up to six months of the foregoing deadlines upon a showing of good cause by the Entity.
5. Should the Entity fail to comply with any directive in this order, Board staff and Counsel, acting on the Board's authority, shall issue subpoenas for the Entity's governing body and Manager to appear in-person before the Board during its next meeting following non-compliance of this order.



Jason E. Mumpower
Comptroller

Entity Referred: **Town of Hollow Rock**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water And Sewer**

Staff Summary:

The Town of Hollow Rock ("the Entity") was referred to the Water and Wastewater Financing Board ("the Board") for financial distress in its fiscal year 2021 Audit. The Entity has completed the prior directive of the board by completing its financial questionnaire, which is included in the supplemental packet. The Entity has shown negative change in net position for the two previous audits, additionally, the Annual Information Report filed by the Entity indicates that they are currently experiencing a water loss of roughly 58%. The Entity has completed its AWWA water loss worksheet.

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. and a review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist;
2. By January 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 February 28, 2023, the Entity shall send Board staff a proposed plan of action to improve its non-revenue water which may included proposed capital projects or any engagements with third parties to address water loss.
4. 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.
5. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Entity.

Hollow Rock

	Category: Water And Sewer		County: Carroll	
	2018	2019	2020	2021
Net Assets	\$1,965,503.00	\$1,961,823.00	\$1,951,487.00	\$1,914,072.00
Deferred Outflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Net Liabilities	\$428,685.00	\$423,987.00	\$415,036.00	\$406,457.00
Deferred Inflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Total Net Position	\$1,536,818.00	\$1,537,836.00	\$1,536,451.00	\$1,507,615.00
Operating Revenues	\$174,856.00	\$183,703.00	\$178,462.00	\$188,220.00
Net Sales	\$174,856.00	\$183,703.00	\$178,462.00	\$188,220.00
Operating Expenses	\$167,053.00	\$167,287.00	\$165,295.00	\$202,902.00
Depreciation Expenses	\$67,078.00	\$67,078.00	\$67,078.00	\$67,078.00
Non Operating Revenues	-\$15,614.00	-\$15,398.00	-\$14,552.00	-\$14,154.00
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	-\$7,811.00	\$1,018.00	-\$1,385.00	-\$28,836.00
Statutory Change In Net Position	-\$7,811.00	\$1,018.00	-\$1,385.00	-\$28,836.00

Financial Distress Questionnaire

Entity: Town of Hollow Rock

Compliance

1. Has the utility filed its most recent annual information report? Yes
2. Has the Utility filed its most recent budget with the Comptroller's Office within 15 days of adoption? Yes.
3. Has the Utility filed its most recent audit with the Comptroller's Office within 6 months of the fiscal year end? No. Auditor was given all reports from the local government and kept delaying the on site visit. Then auditor requested reports again. Auditor never made an on site visit and each time he was asked for the audit to be completed gave different excuses.

Financial Distress Remedy Plans

1. Does this utility have a plan to remedy the current financial distress? Yes. The board raised the water base rate by \$5.00. As the new city recorder/cmfo, I advised the mayor and board of alderman that any contractual services must be budgeted accordingly.
2. Has a rate study been completed for the utility in the previous 5 years? No.
3. Has the utility implemented a rate increase in the last 6 months? Yes
4. Does the utility have plans to implement a rate increase in the next 6 months? No,
5. If a rate increase is planned, is this rate increase based on a rate study conducted by an independent third party? No
See attached for current rate ordinance or resolution.
6. Has this utility had any changes to fees in the last 5 years? Yes
See attached for current fee schedule.
7. How were the current fees based when adopted? Water rates for residential and commercial were increased \$5 to cover the cost of contractual services

Financial Initiatives

1. Has the utility incurred any new debt during its current fiscal year, or does the utility plan on incurring any new debt during the current or next fiscal year? No.
2. Has the utility received any grants during its current fiscal year or does the utility plan on applying for or receiving any new grants during the current or next fiscal year? No.

Water Utility Information

1. How many billed customers? 368
2. How many unbilled customers? 0
3. How many metered customers? 368
4. How many unmetered customers? 0
5. What was the net sales revenue from the largest 10 customers last fiscal year? \$12,497.00
6. What was the net sales revenue for the water utility last fiscal year? \$247,031.00
7. How many gallons were sold to the largest 10 customers last fiscal year? 1,284.00
8. How many gallons were sold last fiscal year? 16,520.00
9. Percent Sales from Largest 10 Customers: 5.06%
10. Percent Usage from Largest 10 Customers: 7.77%
11. Does the water utility have a rate structure with differing rates based on geographical location? No
If so please provide a breakdown of the rate structure and the method in which these rates have been determined to be reasonable and justifiable:
12. Does this utility have a water connection to another utility to purchase water or to have a backup water supply in case of emergency? Yes
13. Does this utility produce its entire water supply without purchasing water from another utility? Yes
14. Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve water service to its current or future customer base?
15. Does this utility sell water at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities, if so is there a contract for the sale of this water? No.
16. Does this utility have a water treatment facility? Yes
17. What is the design capacity of the water treatment facility? 200,000 gallons per day
18. What is the average operating capacity of the water treatment facility? 140,000 gallons per day
19. Are there any environmental concerns including government environmental orders for the water utility?
20. Please describe these environmental concerns for the water utility and the extent of the financial burden to remedy these financial concerns:

Wastewater Utility Information

1. How many billed customers?
2. How many unbilled customers?
3. How many metered customers?
4. How many unmetered customers?
5. What was the net sales revenue for the water utility last fiscal year?
6. What was the net sales revenue for the wastewater utility last fiscal year?
7. How many gallons of wastewater were treated for the largest 10 customers last fiscal year?
8. How many gallons of wastewater were treated by the utility last fiscal year?
9. Percent Sales from Largest 10 Customers:
10. Percent Usage from Largest 10 Customers:
11. Does the wastewater utility have a rate structure with differing rates based on geographical location?
12. If so, please provide a breakdown of the rate structure and an explanation of how this rate structure has been determined to be reasonable and justifiable: .
13. Does this utility treat all of the wastewater collections without sending wastewater to another utility for treatment?
14. Does this utility treat wastewater from another utility, and if so, does a contract exist for the treatment of this wastewater? .
15. Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve wastewater service to its current or future customer base?
16. Does this utility treat wastewater for customers on wells?
17. Excluding any potential customers on wells, are all customers billed based on metered water usage?
18. Does this utility treat wastewater at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities?
19. What is the design capacity of the wastewater treatment facility?
20. What is the average operating capacity of the wastewater treatment facility?
21. Are there any environmental concerns including government environmental orders for the wastewater utility?
22. Does this utility have a sewer use ordinance or resolution?
23. How is this sewer use ordinance or resolution enforced?

Plans and Policies

1. Does this utility have a debt management policy, if no why has a debt management policy not been adopted? Yes.
2. Does this utility have a capitalization policy, if no why has a debt management policy not been adopted? Yes.
3. Does this utility have a leak adjustment policy, if no why has a leak adjustment policy not been adopted? Yes. Yes
4. Does this utility have an asset management plan? Yes
5. How are capital projects or purchases adequately planned for?
6. Does this utility have a copy of its capital asset list on file? Yes
7. Who retains a copy of this capital asset list?
8. How often is this capital asset list reviewed and by whom? quarterly by cmfo

TOWN OF TOONE
WATER DEPT.
P. O. Box 98
Toone, TN 38381
731-658-9770

New Water Customer:

The Board of Mayor and Aldermen passed an ordinance regarding customer deposits, connection fees and reconnection fees effective November 1, 2010. Each new consumer of water must place a \$60.00 non-refundable connection fee, plus a \$75.00 deposit which is refundable after final water bill is paid to the Toone Water Department. This is a total cost of \$135.00 to obtain water from the Toone Water Department.

A monthly statement will be mailed to all water consumers for water usage. This bill is due and payable by the 10th of the month in order to avoid late charges. It must be paid no later than the 15th of the month or your water will be disconnected without further notification. A non-refundable reconnection fee and service charge in the amount of \$60.00 will be added to your late payment due for water. This must be paid before water will be reconnected the next business day. A \$50.00 fee will be added to your account if padlock on water meter is cut before reconnection is done.

It would be to your advantage to pay your water bill by the 10th of the month in order to avoid late fees and any interruption in service. Your water bill is due and payable, even if you do not receive your bill. If you do not receive a bill in the mail, please call the Water Dept. at 658-9770.

For your convenience, there is a drop box at City Hall where payments can be deposited at any hour (envelopes are provided). Water payments can also be mailed to P.O. Box 98, Toone, TN 38381. City Hall Office hours: Tuesday, Wednesday, Thursday, 8:30 a.m. until 1:30 p.m. (Office Hours are posted.)

If you have any questions, water issues or need additional information, please contact Beth Kee or Shirley Futrell at City Hall during office hours. The phone number is 658-9770.

Sincerely,

Jackie Kelley
Mayor
JK:sl

ORDINANCE NO. 008

AN ORDINANCE PERTAINING TO WATER AND SEWER SERVICE; SETTING: THE SERVICE DEPOSIT FEE; WATER CONNECTION CHARGES; SEWER TAP FEES AND WATER RE-CONNECTION FEES.

BE IT ORDAINED by the board of Mayor and Aldermen of the Town of Toone, Tennessee as follows:

Section 1: Ordinance Number _____ is hereby amended by deleting it in its entirety and by substituting instead the following language:

Section 2: Application, contract for service, and service deposit: Each prospective customer desiring water and/or sewer service will be required to complete and submit an application, sign a standard form contract and pay a service deposit fee of \$60.00 before service is supplied. The deposit of customers shall continue to serve as security for the prompt payment of all accounts of the customer with the system, which deposit shall be returned to the customer upon termination of the services if all charges due the system have been paid. In the event that the customer becomes in arrears in such charges, then such a deposit shall be used in whole or in part in liquidation of same, and the deposit by the subscriber shall be his consent to such use in such event. All such deposits shall be retained in a separate account to be accounted for at the termination of service, except in the case of a customer becoming in arrears in charges, at which time the deposit may be withdrawn from the special account and applied to the payment of the delinquent charge.

The receipt of a prospective customer's application for service shall not obligate the town to render the service for which was applied. If the service applied for cannot be supplied, the liability of the town to the applicant shall be limited to the return of any service deposit made by such applicant.

Section 3: Water Connection charges: The service connection fee paid by the customer shall be \$60.00 for each service provided.

Section 4: Water Re-connection charges: Customers who desire to be re-connected to the system shall pay a re-connection fee of \$60.00 for each service provided in addition to the regular charge for water and sewer service.

Section 5: Water Tap fee: The tapping fee paid by the customer shall be a minimum of \$400.00 for each tap provided within the town limits and a minimum of \$500.00 for each tap provided outside the city limits.

Water service lines may be laid by the town from its mains to the property line of the applicant for service. The location of all service lines will be determined by the town. When a service line is completed, the town shall be responsible for the maintenance and upkeep of such service line from the main to and including the meter and meter box, and such portion of the service line shall belong to the town. The remaining portion of the service line beyond the meter box shall belong to and be the responsibility of the customer.

Section 6: Sewer Tap fee: Sewer taps will be made at the sewer main. The tapping fee paid by the customer shall be a minimum of \$500.00 for each tap provided. Any additional costs incurred by the town providing such tap shall be paid for by the customer. The location of the tap will be determined by the town.

The customer is responsible for installing the sewer line from the tap to the house at his expense. The town has the right to inspect and approve the sewer line prior to allowing sewage flow from the building. The sewer line beyond the tap shall belong to and be the responsibility of the customer.

Section 6: All ordinances, resolutions or parts of ordinances and resolutions in conflict herewith are to the extent of such conflict hereby repealed.

Section 7: This ordinance shall take effect July 13, 2010, the public welfare requiring it.

Passed First Reading 6/8/10

Passed Second Reading 7-13-10



 Mayor

Attest:



 Town Recorder

ORDINANCE NO. 010

**AN ORDINANCE PERTAINING TO WATER AND SEWER SERVICE; AMENDING
ORDINANCE NUMBER 008 TO INCREASE THE SERVICE DEPOSIT FEE**

BE IT ORDAINED by the board of Mayor and Aldermen of the Town of Toone, Tennessee as follows:

Section 1: Ordinance Number 008 is hereby amended by deleting Section 2 in its entirety and by substituting instead the following language:

Section 2: Application, contract for service, and service deposit: Each prospective customer desiring water and/or sewer service will be required to complete and submit an application, sign a standard form contract and pay a service deposit fee of \$75.00 before service is supplied. The deposit of customers shall continue to serve as security for the prompt payment of all accounts of the customer with the system, which deposit shall be returned to the customer upon termination of the services if all charges due the system have been paid. In the event that the customer becomes in arrears in such charges, then such a deposit shall be used in whole or in part in liquidation of same, and the deposit by the subscriber shall be his consent to such use in such event. All such deposits shall be retained in a separate account to be accounted for at the termination of service, except in the case of a customer becoming in arrears in charges, at which time the deposit may be withdrawn from the special account and applied to the payment of the delinquent charge.

The receipt of a prospective customer's application for service shall not obligate the town to render the service for which was applied. If the service applied for cannot be supplied, the liability of the town to the applicant shall be limited to the return of any service deposit made by such applicant.

Section 6: All ordinances, resolutions or parts of ordinances and resolutions in conflict herewith are to the extent of such conflict hereby repealed.

Section 7: This ordinance shall take effect Dec. 16, 2010, the public welfare requiring it.

Passed First Reading Oct. 12, 2010

Passed Second Reading Dec. 16, 2010



Mayor

Attest:



Town Recorder

ORDINANCE NUMBER 031

AN ORDINANCE OF THE TOWN OF TOONE
SETTING WATER AND SEWER RATES

BE IT ORDAINED by the board of Mayor and Aldermen of the Town of Toone, Tennessee as follows:

Section 1: Schedule of rates. The rates to be charged each user or consumer of water and sewer per month shall be as follows:

Water Charges:

Outside town base with 5/8" meter	\$12.50
Outside town base with 1" meter	\$93.00
Outside town base with 2" meter	\$96.50
Outside town base with 6" meter	\$4728.00
Inside town limits with 5/8" meter	\$11.35
Inside town limits with 1" meter	\$82.60
Inside town limits with 2" meter	\$90.82
Inside town limits with 6" meter	\$4728.00

Cost per 1,000 gallons excluding industry	\$2.34
Cost per 1,000 gallons industry	\$1.13

Sewer Charges:

Residential/Institutional base 5/8" meter	\$16.20
Commercial base 5/8" meter	\$21.60
Institutional base 2" meter	\$86.50

Cost per 1,000 gallons	\$2.70
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Section 2: All ordinances, resolutions or parts of ordinances and resolutions in conflict herewith are to the extent of such conflict hereby repealed.

Section 3: This ordinance shall take effect Sept 15, 2017 billing, the public welfare requiring it.

Passed First Reading July 11, 2017 Passed Second Reading Aug 8, 2017

Mayor Attest: 

Town Recorder: 



Jason E. Mumpower
Comptroller

Entity Referred: **Town of Lynnville**
Referral Reason: **Decrease In Net Position**
Utility Type Referred: **Water**

Staff Summary:

The Town of Lynnville ("the Entity") has been referred to the Water and Wastewater Financing Board ("the Board") for financial distress since its fiscal year 2020 audit. Board staff is experiencing difficulty in compliance with the Entity due to turnover within the Entity experienced in 2022. The Tennessee Association of Utility Districts has been contracted to complete the ordered requirements from the Board, but given the lack of adequate recordkeeping, there have been delays in the completion of the order requirements.

Board staff is confident in TAUD's commitment to helping the Entity, and recommends an extension of the requirements as set forth in the most recent Board order.

Staff Recommendation:

Paragraph 3 of the September 2021 order shall be amended to: By March 31, 2023, the Town shall send Board staff proof the utility system's governing body have complied with the training requirements as set out in Tenn. Code Ann. 7-34-115(j).

Paragraph 4 of the September 2021 order shall be amended to: By June 30, 2023, the Town shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a plan of implementation.

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:

TOWN OF LYNNVILLE

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

ORDER

On April 29, 2021, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the Town of Lynnville (“the Town”) pursuant to Tenn. Code Ann. § 68-221-1010. Board staff informed the Board that in January of 2021, Staff had requested the Town complete the financial questionnaire and return it by April 2, 2021. Board staff has not yet received the questionnaire.

Therefore, based on Staff’s statements, recommendations, and all supporting documentation, the Board hereby orders the following:

1. The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, assist in completing the financial questionnaire previously sent by Board staff.
2. By June 4, 2021, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.
3. By August 6, 2021, the Town shall send the completed financial questionnaire and all supporting documentation to Board staff.
4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town.

ENTERED this 10th day of May, 2021.

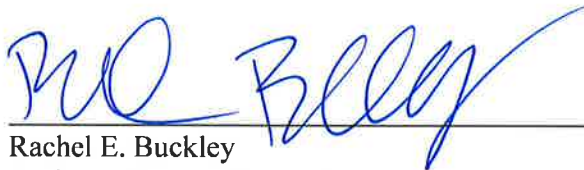


BETSY KNOTTS, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via U.S. mail to the following on this 10th day of May, 2021:

Mayor Robert E. White
Mrs. Dawn Baron, Town Recorder
Town of Lynnville
151 Mill St.
P.O. Box 158
Lynnville, TN 38472



Rachel E. Buckley
Assistant General Counsel

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:

TOWN OF LYNNVILLE

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

ORDER

On September 16, 2021, the Tennessee Water and Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the Town of Lynnville (“the Town”) pursuant to Tenn. Code Ann. § 68-221-1010. Board staff informed the Board that the Tennessee Association of Utility Districts (“TAUD”) confirmed that it had contracted with the Town to assist in completing the Town’s financial questionnaire. Board staff never received the questionnaire, but the Town informed Board staff that it has had some turnover in employees, which may have been the cause of the lost questionnaire. Staff felt comfortable with proceeding to require the Town to receive a rate study, rather than requiring the questionnaire to be completed a second time.

Therefore, based on Staff’s statements, recommendations, and all supporting documentation, the Board hereby orders the following:

1. The Town shall have TAUD, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - a. a review of the debt management policy, including any recommended modifications;
 - b. a review of the capitalization policy, including any recommended modifications;

- c. 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 all water and sewer fees, including any recommended modifications; and
 - e. a review of the leak adjustment policy, including any recommended modifications.
2. By October 29, 2021, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in paragraph 1.
 3. By December 31, 2021, the Town shall send Board staff proof that all members of the utility system's governing body have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).
 4. By July 1, 2022, the Town shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
 5. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Town.

ENTERED this 27th day of September, 2021.

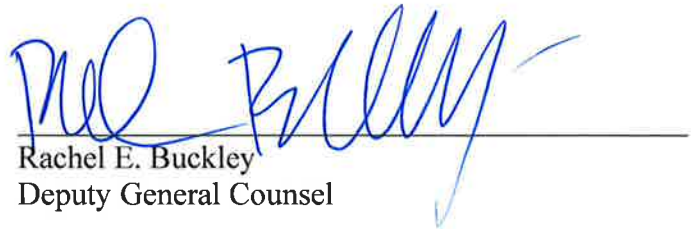


BETSY KNOTTS, Chair
Water and Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested and U.S. mail to the following on this 27th day of September, 2021:

Mayor Robert White
Ms. Tonya Holley, Town Recorder
151 Mill St.
P.O. Box 158
Lynnville, TN 38472



Rachel E. Buckley
Deputy General Counsel

Lynnville

	Category: Water		County: Giles	
	2018	2019	2020	2021
Net Assets	\$1,380,434.00	\$1,322,199.00	\$1,264,095.00	\$1,228,287.00
Deferred Outflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Net Liabilities	\$33,769.00	\$38,568.00	\$31,922.00	\$36,105.00
Deferred Inflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Total Net Position	\$1,346,665.00	\$1,283,631.00	\$1,232,173.00	\$1,192,182.00
Operating Revenues	\$215,543.00	\$222,839.00	\$268,575.00	\$233,753.00
Net Sales	\$206,074.00	\$217,417.00	\$258,455.00	\$233,753.00
Operating Expenses	\$287,786.00	\$287,061.00	\$320,100.00	\$273,747.00
Depreciation Expenses	\$47,714.00	\$47,712.00	\$47,713.00	\$47,713.00
Non Operating Revenues	\$90,521.00	\$1,188.00	\$67.00	\$3.00
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	\$18,278.00	-\$63,034.00	-\$51,458.00	-\$39,991.00
Statutory Change In Net Position	\$18,278.00	-\$63,034.00	-\$51,458.00	-\$39,991.00



Jason E. Mumpower
Comptroller

Entity Referred: **Town of Toone**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water And Sewer**

Staff Summary:

The Town of Toone ("the Entity") has been referred to the Water and Wastewater Financing Board ("the Board") for financial distress since its fiscal year 2022, based on the Entity's late-filed fiscal year 2019 audit. The Entity has returned its financial distress questionnaire to Board staff. Board staff has identified the following areas of concern:

- a. The entity has not had a change in rates in the past six months, nor fee changes in the last five years.
- b. The entity does not have a capitalization policy.
- c. The entity does not have an asset management plan, nor a copy of its capital asset list on file.

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. the creation of a capitalization policy, including any recommended modifications;
 - b. the creation of a 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;
 - d. a review of the leak adjustment policy, including any recommended modifications or adoption of such policy if one does not exist;
 - e. a justification of the inside and outside the city limit rates, including any recommended modifications to the rate structure; and,
 - f. verification that all governing body members of the utility are in compliance with all relevant training requirements.
2. By January 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.

Toone

	Category: Water And Sewer		County: Hardeman	
	2018	2019	2020	2021
Net Assets	\$1,692,580.00	\$1,668,454.00	\$1,787,889.00	\$1,914,568.00
Deferred Outflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Net Liabilities	\$27,762.00	\$25,719.00	\$27,339.00	\$29,095.00
Deferred Inflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Total Net Position	\$1,664,818.00	\$1,642,735.00	\$1,760,550.00	\$1,885,473.00
Operating Revenues	\$194,064.00	\$189,052.00	\$205,022.00	\$235,857.00
Net Sales	\$171,290.00	\$179,325.00	\$198,866.00	\$220,963.00
Operating Expenses	\$203,558.00	\$215,075.00	\$177,811.00	\$241,004.00
Depreciation Expenses	\$42,817.00	\$43,284.00	\$45,000.00	\$51,311.00
Non Operating Revenues	\$1,592.00	\$3,940.00	\$4,524.00	\$3,170.00
Capital Contributions	\$0.00	\$0.00	\$86,080.00	\$126,900.00
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	-\$7,902.00	-\$22,083.00	\$117,815.00	\$124,923.00
Statutory Change In Net Position	-\$7,902.00	-\$22,083.00	\$31,735.00	-\$1,977.00

Financial Distress Questionnaire

Entity: Town of Toone

Compliance

1. Has the utility filed its most recent annual information report? Yes
2. Has the Utility filed its most recent budget with the Comptroller's Office within 15 days of adoption? Yes.
3. Has the Utility filed its most recent audit with the Comptroller's Office within 6 months of the fiscal year end? Yes.

Financial Distress Remedy Plans

1. Does this utility have a plan to remedy the current financial distress? Yes. Plans are to implement a rate study very soon and to increase rates and fees accordingly.
2. Has a rate study been completed for the utility in the previous 5 years? No.
3. Has the utility implemented a rate increase in the last 6 months? No
4. Does the utility have plans to implement a rate increase in the next 6 months? Yes,
5. If a rate increase is planned, is this rate increase based on a rate study conducted by an independent third party? Yes
See attached for current rate ordinance or resolution.
6. Has this utility had any changes to fees in the last 5 years? No
See attached for current fee schedule.
7. How were the current fees based when adopted? Current rates were adopted several years ago and based on operating costs and expenses at that time.
8. To our knowledge no changes to the current schedule have occurred. However, we are in the process of conducting an up to date rate study and making adjustments accordingly.

Financial Initiatives

1. Has the utility incurred any new debt during its current fiscal year, or does the utility plan on incurring any new debt during the current or next fiscal year? No.
2. Has the utility received any grants during its current fiscal year or does the utility plan on applying for or receiving any new grants during the current or next fiscal year? Yes.

Water Utility Information

1. How many billed customers? 234
 2. How many unbilled customers? 0
 3. How many metered customers? 234
 4. How many unmetered customers? 0
 5. What was the net sales revenue from the largest 10 customers last fiscal year?
\$138,161.00
 6. What was the net sales revenue for the water utility last fiscal year? \$197,065.00
 7. How many gallons were sold to the largest 10 customers last fiscal year? 18,841,266.00
 8. How many gallons were sold last fiscal year? 29,632,334.00
 9. Percent Sales from Largest 10 Customers: 70.11%
 10. Percent Usage from Largest 10 Customers: 63.58%
 11. Does the water utility have a rate structure with differing rates based on geographical location? Yes
 12. If so please provide a breakdown of the rate structure and the method in which these rates have been determined to be reasonable and justifiable: Water Charges:
 13. Outside town base with 5/8" meter \$12.50
 14. Outside town base with 1" meter \$93.00
 15. Outside town base with 2" meter \$96.50
 16. Outside town base with 6" meter \$4728.00
 17. Inside town limits with 5/8" meter \$11.35
 18. Inside town limits with 1" meter \$82.60
 19. Inside town limits with 2" meter \$90.82
 20. Inside town limits with 6" meter \$4728.00
 21. Cost per 1,000 gallons excluding industry \$2.34
 22. Cost per 1,000 gallons industry
 23. Sewer Charges: \$1.13
 24. Residential/Institutional base 5/8" meter \$16.20
 25. Commercial base 5/8" meter \$21.60
 26. Institutional base 2" meter \$86.50
 27. Cost per 1,000 gallons \$2.70
- These rates were based on a rate study that was conducted many years prior and our assumption is that the rates were based on that study.
28. Does this utility have a water connection to another utility to purchase water or to have a backup water supply in case of emergency? No
 29. Does this utility produce its entire water supply without purchasing water from another utility? Yes
 30. Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve water service to its current or future customer base?
 31. Does this utility sell water at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities, if so is there a contract for the sale of this water? No.
 32. Does this utility have a water treatment facility? Yes

33. What is the design capacity of the water treatment facility? 1.2MGD
34. What is the average operating capacity of the water treatment facility? 250000 A DAY
35. Are there any environmental concerns including government environmental orders for the water utility? No
36. Please describe these environmental concerns for the water utility and the extent of the financial burden to remedy these financial concerns:

Wastewater Utility Information

1. How many billed customers? 79
2. How many unbilled customers? 0
3. How many metered customers? 79
4. How many unmetered customers? 0
5. What was the net sales revenue for the water utility last fiscal year? \$5,300.00
6. What was the net sales revenue for the wastewater utility last fiscal year? \$27,002.00
7. How many gallons of wastewater were treated for the largest 10 customers last fiscal year? 413,562.00
8. How many gallons of wastewater were treated by the utility last fiscal year? 4,380,000.00
9. Percent Sales from Largest 10 Customers: 19.63%
10. Percent Usage from Largest 10 Customers: 9.44%
11. Does the wastewater utility have a rate structure with differing rates based on geographical location? No
12. If so, please provide a breakdown of the rate structure and an explanation of how this rate structure has been determined to be reasonable and justifiable: .
13. Does this utility treat all of the wastewater collections without sending wastewater to another utility for treatment? Yes
14. Does this utility treat wastewater from another utility, and if so, does a contract exist for the treatment of this wastewater? No.
15. Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve wastewater service to its current or future customer base? NO
16. Does this utility treat wastewater for customers on wells? No
17. Excluding any potential customers on wells, are all customers billed based on metered water usage? Yes
18. Does this utility treat wastewater at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities? Yes
19. What is the design capacity of the wastewater treatment facility? 30000
20. What is the average operating capacity of the wastewater treatment facility? 20000
21. Are there any environmental concerns including government environmental orders for the wastewater utility? No
22. Does this utility have a sewer use ordinance or resolution? Yes
23. How is this sewer use ordinance or resolution enforced? This ordinance is enforced by Mayor and Board of Alderman

Plans and Policies

1. Does this utility have a debt management policy, if no why has a debt management policy not been adopted? No. The present board were not aware that the previous administration did not have one. Although the mayor and the board of alderman are working on adding polices and procedures.
2. Does this utility have a capitalization policy, if no why has a debt management policy not been adopted? No. The present board were not aware that the previous administration did not have one. Although the mayor and the board of alderman are working on adding polices and procedures.
3. Does this utility have a leak adjustment policy, if no why has a leak adjustment policy not been adopted? Yes. Yes
4. Does this utility have an asset management plan? No
5. How are capital projects or purchases adequately planned for? The mayor and board of alderman meet with the water and sewer manager to discuss the budgets and all income and expenses to decide what is in best interest of the town and funding.
6. Does this utility have a copy of its capital asset list on file? No
7. Who retains a copy of this capital asset list? N/A
8. How often is this capital asset list reviewed and by whom? N/A

TOWN OF TOONE
WATER DEPT.
P. O. Box 98
Toone, TN 38381
731-658-9770

New Water Customer:

The Board of Mayor and Aldermen passed an ordinance regarding customer deposits, connection fees and reconnection fees effective November 1, 2010. Each new consumer of water must place a \$60.00 non-refundable connection fee, plus a \$75.00 deposit which is refundable after final water bill is paid to the Toone Water Department. This is a total cost of \$135.00 to obtain water from the Toone Water Department.

A monthly statement will be mailed to all water consumers for water usage. This bill is due and payable by the 10th of the month in order to avoid late charges. It must be paid no later than the 15th of the month or your water will be disconnected without further notification. A non-refundable reconnection fee and service charge in the amount of \$60.00 will be added to your late payment due for water. This must be paid before water will be reconnected the next business day. A \$50.00 fee will be added to your account if padlock on water meter is cut before reconnection is done.

It would be to your advantage to pay your water bill by the 10th of the month in order to avoid late fees and any interruption in service. Your water bill is due and payable, even if you do not receive your bill. If you do not receive a bill in the mail, please call the Water Dept. at 658-9770.

For your convenience, there is a drop box at City Hall where payments can be deposited at any hour (envelopes are provided). Water payments can also be mailed to P.O. Box 98, Toone, TN 38381. City Hall Office hours: Tuesday, Wednesday, Thursday, 8:30 a.m. until 1:30 p.m. (Office Hours are posted.)

If you have any questions, water issues or need additional information, please contact Beth Kee or Shirley Futrell at City Hall during office hours. The phone number is 658-9770.

Sincerely,

Jackie Kelley
Mayor
JK:sl

ORDINANCE NO. 008**AN ORDINANCE PERTAINING TO WATER AND SEWER SERVICE; SETTING: THE SERVICE DEPOSIT FEE; WATER CONNECTION CHARGES; SEWER TAP FEES AND WATER RE-CONNECTION FEES.**

BE IT ORDAINED by the board of Mayor and Aldermen of the Town of Toone, Tennessee as follows:

Section 1: Ordinance Number _____ is hereby amended by deleting it in its entirety and by substituting instead the following language:

Section 2: Application, contract for service, and service deposit: Each prospective customer desiring water and/or sewer service will be required to complete and submit an application, sign a standard form contract and pay a service deposit fee of \$60.00 before service is supplied. The deposit of customers shall continue to serve as security for the prompt payment of all accounts of the customer with the system, which deposit shall be returned to the customer upon termination of the services if all charges due the system have been paid. In the event that the customer becomes in arrears in such charges, then such a deposit shall be used in whole or in part in liquidation of same, and the deposit by the subscriber shall be his consent to such use in such event. All such deposits shall be retained in a separate account to be accounted for at the termination of service, except in the case of a customer becoming in arrears in charges, at which time the deposit may be withdrawn from the special account and applied to the payment of the delinquent charge.

The receipt of a prospective customer's application for service shall not obligate the town to render the service for which was applied. If the service applied for cannot be supplied, the liability of the town to the applicant shall be limited to the return of any service deposit made by such applicant.

Section 3: Water Connection charges: The service connection fee paid by the customer shall be \$60.00 for each service provided.

Section 4: Water Re-connection charges: Customers who desire to be re-connected to the system shall pay a re-connection fee of \$60.00 for each service provided in addition to the regular charge for water and sewer service.

Section 5: Water Tap fee: The tapping fee paid by the customer shall be a minimum of \$400.00 for each tap provided within the town limits and a minimum of \$500.00 for each tap provided outside the city limits.

Water service lines may be laid by the town from its mains to the property line of the applicant for service. The location of all service lines will be determined by the town. When a service line is completed, the town shall be responsible for the maintenance and upkeep of such service line from the main to and including the meter and meter box, and such portion of the service line shall belong to the town. The remaining portion of the service line beyond the meter box shall belong to and be the responsibility of the customer.

Section 6: Sewer Tap fee: Sewer taps will be made at the sewer main. The tapping fee paid by the customer shall be a minimum of \$500.00 for each tap provided. Any additional costs incurred by the town providing such tap shall be paid for by the customer. The location of the tap will be determined by the town.

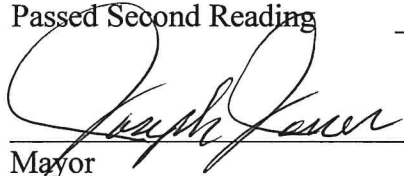
The customer is responsible for installing the sewer line from the tap to the house at his expense. The town has the right to inspect and approve the sewer line prior to allowing sewage flow from the building. The sewer line beyond the tap shall belong to and be the responsibility of the customer.

Section 6: All ordinances, resolutions or parts of ordinances and resolutions in conflict herewith are to the extent of such conflict hereby repealed.

Section 7: This ordinance shall take effect July 13, 2010, the public welfare requiring it.

Passed First Reading 6/8/10

Passed Second Reading 7-13-10



Mayor

Attest:



Town Recorder

ORDINANCE NO. 010

**AN ORDINANCE PERTAINING TO WATER AND SEWER SERVICE; AMENDING
ORDINANCE NUMBER 008 TO INCREASE THE SERVICE DEPOSIT FEE**

BE IT ORDAINED by the board of Mayor and Aldermen of the Town of Toone, Tennessee as follows:

Section 1: Ordinance Number 008 is hereby amended by deleting Section 2 in its entirety and by substituting instead the following language:

Section 2: Application, contract for service, and service deposit: Each prospective customer desiring water and/or sewer service will be required to complete and submit an application, sign a standard form contract and pay a service deposit fee of \$75.00 before service is supplied. The deposit of customers shall continue to serve as security for the prompt payment of all accounts of the customer with the system, which deposit shall be returned to the customer upon termination of the services if all charges due the system have been paid. In the event that the customer becomes in arrears in such charges, then such a deposit shall be used in whole or in part in liquidation of same, and the deposit by the subscriber shall be his consent to such use in such event. All such deposits shall be retained in a separate account to be accounted for at the termination of service, except in the case of a customer becoming in arrears in charges, at which time the deposit may be withdrawn from the special account and applied to the payment of the delinquent charge.

The receipt of a prospective customer's application for service shall not obligate the town to render the service for which was applied. If the service applied for cannot be supplied, the liability of the town to the applicant shall be limited to the return of any service deposit made by such applicant.

Section 6: All ordinances, resolutions or parts of ordinances and resolutions in conflict herewith are to the extent of such conflict hereby repealed.

Section 7: This ordinance shall take effect Dec. 16, 2010, the public welfare requiring it.

Passed First Reading Oct. 12, 2010

Passed Second Reading Dec. 16, 2010



Mayor

Attest:



Town Recorder

ORDINANCE NUMBER 031

AN ORDINANCE OF THE TOWN OF TOONE
SETTING WATER AND SEWER RATES

BE IT ORDAINED by the board of Mayor and Aldermen of the Town of Toone, Tennessee as follows:

Section 1: Schedule of rates. The rates to be charged each user or consumer of water and sewer per month shall be as follows:

Water Charges:

Outside town base with 5/8" meter	\$12.50
Outside town base with 1" meter	\$93.00
Outside town base with 2" meter	\$96.50
Outside town base with 6" meter	\$4728.00
Inside town limits with 5/8" meter	\$11.35
Inside town limits with 1" meter	\$82.60
Inside town limits with 2" meter	\$90.82
Inside town limits with 6" meter	\$4728.00

Cost per 1,000 gallons excluding industry	\$2.34
Cost per 1,000 gallons industry	\$1.13

Sewer Charges:

Residential/Institutional base 5/8" meter	\$16.20
Commercial base 5/8" meter	\$21.60
Institutional base 2" meter	\$86.50

Cost per 1,000 gallons	\$2.70
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Section 2: All ordinances, resolutions or parts of ordinances and resolutions in conflict herewith are to the extent of such conflict hereby repealed.

Section 3: This ordinance shall take effect Sept 15, 2017 billing, the public welfare requiring it.

Passed First Reading July 11, 2017 Passed Second Reading Aug 8, 2017

Mayor Attest: 

Town Recorder: 



Jason E. Mumpower
Comptroller

Entity Referred: **Tullahoma Utilities Authority**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Sewer**

Staff Summary:

Tullahoma Utilities Authority ("the Entity") has been referred to the Water and Wastewater Financing Board ("the Board") 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 three items of note:

1. The Entity's plan to remedy its financial distress is premised on the Entity's implementing a rate increase based on an in-house determination. Board staff thinks this is a positive step for the Entity but a formal rate study performed by a qualified expert should be conducted to ensure the viability of the Entity's determinations to ensure fair and reasonable rates to customers.
2. The Entity should reexamine or adopt the following policies and plans: a capitalization policy, debt management policy, and asset management plan.
3. The Entity has differing inside and outside the city limit rates for customers. These should be evaluated to ensure they are reasonable and justifiable, and reviewed in any outside rate study performed.

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; and,
 - d. a justification of the inside and outside the city limit rates, including any recommended modifications to the rate structure;
 - e. and verification that all governing body members of the utility are in compliance with all relevant training requirements.
2. By January 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 send the completed rate study and proof of implementation or proposed plan of implementation to Board staff.
4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the Entity.

Contact Information and Comptroller Filings

Entity ID Number	13382
Name	Mary Mealer
Email	mmealer@tullahomautilities.com
Phone	(931) 571-7139
Mailing Address	P O Box 788 901 S Jackson Street Tullahoma, TN 37388

Has the most recent Annual Information report been timely filed for this utility? Yes

Has the utility filed its most recent budget with the Comptroller's Office within 15 days of adoption? No

Please provide the reason why this local government did not timely file its most recent budget with the Comptroller's Office? Not required of a State Municipal Authority

Has the utility filed its most recent audit with the Comptroller's Office within 6 months of the last fiscal year end? Yes

Financial Distress Remedy Plans

Does this utility have a plan to remedy the current financial distress? Yes

Please describe the current plan to remedy the utility's financial distress. TUA Board approved Water and Wastewater Systems rate increases effective July 1, 2022. In January 2022, TUA implemented an increase to various fees in both systems.

Rates and Fees Information

Has a rate study been completed for the utility in the previous 5 years? No

Has the utility implented a rate increase in the last 6 months? No

Does the utility have plans to implement a rate increase in the next 6 months?	Yes
Is this rate increase based on a rate study conducted by an independent third party?	No
Please upload a copy of the current rate ordinance or resolution.	https://www.formstack.com/admin/download/file/12957989418
Has this utility had any changes to fees in the last 5 years?	Yes
Please upload a copy of the current utility fee schedule.	https://www.formstack.com/admin/download/file/12957989420
Please provide a written rationale for the fees contained in the current fee schedule and any changes that may have occurred if indicated so in the previous question.	An in-house fees study was performed and determined that existing fees had not been increased in many years. Fees were not sufficient to cover increased costs to materials and labor. Also, to substantiate fee increases, a comparison to near-by utilities of similar size was performed.

Financial Initiatives

Has the utility incurred any new debt during its current fiscal year, or does the utility plan on incurring any new debt during the current or next fiscal year?	Yes
How much is this new debt, and what is the source of this debt?	No new debt in current FY but plan for debt in next FY. Approximately 3.1 million/SRF-\$1.8 million. Balance to be through bond sales or independent financial institutions. This is yet to be determined.
What will this debt be used for?	Wastewater system improvements and expansion
Has the utility received any grants during its current fiscal year, or does the utility plan on applying for or receiving any new grants during the current or next fiscal year?	Yes
How much is this funding, and what is the source of this funding?	Amount not determined as of now. Have not received any grant funds but plan to apply for ARP Competitive Grant Funding
What will this funding be used for?	Wastewater System rehab

Utility Information

Does this utility offer water service?	Yes
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Does this utility offer sewer or wastewater service? Yes

Water Utility Information

How many billed customers does the water utility have? 10400

How many unbilled customers does the water utility have? 0

How many metered customers does the water utility have? 10400

How many unmetered customers does the water utility have? 0

What was the net sales revenue from the largest 10 customers last fiscal year? 868174

What was the net sales revenue for the water utility last fiscal year? 4146375

What percentage of sales do the largest 10 customers account for annually? 20.93%

How many thousand gallons were sold to the largest 10 customers last fiscal year? 382573.90

How many thousand gallons were sold last fiscal year? 1017752.30

What percentage of volume do the largest 10 customers account for annually? 37.59%

Does the water utility have a rate structure with differing rates based on geographical location? Yes

Please provide a customer count breakdown of these different rate classes. Inside/8957
Outside/1443

Please explain the method in which these rates have been determined to be reasonable and justifiable. Inside customers are billed at a lesser rate compared to outside customers. TUA expenses are more for outside customers due to lower density and increased costs due to location.

Does this utility have a water connection to another utility to purchase water or to have a backup water supply in case of emergency?	Yes
Does this utility produce its entire water supply without purchasing water from another utility?	No
Does a contract exist for the purchase of any water from another utility?	Yes
Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve water service to its current or future customer base?	No, TUA purchases our water from the Duck River Utility Commission, a regional water supplier.
Does this utility sell water at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities?	Yes
Does a contract exist for the sale of this water?	Yes
Does this utility have a water treatment facility?	No
Are there any environmental concerns including government environmental orders for the water utility?	No
Please describe these environmental concerns for the water utility and the extent of the financial burden to remedy these financial concerns.	No environmental concerns

Wastewater Utility Information

How many billed customers does the wastewater utility have?	7985
How many unbilled customers does the wastewater utility have?	0
How many metered customers does the wastewater utility have?	7985

How many unmetered customers does the wastewater utility have?	0
What was the net sales revenue from the largest 10 customers last fiscal year?	513885
What was the net sales revenue for the wastewater utility last fiscal year?	4104271
How many thousand gallons of wastewater were treated for the largest 10 customers last fiscal year?	111209
How many thousand gallons of wastewater were treated by the utility last fiscal year?	1463516
Percentage of sales from Largest 10 Customers	12.52%
Percentage of flow from Largest 10 Customers	7.60%
Does the wastewater utility have a rate structure with differing rates based on geographical location?	No
Does this utility treat all of the wastewater collections without sending wastewater to another utility for treatment?	Yes
Does this utility treat wastewater from another utility?	No
Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve wastewater service to its current or future customer base?	No
Does this utility treat wastewater for customers on wells?	Yes
How are these customers on wells billed?	TUA only has a few customers on wells that are also on TUA wastewater system. These accounts have meters to measure water used through the wells.
Excluding any potential customers on wells, are all customers billed based on metered water usage?	Yes

Does this utility treat wastewater at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities?	No
What is the design capacity of the wastewater treatment facility?	5000000
What is the average operating capacity of the wastewater treatment facility?	4009632
Are there any environmental concerns including government environmental orders for the wastewater utility?	No
Does this utility have a sewer use ordinance or resolution?	Yes
How is this sewer use ordinance or resolution enforced?	By both TUA and City of Tullahoma officials
Plans and Policies	
Does this utility have a debt management policy?	Yes
Does this utility have a capitalization policy?	No
Why has a capitalization policy not been adopted?	TUA capital projects are approved by the Board of Directors through the Annual Budget
Does this utility have a leak adjustment policy?	Yes
Does this utility have an asset management plan?	No
How are capital projects or purchases adequately planned for?	TUA performs an annual budget which outlines all anticipated projects and purchases.
Does this utility have a copy of its capital asset list on file?	Yes
How often is this capital asset list reviewed and by whom?	Plant accountant maintains plant asset records.

Definition	Cost	Unit	Policy or Board Action	Board Approval Date
Reconnection by meter crew during business hours	\$ 50.00	each	G-010	8/11/2021
Reconnection after hours by meter crew	\$ 120.00	each	G-010	8/11/2021
Relocating/reinstalling electrical-all Labor and All Material both Recoverable and non-recoverable	varies	each	E-001	12/23/1986
Returned Check	\$ 35.00	each	G-010	8/11/2021
ELECTRIC				
Connect/reconnect by Line Crew (at pole before 4:00pm)	\$ 150.00	each	board vote (no policy made)	8/11/2021
Connect/reconnect by Line Crew (at pole after 4:00pm)	\$ 350.00	each	board vote (no policy made)	8/11/2021
Deposit-Electric (Standard-residential)	\$ 175.00	each	G-006	3/22/2016
Green Power Switch (power from renewable sources) \$2.00 per month per block, 1 block = 150-kilowatt-hours	varies	month	TVA	3/26/2002
Relocate/reinstall electrical facilities: based on labor & material costs	varies	each	E-001	12/23/1996
Remote Reading	\$ 50.00	month	G-010	7/23/2002
Security light installation, connection, reconnection by Line Crew	\$100.00	each	E-005 does not list amount of fee	3/26/1998
Temporary service for new home-electric	\$ 100.00	each	none	
WATER				
Bulk water purchase from metered fire hydrant	\$500 deposit plus water use rate	each	W-008	7/24/1991
Deposit-water residential (standard)	\$ 30.00	each	G-006	3/22/2016
Deposit-water residential outside city limits	\$ 40.00	each	G-006	3/22/2016
Fire hydrant installation-public property: flow capacity 0-499 gpm	\$ 66.00	year	W-003	6/21/1994
Fire hydrant installation-public property: flow capacity 500-749 gpm	\$ 66.00	year	W-003	6/21/1994
Fire hydrant installation-public property: flow capacity 750-999 gpm	\$ 77.00	year	W-003	6/21/1994
Fire hydrant installation-public property: flow capacity 1000-1249 gpm	\$ 88.00	year	W-003	6/21/1994
Fire hydrant installation-public property: flow capacity 1250-1499 gpm	\$ 99.00	year	W-003	6/21/1994
Fire hydrant installation-public property: flow capacity 1500-1749 gpm	\$ 110.50	year	W-003	6/21/1994
Fire hydrant installation-public property: flow capacity 1750-1999 gpm	\$ 143.50	year	W-003	6/21/1994
Fire hydrant installation-public property: flow capacity 2000 and up gpm	\$ 165.50	year	W-003	6/21/1994

Definition	Cost	Unit	Policy or Board Action	Board Approval Date
Fire hydrant installation-private property: flow capacity 500-749 gpm	\$ 66.00	year	W-003	7/1/2006
Fire hydrant installation-private property: flow capacity 750-999 gpm	\$ 77.00	year	W-003	7/1/2006
Fire hydrant installation-private property: flow capacity 1000-1249 gpm	\$ 88.00	year	W-003	7/1/2006
Fire hydrant installation-private property: flow capacity 1250-1499 gpm	\$ 99.00	year	W-003	7/1/2006
Fire hydrant installation-private property: flow capacity 1500-1749 gpm	\$ 110.50	year	W-003	7/1/2006
Fire hydrant installation-private property: flow capacity 1750-1999 gpm	\$ 143.50	year	W-003	7/1/2006
Fire hydrant installation-private property: flow capacity 2000 and up gpm	\$ 165.50	year	W-003	7/1/2006
Fire sprinkler use fee 0-10,000 sq. ft.	\$ 33.28 + \$ 1.33 per head	year	W-004	7/1/2009
Fire sprinkler use fee 10,000-25,000 sq. ft.	\$ 66.55 + \$ 1.33 per head	year	W-004	7/1/2009
Fire sprinkler use fee 25,000-50,000 sq. ft.	\$ 99.83 + \$ 1.33 per head	year	W-004	7/1/2009
Fire sprinkler use fee 50,000 and more sq. ft.	\$ 133.41 + \$ 1.33 per head	year	W-004	7/1/2009
Rural water line extension cost recovery	\$ 11.00	mo.	W-013	2/17/2009
Set water meter on new house when already has water tap	\$ 50.00	each	none	3/1/2009
Water tap 3/4" inside City limits	\$ 1,000.00	each	W-009	8/11/2021
Water tap 3/4" outside City limits	\$ 1,200.00	each	W-009	8/11/2021
Water tap 1" inside City limits	\$ 1,200.00	each	W-009	8/11/2021
Water tap 1" outside City limits	\$ 1,400.00	each	W-009	8/11/2021
Water tap 1 1/2" to 2" or cost if greater if inside city limits	\$ 2,700.00 or actual cost	each	W-009	8/11/2021
Water tap 1 1/2" to 2" or cost outside City limits	\$ 2,900.00 or actual cost	each	W-009	8/11/2021
Water tap 2" Compound inside City limits	\$ 3,700.00 or actual cost	each	W-009	8/11/2021

Definition	Cost	Unit	Policy or Board Action	Board Approval Date
Water tap 2" Compound outside City limits	\$ 3,900.00 or actual cost	each	W-009	8/11/2021
Water tap into water main by developer	\$ 500.00	each	no policy	3/1/2009
Surcharge for 3" Water Meters and above	\$30.00	month	no policy	2/17/2009
Waterline Inspection Fee	\$20.00	each	no policy	8/11/2021
Backflow Preventer Fee (per device)	\$5.00	each	no policy	8/11/2021
SEWER				
Commercial "unsewered" metered water monitoring: customer pays for actual monitoring costs (contract states percentage)	per customer	each	S-006	7/24/1991
Deposit-Sewer, residential	\$ 40.00	each	G-006	3/22/2016
Industrial wastewater discharge surcharge fee bio-chemical oxygen demand (BOD)	\$ 0.30	lb.	Board vote	2004
Industrial wastewater discharge surcharge fee suspended solids	\$ 0.15	lb.	Board vote	12/18/1990
Industrial wastewater discharge surcharge fee ammonia nitrogen	\$ 0.40	lb.	Board vote	2004
Laboratory charge: ammonia nitrogen	\$ 25.00	each	none	3/1/2009
Laboratory charge: bio-chemical oxygen demand (BOD)	\$ 40.00	each	none	3/1/2009
Laboratory charge: total suspended solids	\$ 20.00	each	none	3/1/2009
RSC-wastewater tap commercial/industrial: 3/4" water tap	\$ 4,000.00	each	S-001	2006
RSC-wastewater tap commercial/industrial: 1" water tap	\$ 5,000.00	each	S-001	2006
RSC-wastewater tap commercial/industrial: 1-1/2" water tap	\$ 8,000.00	each	S-001	2006
RSC-wastewater tap commercial/industrial: 2" water tap	\$ 12,000.00	each	S-001	2006
RSC-wastewater tap commercial/industrial: 3" water tap	\$ 20,000.00	each	S-001	2006
RSC-wastewater tap commercial/industrial: 4" water tap	\$ 30,000.00	each	S-001	2006
RSC-wastewater tap residential-minimum rate	\$ 750.00	each	S-001	2006
RSC-wastewater tap residential-special rate with existing septic tank	\$ 2,000.00	each	S-001	2006
RSC-wastewater tap residential-standard rate for new house	\$ 3,000.00	each	S-001	2006

Definition	Cost	Unit	Policy or Board Action	Board Approval Date
RSC-wastewater tap commercial/industrial by property developer, minimum charge	\$ 4,000.00	each	S-001	2006
Sampling charge-wastewater	\$ 100.00	day	none	3/1/2009
Sludge dumping fee for septic tanks (per 100 gallons)	\$ 5.00	100 gal.	Board approved increase in 2/23/17 board meeting.	effective 7/1/17
Sludge dumping fee for septic tanks (per 1000 gallons)	\$ 50.00	1000 gal.	Board approved increase in 2/23/17 board meeting.	effective 7/1/17
Sewer Line Inspection Fee	\$ 20.00	each	no policy	8/11/2021

**REGULAR BOARD MEETING
MINUTES
August 24, 2021**

The Board of the Tullahoma Utilities Authority met for the Regular Board Meeting on August 24, 2021 in the Board Room of the Utilities Service Center. Board members present were JT Northcutt, Jimmy Blanks, Steve Cope and Bob Lindeman. Mike Stanton was absent. Staff members present were Brian Skelton, Brian Coate, Scott Young, Shannon Hamblin, Chris Barstad and Randy Brewer. The meeting was called to order by Chairman Bob Lindeman at 5:30 pm.

A MOTION was made by JT Northcutt, SECONDED by Steve Cope, to APPROVE the Agenda. The Agenda was UNANIMOUSLY APPROVED.

A MOTION was made by Jimmy Blanks, SECONDED by Steve Cope, to APPROVE the Minutes from the previous board meeting held on July 27, 2021. The Minutes were UNANIMOUSLY APPROVED.

Recognitions

TUA received a letter of thanks from Deidra Goins for creating a commercial in support of the Out of the Darkness Walk.

Specific Agenda (action items)

A MOTION was made by Jimmy Blanks, SECONDED by JT Northcutt, to APPROVE the proposed fee changes as listed on attached document, to be effective January 1, 2022. UNANIMOUSLY APPROVED

A MOTION was made by Steve Cope, SECONDED by Jimmy Blanks, to APPROVE the bid from Moore Construction Company in the amount of \$436,195 with the understanding that final project costs will be based on actual unit quantities utilized to complete the Oak Park/Sharondale CIPP sewer rehabilitation project. UNANIMOUSLY APPROVED

A MOTION was made by JT Northcutt, SECONDED by Steve Cope, to APPROVE the bid from Tencarva Machinery Company in the amount of \$49,561 and a freight charge not to exceed \$900 for a WWTP digester blower package. UNANIMOUSLY APPROVED

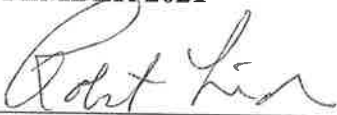
Meeting Reports

Policy Committee – No meeting.

Rate Committee – No meeting.

There being no further business to come before the Board, the meeting adjourned at 6:07 pm.

**APPROVED THIS 21ST DAY
OF SEPTEMBER 2021**



Chairman of the Board

Secretary-Treasurer

REGULAR BOARD MEETING
MINUTES
March 29, 2022

The Board of the Tullahoma Utilities Authority met for the Regular Board Meeting on March 29, 2022 in the Board Room of the Utilities Service Center. Board members present were JT Northcutt, Jimmy Blanks, Mike Stanton, Bob Lindeman and Steve Cope. Staff members present were Brian Skelton, David Johnson, Mary Mealer, Scott Young, Shannon Hamblin, Dustin Chaney, Lauren Eick and Randy Brewer. Erin McCullough (Tullahoma News) was also present. The meeting was called to order by Chairman Mike Stanton at 5:30 pm.

A MOTION was made by JT Northcutt, SECONDED by Steve Cope, to APPROVE the Agenda. The Agenda was UNANIMOUSLY APPROVED.

A MOTION was made by Steve Cope, SECONDED by JT Northcutt, to APPROVE the Minutes from the previous board meeting held on February 22, 2022. The Minutes were UNANIMOUSLY APPROVED.

Recognitions

New employees- Dustin Chaney (Lineman Apprentice) and Lauren Eick (Fiber TSR), were recognized.

TUA received a thank you card from the Shepherd's House for the Round Up Program donation.

TUA received a thank you card from the Catholic Charities for the Round Up Program donation.

Specific Agenda (action items)

A MOTION was made by Steve Cope, SECONDED by Jimmy Blanks, to APPROVE a 5% salary increase for President Skelton effective July 1, 2022. UNANIMOUSLY APPROVED

A MOTION was made by Steve Cope, SECONDED by Jimmy Blanks, to APPROVE wastewater customer charge increases of \$1.21 to \$10.00 for residential customers, \$2.42 to \$20.00 for commercial customers, and \$0.96 to \$7.00 for multi-unit customers. Also, wastewater rate increases of \$0.66 to \$5.73 per 1000 gallons for residential customers and \$0.72 to \$6.29 per 1000 gallons for commercial customers. All changes are effective July 1, 2022. UNANIMOUSLY APPROVED

TULLAHOMA UTILITIES AUTHORITY
WATER AND WASTEWATER RATES AND FEES
Effective July 1, 2022

WATER RATES

Effective with water bills mailed after July 1, 2022

Previous change was July 2019

Inside City Limits

First 100,000 gal.	\$ 3.10 per 1000 gal.
All over 100,000 gal.	\$ 2.87 per 1000 gal.
Customer Charge*	\$ 8.50 per month

Outside City Limits

First 100,000 gal.	\$ 4.65 per 1000 gal.
All over 100,000 gal.	\$ 4.28 per 1000 gal.
Customer Charge*	\$ 12.75 per month

Multi-unit Charge \$ 7.00 per month
for all areas

Large Meter Surcharge

All customers that have 3"

And larger meters - \$30.00/month

***Customer Charge Based on Meter Size**

¾" - As listed above

1" - In City - \$10 Out City - \$15

1.5" - \$15

2" - \$20

3" - \$25

4" - \$30

6" and above - \$35

SPRINKLER SYSTEMS

The annual fee for sprinkler systems connected to the water system:

<u>Area Protected</u>	<u>Annual Fee</u>
0 to 10,000 sq. ft.	\$ 33.28 plus \$1.33 per sprinkler head
10,000 to 25,000 sq. ft.	\$ 66.55 plus \$1.33 per sprinkler head
25,000 to 50,000 sq. ft.	\$ 99.83 plus \$1.33 per sprinkler head
50,000 and over	\$133.41 plus \$1.33 per sprinkler head

FIRE HYDRANTS:

gpm = gallons per minute psi=pounds per square inch

PRIVATE PROPERTY

The annual fee structure for fire hydrants on private property:

<u>Hydrant Flow Capacity</u> <u>(At 20 psi Residual)</u>	<u>Annual Fee</u>
500 - 749 gpm	\$ 66.00
750 - 999 gpm	\$ 77.00
1000 - 1249 gpm	\$ 88.00
1250 - 1499 gpm	\$ 99.00
1500 - 1749 gpm	\$110.50
1750 - 1999 gpm	\$143.50
2000 - 2500 gpm or more	\$165.50

WASTEWATER RATES

Effective with wastewater bills mailed after July 1, 2022

Previous change was July 2012

Residential Wastewater-Inside City Limits

First 100,000 gal.	\$ 5.73 per 1000 gal.
All over 100,000 gal.	\$ 5.07 per 1000 gal.
Customer Charge	\$ 10.00 per month

Commercial Wastewater-Inside City Limits

First 100,000 gal.	\$ 6.29 per 1000 gal.
All over 100,000 gal.	\$ 5.07 per 1000 gal.
Customer Charge	\$20.00 per month

Multi-unit Charge \$ 7.00 per month

Outside City Wastewater Rates

Outside City Wastewater normally not allowed, except in special cases. Rates and fees will be 50% higher than above, or by contract.

PUBLIC PROPERTY

The annual fee structure for fire hydrants on public property:

<u>Hydrant Flow Capacity</u> <u>(At 20 psi Residual)</u>	<u>Annual Fee</u>
500 - 749 gpm	\$ 66.00
750 - 999 gpm	\$ 77.00
1000 - 1249 gpm	\$ 88.00
1250 - 1499 gpm	\$ 99.00
1500 - 1749 gpm	\$110.50
1750 - 1999 gpm	\$143.50
2000 - 2500 gpm or more	\$165.50



Jason E. Mumpower
Comptroller

Entity Referred: **Town of Mason**
Referral Reason: **Investigation**
Utility Type Referred: **Water And Sewer**

Staff Summary:

On November 10, 2021, the Water and Wastewater Financing Board ordered an investigation of the financial condition of the Town of Mason's utilities ("the Town"). The Town required significant infrastructure upgrades and improved internal controls, policies, and procedures to ensure improved administrative management. On April 21, 2022, the Water and Wastewater Financing Board ordered the Town to contract with a third party to conduct a rate study and review several different policies for the utility. The Town has since engaged the Tennessee Association of Utility Districts to complete the work in the April 2022 order.

The Town is pursuing a Community Development Block Grant for a water line extension. This extension would bring utility service to an area that could see growth, contributing to the financial health of the Town. The Town should continue to improve its infrastructure, such that the size and condition of Mason's utilities will not limit its growth.

Staff Recommendation:

The Board should order the following:

1. By March 31, 2023, the Town shall send an update to Board staff regarding the capital project for which the Community Development Block Grant was awarded.

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:)	
)	
)	
TOWN OF)	TENN. CODE ANN. § 68-221-1010
MASON)	-FINANCIAL DISTRESS
)	
)	

ORDER

On November 10, 2021, the Tennessee Water & Wastewater Financing Board (“the Board”) ordered an investigation of the financial condition of the town of Mason’s utilities (“the Utility”) pursuant to Tenn. Code Ann. § 68-221-1009.

The Town of Mason requires infrastructure upgrades and improved internal controls, policies, and procedure to ensure improved administrative management. The Utility needs to conduct rate studies to accurately evaluate its rates.

Based on Board staff’s statements and recommendations the Board orders the following:

1. The Utility 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 Utility’s capitalization policy, including any recommended modifications;
 - b. A justification for the disparity in rates between customers inside the city limits and outside the city limits;
 - c. A review of The Utility’s capital asset list, including any recommended modifications or upgrades;

- d. A review of The Utility's debt management policy, including any recommended modifications;
 - e. A review of The Utility's purchasing policy, including any recommended modifications;
 - f. Creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;
 - g. And a review of connection fees, tap fees, and required deposit amounts including any recommended modifications;
2. By June 3, 2022, The Utility shall send Board staff a copy of the contract between The Utility and the qualified expert who is to perform the tasks in paragraph 1. This qualified expert must be approved by Board staff if it is other than the Tennessee Association of Utility Districts.
 3. By December 31, 2022, The Utility 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 an extension of up to six months of the foregoing deadlines upon a showing of good cause by the Utility.

5. Should The Utility fail to comply with any directive in this order, Board staff and Counsel shall issue subpoenas for The Utility's governing body and Manager to appear in-person before the Board during its next meeting following non-compliance of this order.

ENTERED this 21 day of April, 2022.



Betsy Knotts, Chair
Water & Wastewater Financing Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 21 day of April, 2022:

Town of Mason
Attn: Emmitt Gooden
12157 Main Street
Mason, TN 38049



J. Seth May
Assistant General Counsel



Jason E. Mumpower
Comptroller

Entity Referred: **City of Spencer**

Referral Reason: **Investigation**

Utility Type Referred: **Water And Sewer**

Staff Summary:

On November 10, 2021, the Water and Wastewater Financing Board ordered an investigation of the financial condition of the City of Spencer's utilities ("the City"). The City requires significant infrastructure upgrades and improved internal controls, policies, and procedures to improve administration and financial health. On April 21, 2022, the Water and Wastewater Financing Board ordered the Town to contract with a third party to conduct a rate study and review many of the utility's policies. Board staff also voiced concerns with the cost allocations for expenses born by the City's utility. Finally, Board staff believes the City and the community surrounding may benefit most from a merger with a nearby utility.

Since the last Board meeting, the City has approached the Warren County Utility District ("WCUD") for assistance with its management and operations, but have not yet reached an agreement. Board staff does not believe a management agreement, for WCUD to manage Spencer's utilities, is sufficient by itself to remedy the City's financial distress. The City's Annual Information Report indicates that it is experiencing excess water loss. Board staff believe compliance with the Board's April 21, 2022 will ensure the financial health of the City, and no further Board directives beyond reporting are necessary at this time.

Staff Recommendation:

The Board should order the following:

1. The City shall send Board staff an update by February 28th, 2023 the Town shall send Board staff an update regarding any efforts made to work with any surrounding utilities to ensure the financial, technical, and managerial health of the utility.
2. The City shall send Board staff an update by February 28th, 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.



Certified Public Accountants
& Consultants

November 1, 2022

Mr. Mickey S. Robinson, Mayor
Town of Spencer, TN
P.O. Box 187
Spencer, TN 38585

Re: Review Expense Allocation

Dear Mr. Robinson:

We were asked by the Town of Spencer (the Town) to help the Town comply with requirements pursuant to Tenn. Code Ann. § 68-221-1010, item 1b and review records to determine whether or not costs are being adequately allocated to the proper City funds. This letter constitutes our report of our observations and evaluation as to the reasonableness of the allocations. Our analysis and report rely on information as provided by the Town of Spencer.

All information provided by the Town, or its representatives, in the course of this engagement, have been accepted without any verification as full and correctly reflecting the Town's financial conditions and operating results for the respective and prospective periods, except as noted specifically herein. Jackson Thornton & Co., P.C. has not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other assurance on this information.

Observations and Evaluation

As part of our analysis, we met with Crystal Crain, City Recorder, in the Board room at City Hall on July 19, 2022. We discussed with her, the accounting policies and procedures related to the City's funds. We reviewed the employee organizational chart for each fund and discussed each employee's duties with the City Recorder. We obtained a general ledger and reviewed transactions through May, 2022 and, from this ledger, selected expenditures for testing. We traced the selected amounts to invoices to determine proper fund coding and amount. A summary of our findings follows:

Labor Allocation – Employee time is recorded based on salary, timesheet, or time clock, depending on the employee. We noted that the mayor performs some outside work for the water system, but his salary is recorded in the City ledger. The amount is deemed insignificant for this period, however, we recommend that the Town establish a procedure to allocate any time by an employee performing a duty for the water system, to that system's ledger.

Asset Allocation – Building, equipment, and distribution mains associated with water plant are appropriately recorded on the books of the Enterprise Fund. The office building housing City Hall is on the books of the Governmental General Fund. We noted an area utilized by the Waste Water Plant Chief Operator to conduct sewer testing. We determined usage of the space is not allocated to the Water System, but have deemed the amount insignificant. The Town should monitor usage of the City assets, should that usage increase, in order to appropriately allocate some costs to the Water System.

Invoice Allocation – Based on our review, invoices are directly coded when applicable. Some shared items are split evenly. These items include IT expenses, legal expenses, and audit expenses. All invoices reviewed were properly allocated.

Based on our review of the records provided, as well as discussions with staff, it is our determination that costs appear to be reasonably allocated between funds. As noted above, we would advise that activity is monitored to determine if joint employee activity related to the water system increases, and properly allocate that time.

JACKSON THORNTON & CO, P.C.

A handwritten signature in black ink, appearing to read 'Richard B. Compton', written in a cursive style.

Richard B. Compton
Principal

JACKSON THORNTON

Certified Public Accountants
& Consultants

November 10, 2022

Ms. Crystal Crain, City Recorder
Town of Spencer, TN
P.O. Box 187
Spencer, TN 38585

Re: Inside versus Outside City Limit Water Rate Structures

Dear Ms. Crain:

We were asked by the Town of Spencer (the Town) to help the Town comply with requirements pursuant to Tenn. Code Ann. § 68-221-1010, item 1a and review the disparity in rates for customers inside the city limits and outside the city limits.

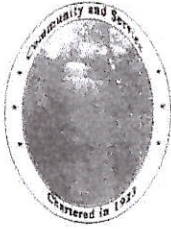
Based on the existing rates, a 3,000 gallon/month residential inside customer is paying \$37.50/month. The same customer outside city limits is paying \$44.50/month. This represents a spread of \$7.00/month, or 18.7%. Once the recommended rates are adopted, the 3,000 gallon/month residential inside customer will pay \$52.50/month and the same outside city limit customer will pay \$59.50/month. This amounts to a decreased differential of 13.3%.

Given the overarching financial situation of the utility, we believe this differential to be reasonable.

JACKSON THORNTON & CO., P.C.



James B. Marshall, III
Principal



City of Spencer

P.O. BOX 187
 SPENCER, TENNESSEE 38585
 931-946-2351
 FAX 931-946-2349

MIKEY ROBINSON, MAYOR
 DREW CAMPBELL, VICE MAYOR
 ALDERMEN
 BONNIE ADOCK
 JERRY BLANKENSHIP
 JODY HENSLEY
 DARRELL NANCE

September 9, 2022

Warren County Utility District
 Mr. Anthony Pelham, General Manager
 4034 Sparta Hwy
 P.O. Box 192
 McMinnville, Tennessee 37110

Dear Mr. Pelham,

The City of Spencer requests WCUD's consideration to Manage and Operate the Spencer Water Treatment Plant contingent upon a mutually agreed upon Agreement/Contract. We are currently experiencing issues with our TOCs, HAA's and THM's along with staffing and other plant issues. The compliance issue typically only occurs in the summer months with high temperatures. The Mayor and Board of Aldermen met in regular session on August 25th 2022 and voted unanimously to contact WCUD for assistance and to enter into a contract for the management of the water treatment plant. The Board authorizes WCUD to have access to Spencer's records to evaluate any operational and/or budgetary documents as well as speak to TDEC with regard to recent compliance issues. The Board is committed to assisting in any way possible for a successful optimization of the WTP. Our next board meeting will be September 29th, at 5:30 PM however, we are open to scheduling a special called meeting should it be necessary to expedite the process. We would ask that WCUD respectfully consider this request for assistance at your earliest convenience and convey your interest to us to allow for the development of a management contract.

Sincerely,

Mickey Robinson, Mayor

BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN THE MATTER OF:)
))
TOWN OF) **TENN. CODE ANN. § 68-221-1010**
SPENCER) **-FINANCIAL DISTRESS**
))
))

ORDER

On November 10, 2021, the Tennessee Water & Wastewater Financing Board (“the Board”) reviewed the financially distressed status of the Town of Spencer’s utilities (“the Utility”) pursuant to Tenn. Code Ann. § 68-221-1010.

The Board previously reviewed the Utility when it was deemed financially distressed and worked with the town to stabilize its financial condition. The Utility was then moved to the “update cycle”, where its financial condition was monitored by the Board, but further action was not taken. Board staff have recently learned that the city is in violation of directives from the EPA and TDEC, and the town’s budget was not approved by the Comptroller’s Office of Local Government Finance.

Based on Board staff’s statements and recommendations the Board orders the following:

1. The Utility shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a study that includes the following:
 - a. A justification for the disparity in rates for customers inside the city limits and outside the city limits;
 - b. A review of the Utility’s expenses to ensure that costs are being adequately allocated to the proper City funds;

- c. If costs are not adequately allocated between the city's utilities functions and other city functions, the qualified expert shall conduct a new rate study;
- d. A review of the City's capital asset list, including any recommended modifications;
- e. A review of the City's debt management policy, including any recommended modifications;
- f. A review of the City's purchasing policy, including any recommended modifications;
- g. A review of connection fees, tap fees, and required deposit amounts including any recommended modifications; and,
- h. An evaluation of the potential of a merger of the City's utility with a surrounding utility system. This includes a financial analysis of the costs for Spencer's utilities to be taken over by Warren County, including a rate comparison showing the effect of this takeover on customers within Spencer.

Experts contracted to assist with any of the above must be approved by Boards staff.

- 2. By June 3, 2022, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.
- 3. By December 31, 2022, the City shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation. If it is determined that the costs have been adequately allocated between the correct city funds, then the City shall also provide proof of implementation of the previous recommendations of the 2021 Jackson Thornton Water Cost of Service Study.
- 4. Board staff is given the authority to grant two extensions of up to six months of the foregoing deadlines upon a showing of good cause by the City.

5. Should the City fail to comply with any directive in this order, Board staff and Counsel shall issue subpoenas for the City's governing body and Manager to appear in-person before the Board during its next meeting following non-compliance of this order.

ENTERED this 21 day of April 2022.



Betsy Knotts, Chair
Water & Wastewater Financing Board



Jason E. Mumpower
Comptroller

Entity Referred: **City of Collinwood**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water**

Staff Summary: The City of Collinwood ("the Entity") has been referred to the Water and Wastewater Financing Board ("the Board") for financial distress since its fiscal year 2019 audit. The Entity has complied with Board directives to complete a rate study. The Entity has provided proof that they will implement the Tennessee Association of Utility District's ("TAUD") recommendations by December 31, 2022. Once proof of implementation has been obtained Board staff believes the Entity should be required to submit biannual financial updates to the Board. The Entity has reported excessive water loss in its Annual Information Report submission. Board staff is still waiting for the AWWA 6.0 Water Loss Tool submission from the Entity.

Mr. Gary Victory, the City Manager for the City of Collinwood, has informed Board staff that he is preparing everything to bring forth to the City of Collinwood to a vote. Board staff does not currently have concerns that any of the recommendations from the TAUD rate study will be disregarded. Furthermore, the Entity has passed a resolution agreeing to take ownership of some of the infrastructure owned by Wayne County. Board staff commends the Entity for helping serve the community by taking ownership of these lines.

Staff Recommendation:

The Board should order the following:

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



REPORT FOR CITY OF COLLINWOOD, TENNESSEE

WATER AND WASTEWATER FINANCING BOARD ORDER DATED DECEMBER 3, 2020

October 28, 2022

INTRODUCTION

Description of the Collinwood Water and Sewer System

The City of Collinwood, Tennessee (City or Collinwood) is located in Wayne County. The governing board of the City's water and sewer system is its Mayor and Board of Commissioners. The City gets its raw water supply from four springs and two wells and operates a water treatment plant with a design capacity of .41 MGD. The City operates a septic tank, effluent collection system with fenced spray irrigation with a design capacity of 0.1 MGD.

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

The City's water and sewer funds had positive changes in net position for its fiscal years ending June 30 of 2020 and 2021 as follows:

	<u>2020</u>	<u>2021</u>
Water Fund	\$41,790	\$82,846
Sewer Fund	\$34,134	\$45,423

History of Rates and Existing Rate Structure

The City's current rates are as follows.

Water

Inside-City:

Minimum monthly charge (includes 2,000 gallons)	\$18.45
Over 2,000 gallons	\$ 9.31 per 1,000 gallons

Outside-City:

Minimum monthly charge (includes 1,000 gallons)	\$26.10
Over 2,000 gallons	\$18.56 per 1,000 gallons

Sewer

Residential:

Minimum monthly charge (includes 2,000 gallons)	\$22.95
Over 2,000 gallons	\$ 8.10 per 1,000 gallons

Commercial:

Minimum monthly charge (includes 2,000 gallons)	\$39.15
Over 2,000 gallons	\$10.80 per 1,000 gallons
Water maintenance fee	\$5.00 per water customer

The balance of the Cash and Investments accounts of the water and sewer fund as of July 1, 2022, was \$753,448.

Water and Wastewater Financing Board Order

On December 3, 2020, the Water and Wastewater Financing Board (WWFB) issued an order directing the City of Collinwood do the following items.

1. The City shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a water and sewer 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) a justification for the differing rate classes, or if no justification is possible, recommendations for an appropriate rate structure;
 - (d) a review of all water and sewer fees, including any recommended modifications;
 - (e) a review of the cost to produce 1,000 gallons of water;
 - (f) creation of a rate ordinance;
 - (g) creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs;
 - (h) creation of a written leak adjustment policy; and
 - (i) a justification for the City's refusal to accept the water line from Wayne County.
2. By December 31, 2020, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.
3. By December 31, 2020, the City shall send Board staff proof that all members of the utility system's governing body have complied with the training requirements set out in Tenn. Code Ann. § 7-34-1 115(j).
4. By April 1, 2021, the City shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

RECOMMENDATIONS

Recommendation #1

TAUD recommends that the City adopt the following rates effective July 1, 2023:

Water

Inside-City:

Minimum monthly charge (includes 2,000 gallons)	\$19.25
Over 2,000 gallons	\$10.15 per 1,000 gallons

Outside-City:

Minimum monthly charge (includes 1,000 gallons)	\$26.40
Over 2,000 gallons	\$18.70 per 1,000 gallons

Sewer

Residential:

Minimum monthly charge (includes 2,000 gallons)	\$23.25
Over 2,000 gallons	\$ 8.50 per 1,000 gallons

Commercial:

Minimum monthly charge (includes 2,000 gallons)	\$39.45
Over 2,000 gallons	\$11.25 per 1,000 gallons

Water maintenance fee	\$5.00 per water customer
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Recommendation #2

TAUD recommends the disconnection fee be increased to from \$25 to \$50.

Recommendation #3

TAUD recommends that the City adopt the ordinance attached as **Exhibit 9** for the City to implement leak adjustments for water leaks behind the customer's meter.

Recommendation #4

TAUD finds that the City's acceptance of the transfer of the Wayne County water line along Highway 13 South appears to be economically feasible provided three conditions are met:

- Wayne County transfers \$2,500,027 of its State ARP funds to the City;
- Wayne County transfers its water lines to the City free of any debt; and
- The City continues to charge the customers served by the Wayne County water line the same rates the County is currently charging these customers.

FIVE YEAR CAPITAL ASSET PLAN

TAUD prepared a Five-Year Capital Asset Plan based upon discussions with the City's Utility Superintendent about planned capital improvements. The Five-Year Capital Asset Plan is attached as **Exhibit 1**. The Five-Year Capital Assets Plan does not include any capital improvements which the City may construct using the State ARP funds allocated to it by the Tennessee Department of Environment and Conservation since these projects have not been finalized as of the date of this Report.

RATE STUDY AND PROPOSED PLAN OF ACTION

To determine whether existing rates will produce sufficient revenues to make the City's water system self-supporting, TAUD first projected a Statement of Revenues and Expenses and Changes in Net Position for the City's water and sewer fund for its fiscal year ending June 30, 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 City's budget for its water fund and sewer fund for its fiscal year ending June 30, 2023; and (3) considering any known and anticipated changes during the test year based upon discussions with the City. See **Exhibit 2** attached to this Report.

Then, TAUD projected Statements of Revenues and Expenses and Changes in Net Position for the City's water and sewer fund for its fiscal years ending June 30 of 2023, 2024, 2025, and 2026. See **Exhibit 3** attached to this Report.

Revenue Projections:

- Charges for water and sewer services for the test year were projected by using the City's budget for its fiscal year ending June 30, 2023.
- Revenue from the water maintenance fee for the test year was projected by using the number of water customers the City had as of June 30, 2021.
- Other revenue is projected based upon the City's budget for its fiscal year ending June 30, 2023.
- The City has experienced no growth in the number of its water or sewer customers over the last several years. Therefore, projections for the water and sewer revenues for the remaining four years of the five-year projection period do not include any increase for customer growth.
- Interest income for the test year was projected based upon the City's budget for its fiscal year ending June 30, 2023.

Expense Projections:

- The following operating expenses for the test year were projected based the average of these expenses for the City's last two fiscal years plus 5%:

Personnel services
Contracted services

- The following operating expenses for the test year were projected based the average of these expenses for the City's last two fiscal years:

Utilities
Materials and supplies
Repairs and maintenance

- Other administrative expense was projected based upon the City's budget for its fiscal year ending June 30, 2023.
- Depreciation for the test year is based upon the average of depreciation for the City's last two fiscal years plus depreciation on the capital assets added during the fiscal year ending June 30, 2022.
- All operating expenses, except depreciation, were projected to increase by the following due to inflation using the following rates:

Fiscal year ending June 30, 2023	3.5%
Fiscal year ending June 30, 2024	2.5%
Fiscal year ending June 30, 2025 and 2026	2.0%

- Annual depreciation expenses for the remaining four years of the five-year projection period are projected based upon the City's depreciation amount for the test year plus the depreciation 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

Based upon its unaudited financial statements for its year ending June 30, 2022, the City's water fund will have a positive change in net position of \$44,818 and the sewer fund will have a positive change in net position of \$37,636, not including grants and capital contributions. The City will have a positive change in net position for both funds in the amount of \$80,604. The operating ratio for the combined water and sewer fund will be 1.13% for the test year ending June 30, 2022.

Rates should be set to produce revenues to achieve an operating ratio of at least 1.1% and to cover the annual interest expenses of the City's water fund and sewer fund. To maintain this operating ratio, the City will need small annual rate increases beginning July 1, 2023 and each July 1 for the remaining three years in the five-year projection period. Moreover, the City's inside-city water rates are under-recovering the cost of providing water service to inside-city customers; therefore, the City should consider gradually reducing the rate differential over the next few years.

TAUD recommends that the City adopt the following rates effective July 1, 2023:

Water

Inside-City:

Minimum monthly charge (includes 2,000 gallons)	\$19.25
Over 2,000 gallons	\$10.15 per 1,000 gallons

Outside-City:

Minimum monthly charge (includes 1,000 gallons)	\$26.40
Over 2,000 gallons	\$18.70 per 1,000 gallons

Sewer

Residential:

Minimum monthly charge (includes 2,000 gallons)	\$23.25
Over 2,000 gallons	\$ 8.50 per 1,000 gallons

Commercial:

Minimum monthly charge (includes 2,000 gallons)	\$39.45
Over 2,000 gallons	\$11.25 per 1,000 gallons

Water maintenance fee	\$5.00 per water customer
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The rate increases recommended to become effective July 1 of 2024, 2025, and 2026 are set forth in **Exhibit 4**.

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, TAUD anticipates that the City may make capital improvements with its State ARP funds which projects will be most likely be placed into service during its fiscal year beginning July 1, 2025, or later. These capital improvements will increase the City's depreciation expenses above those projected in this Report. Because of these two factors, TAUD

does not recommend that the City go ahead and adopt any rate increases now for its fiscal years beginning July 1, 2024 or later.

As a part of its annual budgetary process, the City will need to review the rates TAUD recommends for each year beginning July 1, 2024, to ensure that the rates recommended in this Report will continue to produce sufficient revenues to give the water and sewer fund a positive change in net position and to maintain an operating ratio of at least 1.1% in future fiscal years. In addition, the rate recommendations beginning July 1, 2024, and later do not include any greater percentage increases for inside-city rates than outside-city rates. This issue needs to be discussed by the City prior to adopting any rate increases beginning July 1, 2024.

Projected Cash and Investments Schedule

At rates recommended by TAUD, it projects the City's the combined water and sewer fund should have a cash and investments balance of \$1,771,657 as of June 30, 2026. The Water and Sewer Fund - Projected Cash and Investments Balance Schedule is attached as **Exhibit 5**.

JUSTIFICATION FOR INSIDE-OUTSIDE RATE DIFFERENTIAL

The City has inside-city and outside-city water rates. To determine whether the current rate differential between inside-city and outside-city water rates is justifiable, TAUD allocated the revenues and expenses of the City's water system between its inside-city and outside-city customers based upon the information the City had available for this allocation for its fiscal year ending June 30, 2022. See **Exhibit 6** attached to this Report.

TAUD allocated water revenues and expenses, except depreciation, based either on the percentage of water sales to inside and outside customers or based upon the percentage of the number of inside and outside customers. From a review of the City's fixed asset list of its water system, most of the water system assets which have not been fully depreciated appear to be water lines within the system. The City informed TAUD that it had approximately 26 miles of water lines inside the City and 14 miles outside the City.

The inside-city customers account for 72% of the operating expenses of the water system; however, the rates for the inside-city customers produce only 64% of the operating revenues of the water system. Therefore, the rates of the inside-city customers are under-recovering the cost of providing water service to the inside-city customers. Therefore, TAUD recommends that the City's rate increase to become effective on July 1, 2023 incorporate a larger increase in the water rates of inside-city customers to address this under-recovery.

Historically, the City has not kept track of which of its fixed assets are used for inside-city and outside-city customers. Therefore, TAUD estimated the depreciation expenses based upon the percentage of the mileage of water lines inside the City and outside the City. Before the City's next rate increase, the City may want to hire an outside firm to give it a more detailed analysis of the proper allocation of operating expenses between inside-city and outside-city

operations so that it can ensure that the rates for inside-city customers produce sufficient revenues to continue to address the under-recovery of the inside-city water operations.

WATER AND SEWER FEES

Tap Fees

The City's current taps for water and sewer service are set forth below which became effective on March 15, 2022:

Water:

¾ inch	\$ 625
1 inch	\$ 875
2 inch	\$2,000

Sewer:

Gravity flow	\$ 750
Septic pump flow	\$1,500

TAUD recommended that the City review the average material and labor costs it incurs in installing water and sewer taps to ensure the current tap fees are covering the cost of making taps. Historically, the City has not kept records of the costs it incurs to set new water or sewer taps. The City only sets 3-5 taps a year. Rather than have the City guess at the costs it incurs to install taps, TAUD recommends that the City keep track of the actual costs it incurs in setting water and sewer taps through the end of its current fiscal year by using the cost of tap installation worksheets provided to it by TAUD. At that point, the City can make a better-informed decision about whether its tap fees need to be changed to cover the cost of the installation of new water and sewer taps.

Other Fees

The City's other fees for water and sewer service are set for the below.

Deposits:

	<u>Owners</u>	<u>Renters</u>
Water deposit (inside city)	\$50	\$75
Water deposit (outside city)	\$75	\$125
Sewer deposit	\$50	\$75
Disconnection fee:	\$25	
Reminder fee:	\$15	

The City does not charge a fee to a customer who signs up for water or sewer service, but only requires a deposit. The deposit is used to pay any unpaid balance to a customer's account when service is cancelled by the customer or terminated for non-payment. The deposit is not designed to recover any cost associated with a customer signing up for service. Approximately, 80% of the uncollectible accounts the City experiences annually are for rental customers. Therefore, the higher deposit for water customers is justified.

The disconnection fee is charged when a customer is disconnected for nonpayment. The City's disconnection fee should cover the costs the City incurs to disconnect service and re-connect service after payment has been made. Such cost would include the cost of two trips to the service address, one trip to turn off water service for nonpayment and a second trip to turn service back on after payment is received, and any associated administrative cost. The current disconnection fee of \$25 does not cover its costs; therefore, TAUD recommends the disconnection fee be increased to \$50.

The City places a door hanger on the house or business of every customer who is subject to termination for non-payment to give the customer notice that service will be terminated if payment is not made by a certain date. The City charges a reminder fee of \$15 to the customer for this service. Because the purpose of this fee is to encourage a customer to pay its bill, this fee appears to be reasonable.

COST TO PRODUCE WATER

TAUD calculated the City's cost of water to be approximately \$4.00 per 1,000 gallons.

RATE ORDINANCE

TAUD does not understand what the WWFB wants when it requests a "rate ordinance." The City does enact its utility rates and fees using ordinances. The City most recently adopted Ordinance No. 021422 to adopt its current service connection fees (tap fees). See **Exhibit 7**. If the WWFB is wanting the City to have a single document in which all of its water and sewer rates and fees are listed, it can do so by just compiling these rates and fees in a Schedule of Rates and Fees which the City's governing body can approve at a future meeting.

DEBT MANAGEMENT POLICY

The City adopted a debt management policy on November 14, 2011, which is attached as **Exhibit 8** 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 City's debt management policy.

LEAK ADJUSTMENT POLICY

The City currently adjusts water and sewer bills for water leaks past the meter by reducing the usage in the high water bill in half billing the customer for half of the usage. The City was not able to find any ordinance or resolution which adopted this policy.

TAUD recommends that the City adopt the ordinance attached as **Exhibit 9** to implement leak adjustments for water leaks behind the meter in the future.

CAPITALIZATION POLICY

The City has adopted a resolution establishing \$10,000 as the cost threshold for capital assets for the City. The City was not able to locate a resolution or other action which set forth the service lives it uses for its capital assets. The City should adopt a resolution which incorporates the service lives the City currently uses for all capital assets as described in its annual audits, except for its water and sewer system assets. The City's capitalization policy should include the service lives for its water and sewer system using the recommended service lives adopted by the WWFB for municipal water and sewer systems. TAUD prepared a suggested resolution which the City can adopt to establish this recommended capitalization policy which is attached as **Exhibit 10** to this Report.

PURCHASE OF WAYNE COUNTY WATER LINE

The City of Collinwood and Wayne County have been in discussions for several years about Wayne County transferring the portion of its water system along Highway 13 South to the City which serves approximately 125 customers. These customers are served with water purchased wholesale from the City. The Wayne County water system has been financially distressed for several years and has been unable to come up with a plan to make its water system financially viable primarily due to high depreciation expenses which much be recovered from too few customers. Wayne County transferred portions of its water system to Clifton and Waynesboro in 2021. If Collinwood will accept the transfer Wayne County's water line along Highway 13 South, then Wayne County will no longer be in the water business.

The City has been reluctant to take over this Wayne County water line and its customers because the acceptance of this water line and these customers did not appear to be financially feasible for the City. However, on September 20, 2022, Wayne County passed a resolution in which it authorized a transfer of \$2,500,027.13 of its State American Rescue Plan funds allocated to Wayne County by the Tennessee Department of Environment and Conservation to Collinwood for the City to use to make improvements to its own water and wastewater system and to the Wayne County water line. See **Exhibit 11**. The transfer of this allocation is dependent upon Collinwood agreeing to take over the Highway 13 South water line of Wayne County. In addition, Wayne County has agreed to pay off the existing debt it has on its water system so the City would not have to assume this debt upon the transfer of the water system.

To date, the City was under the impression that it would be required to charge any Wayne County water system customers its outside-city rates after the transfer. The City did not believe that the revenue derived from these rates would be sufficient to pay for the operation and maintenance of the Wayne County line and for the remaining depreciation expense of this line. TAUD informed the City that it could continue to charge these Wayne County system customers the higher rates currently being charged by Wayne County rather than the lower outside-city Collinwood water rates. The Wayne County system can be treated differently than the City's other outside-of-city customers since this system has different costs than the rest of the City's water system.

Therefore, the transfer of the Wayne County water line along Highway 13 South appears to be economically feasible and will benefit the City's current water and sewer customers provided the three conditions discussed above occur:

- Wayne County transfers \$2,500,027 of its State ARP funds to the City;
- Wayne County transfers its water lines to the City free of any debt; and
- The City continues to charge the customers served by the Wayne County water line the same rates the County is currently charging these customers.

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

	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2025</u>	<u>6/30/2026</u>
Master Meter & AMC Meter	220,000	13,780	-	-	-
3 Zone Meters		41,220	-	-	-
Mapping System		25,000	-	-	-
Total	220,000	80,000	-	-	-
Cumulative Depreciation	7,333	20,000	20,000	20,000	20,000
Total Capital Outlay & Depreciation	227,333	100,000	20,000	20,000	20,000
Source of Funds					
Loans	-	-	-	-	-
Grants	220,000	41,000	-	-	-
Cash	-	39,000	-	-	-
Total Funding Sources	220,000	80,000	-	-	-

Collinwood, Tennessee - Test Year
Water & Sewer Fund

	City <u>Budget 21-22</u>	Last 2 Year <u>Average</u>	Test Year <u>for 22-23</u>	<u>Explanation</u>
Operating Revenues:				
Charge for Services	647,031	716,445	647,031	From budget
Water Maintenance Fee	40,000	-	42,660	Maintenance fees per customers
Other	22,201	-	22,201	From budget (not broken out last 2 years)
Total Operating Revenues	709,232	716,445	711,892	
Operating Expenses:				
Personnel Services	144,865	177,701	186,586	From last 2 year average plus 5%
Contracted Services	73,936	13,744	16,275	From last 2 year average plus 5%
Other Administrative	48,635	36,754	48,635	From budget
Utilities	67,600	61,769	61,769	From last 2 year average
Materials & Supplies	66,615	53,122	53,122	From last 2 year average
Repairs & Maintenance	33,950	102,543	102,543	From last 2 year average
Depreciation & Amortization	151,238	166,366	186,366	From last 2 year average plus new
Total Operating Expenses	586,839	611,996	655,296	
Operating Income (Loss)	122,393	104,449	56,596	
Nonoperating Revenues (Expenses)				
Other Revenues	-	-	-	N/A
Interest Income	1,950	2,498	1,950	From budget
Interest Expense	(1,400)	(1,585)	(1,128)	From amortization schedule
Total Nonoperating Revenues (Expenses)	550	913	822	
Change in Net Position before Contributed Capital	122,943	105,362	57,418	
Capital Contributions & Grants	-	41,567	-	N/A
Insurance Recoveries	-	9,957	-	N/A
Change in Net Position	122,943	156,885	57,418	

Collinwood, Tennessee - Projected Statements of Revenues and Expenses and Changes in Net Position
Water & Sewer Fund

	Projected <u>6/30/2023</u>	Projected <u>6/30/2024</u>	Projected <u>6/30/2025</u>	Projected <u>6/30/2026</u>	Projected <u>6/30/2027</u>
Operating Revenues:					
Charge for Services	647,031	647,031	647,031	647,031	647,031
Water Maintenance Fee	42,660	42,660	42,660	42,660	42,660
Other	22,201	22,201	22,201	22,201	22,201
Total Operating Revenues	711,892	711,892	711,892	711,892	711,892
Operating Expenses:					
Personnel Services	186,586	193,117	197,944	201,903	205,941
Contracted Services	16,275	16,845	17,266	17,611	17,963
Other Administrative	48,635	50,337	51,596	52,628	53,680
Utilities	61,769	63,931	65,529	66,840	68,177
Materials & Supplies	53,122	54,981	56,356	57,483	58,633
Repairs & Maintenance	102,543	106,132	108,785	110,961	113,180
Depreciation & Amortization	186,366	186,366	186,366	186,366	186,366
Total Operating Expenses	655,296	671,709	683,842	693,792	703,940
Operating Income (Loss)	56,596	40,183	28,050	18,100	7,952
Nonoperating Revenues (Expenses)					
Interest Income	1,950	1,950	1,950	1,950	1,950
Interest Expense	(1,128)	(933)	(731)	(522)	(307)
Total Nonoperating Revenues (Expenses)	822	1,017	1,219	1,428	1,643
Change in Net Position before Suggested Rate Increase	57,418	41,200	29,269	19,528	9,595
Revenue from Suggested Rate Increase	N/A	25,571	31,326	38,550	47,726
Change in Net Position	57,418	66,771	60,595	58,078	57,321

NOTE: For FY23, operating expenses were increased by 3.5% for inflation, FY24, 2.5% for inflation, FY25 and FY26, 2% for inflation. All expenses were increased by these percentages with the exception of depreciation expense and interest expense. Depreciation expense increased with new depreciation from 5-year capital plan. Interest expense is from the amortization schedule.

Collinwood, Tennessee - Future Rate Increases

	FY 23-24	FY 24-25	FY 25-26	FY 26-27
WATER				
<u>Inside City Limits</u>				
0 - 2,000 gallons	\$19.25	\$19.30	\$19.40	\$19.50
Over 2,000 gallons	\$10.15 / 1,000	\$10.15 / 1,000	\$10.25 / 1,000	\$10.50 / 1,000
<u>Outside City Limits</u>				
0 - 2,000 gallons	\$26.20	\$26.25	\$26.35	\$26.45
Over 2,000 gallons	\$18.70 / 1,000	\$18.70 / 1,000	\$18.75 / 1,000	\$19.00 / 1,000
SEWER				
<u>Residential</u>				
0 - 2,000 gallons	\$23.25	\$23.45	\$23.45	\$23.55
Over 2,000 gallons	\$8.50 / 1,000	\$8.75 / 1,000	\$9.00 / 1,000	\$9.25 / 1,000
<u>Commercial</u>				
0 - 2,000 gallons	\$39.45	\$39.65	\$39.65	\$39.75
Over 2,000 gallons	\$11.25 / 1,000	\$11.50 / 1,000	\$11.75 / 1,000	\$12.00 / 1,000
Water Maintenance Fee	\$5.00 per customer	\$5.25 per customer	\$5.50 per customer	\$5.50 per customer

Collinwood, Tennessee - Water & Sewer Fund - Projected Cash & Investment Schedule

	Projected <u>6/30/2023</u>	Projected <u>6/30/2024</u>	Projected <u>6/30/2025</u>	Projected <u>6/30/2026</u>	Projected <u>6/30/2027</u>
Beginning Balance	753,448	991,310	1,173,758	1,383,073	1,582,440
Sources of Funds					
Charge for Services	647,031	647,031	647,031	647,031	647,031
Water Maintenance Fee	42,660	42,660	42,660	42,660	42,660
Other	22,201	22,201	22,201	22,201	22,201
Interest Income	1,950	1,950	1,950	1,950	1,950
Grant Revenue	220,000	41,000	-	-	-
Total Sources of Funds	<u>933,842</u>	<u>754,842</u>	<u>713,842</u>	<u>713,842</u>	<u>713,842</u>
Uses of Funds					
Operating Expenses	655,296	671,709	683,842	693,792	703,940
Depreciation	(186,366)	(186,366)	(186,366)	(186,366)	(186,366)
Capital Outlay	220,000	80,000	-	-	-
Interest Paid on Debt	1,128	933	731	522	307
Principal Paid on Debt	5,922	6,118	6,320	6,528	6,744
Total Uses of Funds	<u>695,980</u>	<u>572,394</u>	<u>504,527</u>	<u>514,476</u>	<u>524,625</u>
Ending Balance	<u>991,310</u>	<u>1,173,758</u>	<u>1,383,073</u>	<u>1,582,440</u>	<u>1,771,657</u>

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

Collinwood, Tennessee - Inside / Outside Analysis

Water Fund	6/30/2022	WATER		Allocation Explained
		Inside	Outside	
Operating Revenues:				
Charge for Services	471,434	297,003	174,431	% Based on Revenue
Water Maintenance Fee	42,660	31,080	11,580	% on Customers
Other	22,201	13,987	8,214	% Based on Revenue
Total Operating Revenues	536,295	342,070	194,225	
Operating Expenses:				
Personnel Costs	143,536	104,573	38,963	% Based on Customers
Contracted Services	11,577	8,734	2,843	% Based on Gallons
Other Administration	26,646	20,102	6,544	% Based on Gallons
Utilities	52,566	39,657	12,909	% Based on Gallons
Materials & Supplies	63,249	47,716	15,533	% Based on Gallons
Repairs & Maintenance	108,541	79,078	29,463	% Based on Customers
Depreciation	87,689	56,998	30,691	% Based on Lines of Pipe
Total Operating Expenses	493,804	356,859	136,945	
Operating Income (Loss)	42,491	(14,789)	57,280	
Nonoperating Revenues (Expenses)				
Interest Income	2,327	1,695	632	% Based on Customers
Total Nonoperating Revenues (Expenses)	2,327	1,695	632	
Change in Net Position before Contributed Capital	44,818	(13,093)	57,911	
Capital Contributions / Grants	65,733	47,890	17,843	% Based on Customers
Change in Net Position	110,551	34,797	75,754	

Allocations based on % of Revenue Calculated

Water Sales - Inside	\$ 337,866	63.00%
Water Sales - Outside	\$ 198,429	37.00%
	<u>\$ 536,295</u>	<u>100.00%</u>

Allocations based on % of customers

Water - Inside	518	72.86%
Water - Outside	193	27.14%
	<u>711</u>	<u>100.00%</u>

Allocations based on gallons sold

Water - Inside	23,959,775	75.44%
Water - Outside	7,799,334	24.56%
	<u>31,759,109</u>	<u>100.00%</u>

Allocations based on lines of pipe

Water - Inside	26	65.00%
Water - Outside	14	35.00%
	<u>40</u>	<u>100.00%</u>

ORDINANCE NO. 021422

An Ordinance Increasing Service Connection Fees (tap fees) for Water, Wastewater, and Natural Gas Service.

Whereas, the City of Collinwood is required by State law to operate utilities as an enterprise fund where sufficient user rates are charged to pay the capital and operating cost of the utility;

Whereas, the City of Collinwood operates water, wastewater, and natural gas as enterprise funds; and

Whereas, present rates are insufficient to pay for the capital and operating costs of the water, wastewater, and natural gas enterprise funds; now therefore

Be It Ordained by the City of Collinwood, Tennessee:

Section 1.

- (A.) The service connection fee for residential ¾" AMR water service is increased from \$500.00 to \$625.00.
- (B.) The service connection fee for a 1" AMR water meter hook-up is \$875.00.
- (C.) The service connection fee for a 2" AMR water meter set is \$2000.00.
- (D.) The service connection fee for a 275 gas meter set will remain at \$650.00.
- (E.) The service connection fee for a 415 gas meter set is \$700.00 plus the cost of the meter.
- (F.) The service connection fee for free flow wastewater service will remain at \$750.00.
- (G.) The service connection fee for wastewater service with pump is \$1,500.00. (* Based on pump cost of \$700.00. Pump cost over \$700.00 will be added to the \$1500.00)

Section 2.

The service connection fees for water, wastewater, and natural gas shall become effective on March 15, 2022.

Section 3.

This ordinance shall be effective upon its final passage, the public welfare requiring it.

Section 4.

Any ordinance provisions or municipal code provisions in conflict with the herein provisions of this ordinance are repealed.

Passed 1st reading February 14, 2022.

Passed 2nd reading _____, 2022.



Glenn Brown, Mayor


Cynthia Kephart, City Recorder

Exhibit 8

City of Collinwood

Tennessee

Debt Policy

The purpose of this debt policy is to establish a set of parameters by which debt obligations will be undertaken by the City of Collinwood, TN. This policy reinforces the commitment of the City and its officials to manage the financial affairs of the City so as to minimize risks, avoid conflicts of interest and ensure transparency while still meeting the capital needs of the City. A debt management policy signals to the public and the rating agencies that the City is using a disciplined and defined approach to financing capital needs and fulfills the requirements of the State of Tennessee regarding the adoption of a debt management policy.

The goal of this policy is to assist decision makers in planning, issuing and managing debt obligations by providing clear direction as to the steps, substance and outcomes desired. In addition, greater stability over the long-term will be generated by the use of consistent guidelines in issuing debt.

Definition of Debt: All obligations of the City to repay, with or without interest, in installments and/or at a later date, some amount of money utilized for the purchase, construction, or operation of City resources. This includes but is not limited to notes, bond issues, capital leases, and loans of any type (*whether from an outside source such as a bank or from another internal fund*).

Approval of Debt: Bond anticipation notes, capital outlay notes, grant anticipation notes, and tax and revenue anticipation notes will be submitted to the State of Tennessee Comptroller's Office and the City Board of Commissioners prior to issuance or entering into the obligation. A plan for refunding debt issues will also be submitted to the Comptroller's Office prior to issuance. Capital or equipment leases may be entered into by the City Board of Commissioners; however, details on the lease agreement will be forwarded to the Comptroller's Office on the specified form within 45 days.

Transparency:

- **The City shall comply with legal requirements for notice and for public meetings related to debt issuance.**
- **All notices shall be posted in the customary and required posting locations, including as required local newspapers, bulletin boards, and websites.**
- **All costs (including principal, interest, issuance, continuing, and one-time) shall be clearly presented and disclosed to the**

- **citizens, City Board of Commissioners, and other stakeholders in a timely manner.**
- **The terms and life of each debt issue shall be clearly presented and disclosed to the citizens/members, City Board of Commissioners, and other stakeholders in a timely manner.**
- **A debt service schedule outlining the rate of retirement for the principal amount shall be clearly presented and disclosed to the citizens/members, City Board of Commissioners, and other stakeholders in a timely manner.**

Role of Debt:

- Long-term debt shall not be used to finance current operations. Long-term debt may be used for capital purchases or construction identified through the capital improvement, regional development, transportation, or master process or plan. Short-term debt may be used for certain projects and equipment financing as well as for operational borrowing; however, the City will minimize the use of short-term cash flow borrowings by maintaining adequate working capital and close budget management.
- In accordance with Generally Accepted Accounting Principles and state law,
 1. The maturity of the underlying debt will not be more than the useful life of the assets purchased or built with the debt, not to exceed 30 years; however, an exception may be made with respect to federally sponsored loans, provided such an exception is consistent with law and accepted practices.
 2. Debt issued for operating expenses must be repaid within the same fiscal year of issuance or incurrence.

Types and Limits of Debt:

- The City will seek to limit total outstanding debt obligations to twenty (20) percent of assessed value of the City, excluding overlapping debt, enterprise debt, and revenue debt.
- The limitation on total outstanding debt must be reviewed prior to the issuance of any new debt.
- The City's total outstanding debt obligation will be monitored and reported to the City Board of Commissioners by the City Manager. The City Manager shall monitor the maturities and terms and conditions of all obligations to ensure compliance. The City Manager shall also report to the City Board of Commissioners any matter that adversely affects the credit or financial integrity of the City.
- The City is authorized to issue General Obligation bonds, Revenue bonds, TIFs, loans, notes and other debt allowed by law.
- The City will seek to structure debt with level or declining debt service payments over the life of each individual bond issue or loan.

- As a rule, the City will not backload, use “wrap-around” techniques, balloon payments or other exotic formats to pursue the financing of projects. When refunding opportunities, natural disasters, other non-general fund revenues, or other external factors occur, the City may utilize non-level debt methods. However, the use of such methods must be thoroughly discussed in a public meeting and the mayor and governing body must determine such use is justified and in the best interest of the city.
- The City may use capital leases to finance short-term projects.
- Bonds backed with a general obligations pledge often have lower interest rates than revenue bonds. The City may use its General Obligation pledge with revenue bond issues when the populations served by the revenue bond projects overlap or significantly are the same as the property tax base of the City. The City Board of Commissioners and management are committed to maintaining rates and fee structures of revenue supported debt at levels that will not require a subsidy from the City’s General Fund.

Use of Variable Rate Debt:

- The City recognizes the value of variable rate debt obligations and that cities have greatly benefitted from the use of variable rate debt in the financing of needed infrastructure and capital improvements.
- However, the City also recognizes there are inherent risks associated with the use of variable rate debt and will implement steps to mitigate these risks; including:
 1. The City will annually include in its budget an interest rate assumption for any outstanding variable rate debt that takes market fluctuations affecting the rate of interest into consideration.
 2. Prior to entering into any variable rate debt obligation that is backed by insurance and secured by a liquidity provider, the City Board of Commissioners shall be informed of the potential affect on rates as well as any additional costs that might be incurred should the insurance fail.
 3. Prior to entering into any variable rate debt obligation that is backed by a letter of credit provider, the City Board of Commissioners shall be informed of the potential affect on rates as well as any additional costs that might be incurred should the letter of credit fail.
 4. Prior to entering into any variable rate debt obligation, the City Board of Commissioners will be informed of any terms, conditions, fees, or other costs associated with the prepayment of variable rate debt obligations.
 5. The City shall consult with persons familiar with the arbitrage rules to determine applicability, legal responsibility, and potential consequences associated with any variable rate debt obligation.

Use of Derivatives:

- The City chooses not to use derivative or other exotic financial structures in the management of the City's debt portfolio.
- Prior to any reversal of this provision:
 1. A written management report outlining the potential benefits and consequences of utilizing these structures must be submitted to the City Board of Commissioners; and
 2. The City Board of Commissioners must adopt a specific amendment to this policy concerning the use of derivatives or interest rate agreements that complies with the State Funding Board Guidelines.

Costs of Debt:

- All costs associated with the initial issuance or incurrence of debt, management and repayment of debt (including interest, principal, and fees or charges) shall be disclosed prior to action by the City Board of Commissioners in accordance with the notice requirements stated above.
- In cases of variable interest or non-specified costs, detailed explanation of the assumptions shall be provided along with the complete estimate of total costs anticipated to be incurred as part of the debt issue.
- Costs related to the repayment of debt, including liabilities for future years, shall be provided in context of the annual budgets from which such payments will be funded (i.e. General Obligations bonds in context of the General Fund, Revenue bonds in context of the dedicated revenue stream and related expenditures, loans and notes).

Refinancing Outstanding Debt:

- The City will refund debt when it is in the best financial interest of the City to do so, and the Chief Financial Officer shall have the responsibility to analyze outstanding bond issues for refunding opportunities. The decision to refinance must be explicitly approved by the governing body, and all plans for current or advance refunding of debt must be in compliance with state laws and regulations.
- The Chief Financial Officer will consider the following issues when analyzing possible refunding opportunities:
 1. Onerous Restrictions – Debt may be refinanced to eliminate onerous or restrictive covenants contained in existing debt documents, or to take advantage of changing financial conditions or interest rates.
 2. Restructuring for Economic Purposes – The City will refund debt when it is in the best financial interest of the City to do so. Such refunding may include restructuring to meet unanticipated revenue expectations, achieve cost savings, mitigate irregular debt service payments, or to release reserve funds. Current refunding opportunities may be considered by the Chief Financial Officer if the refunding generates positive present value savings, and the

Chief Financial Officer must establish a minimum present value savings threshold for any refinancing.

3. **Term of Refunding Issues** – The City will refund bonds within the term of the originally issued debt. However, the Chief Financial Officer may consider maturity extension, when necessary to achieve a desired outcome, provided such extension is legally permissible. The Chief Financial Officer may also consider shortening the term of the originally issued debt to realize greater savings. The remaining useful life of the financed facility and the concept of inter-generational equity should guide this decision.
4. **Escrow Structuring** – The City shall utilize the least costly securities available in structuring refunding escrows. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the City from its own account.
5. **Arbitrage** – The City shall consult with persons familiar with the arbitrage rules to determine applicability, legal responsibility, and potential consequences associated with any refunding.

Professional Services:

The City shall require all professionals engaged in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by both the City and the lender or conduit issuer, if any. This includes “soft” costs or compensations in lieu of direct payments.

- **Counsel:** The City shall enter into an engagement letter agreement with each lawyer or law firm representing the City in a debt transaction.
- **Financial Advisor:** The City shall enter into a written agreement with each person or firm serving as financial advisor in debt management and transactions.
 1. **In a competitive sale, the financial advisor shall not be permitted to bid on an issue for which they are or have been providing advisory services.**
 2. **In a publicly offered, negotiated sale, the financial advisor (either):**
 - **shall not be permitted to resign as financial advisor in order to underwrite an issue for which they are or have been providing advisory services; or**
 - **may resign as financial advisor only in advance of negotiations in order to underwrite an issue for which they are or have been providing advisory services.**
- **Underwriter:** In advance of pricing of the debt in a publicly offered, negotiated sale, the underwriter must provide pricing information both as to interest rates and to takedown per

maturity to the City Board of Commissioners or the City Manager.

Conflicts:

- **Professionals involved in a debt transaction hired or compensated by the City shall be required to disclose to the City existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, liquidity or credit enhancement provider, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators. This disclosure shall include that information reasonably sufficient to allow the City 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.**

Review of Policy:

This policy shall be reviewed at least annually by the City Board of Commissioners with the approval of the annual budget. Any amendments shall be considered and approved in the same process as the initial adoption of this Policy, with opportunity for public input.

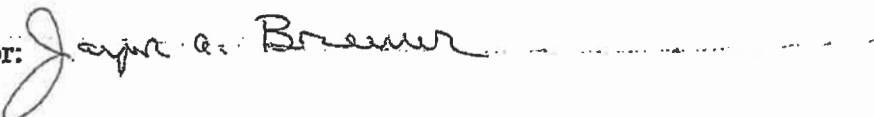
Compliance:

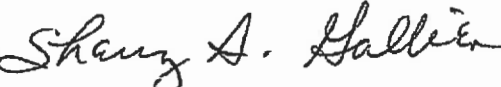
The City Manager is responsible for ensuring compliance with this policy.

TCA References: TCA 7, Part 9 – Contracts, Leases, and Lease Purchase Agreements

TCA 9, Part 21 – Local Government Public Obligations Law

Approved and Entered in the minutes of the City of Collinwood Meeting this 14th day of November, 2011.

Mayor: 

Attested:
City Recorder: 

Ordinance No. #####**An Ordinance Authorizing Leak Adjustments for Water and Sewer Customers of the City of Collinwood, Tennessee**

Whereas, the Town Council desires to have a fair, consistent and equitable procedure to adjust high water and sewer bills caused by leak on the customer's side of the Town's water meter.

Be It Ordained by Town Council of the Town of Tellico Plains, Tennessee, that the following policy be adopted for the adjustment of high water and sewer bills caused by a leak on the customer's side of the meter as a new Section _____ to the Tellico Plains Municipal Code.

_____ . Leak Adjustments

- (1) The customer is responsible for paying for all metered water usage at the customer's service address and for paying all sewer charges based upon metered water usage. Customers are responsible for keeping their plumbing repaired and in good working order.
- (2) To qualify for a leak adjustment, the following conditions must be met.
 - (a) Water loss from a leak must result in a monthly water bill which is at least one and half times more than the customer's average monthly water bill for the previous 12 months. The month in which the leak occurred shall be excluded. When a customer does not have 12 months of water usage history, the customer's average monthly water bill will be based upon the customer's average water bill for the number of full months the customer has actually received water service at the service address.
 - (b) The customer must locate and timely repair the water leak which must be verified by the Town. The repair may be verified one of the following methods.
 - (i) The customer must present the City with an affidavit or written statement from a plumber that the leak has been located and repaired.
 - (ii) The customer provides a copy of an invoice for the materials used to fix the leak and verifies that the customer fixed the leak.
 - (iii) A Town employee is able to verify that the customer was able to repair the leak.
 - (c) A leak must be repaired within 30 days of the due date of the bill which shows the customer has a water leak. When a customer is notified of a leak by the Town, the leak must be repaired within 30 days of receiving such notice. The customer must submit a leak adjustment request form to the Town office which form can be obtained by calling the Town's office.

- (d) When the customer has a chronic leak, the Town may require the replacement of the customer's service line before a leak adjustment is made.
- (e) The leak must have been concealed and not readily detectable by a reasonable person such as a leak in an underground water service line between the meter and the exterior of a building or within walls or under the floors of a building.
- (f) No leak adjustment will be made for leaks which are readily detectable by the customer. These include the following:
- i. Leaking faucets and toilets;
 - ii. Faucets, hoses and other water outlets left running;
 - iii. Leaks from frozen pipes;
 - iv. Water used for filling swimming pools, washing cars and irrigating lawns gardens; or
 - v. Leaks from swimming pool systems and from irrigation systems.
- (g) Only one bill will be adjusted for a qualifying leak in any consecutive twelve-month period. The leak adjustment will only be made in the billing cycle in which the leak is repaired.

(4) The leak adjustment for the water bill will be calculated as follows:

STEP 1: Determine the customer's average monthly water usage from the customer's 12 preceding monthly bills, excluding the month in which the leak occurred. When a customer does not have 12 months of water usage history, the customer's average monthly water bill will be based upon the customer's average water bill for the number of full months the customer has actually received water service at the service address.

STEP 2: Subtract the customer's average monthly water usage from STEP 1 from the total water usage included in the high bill being adjusted to establish the amount of the overage gallons.

STEP 3: Divide the overage gallons by two to determine the amount of gallons to be used to make the leak adjustment to the bill.

STEP 4: The adjusted water billing amount will include the average monthly bill plus the adjustment from STEP 3, plus sales tax and any other charges that may apply.

Example: The customer's water usage on the high bill being adjusted is 20,000 gallons. The customer's average monthly water usage is 4,000 gallons. The leak adjustment is computed as follows:

Water usage included in high bill	20,000
Average monthly water usage	<u>-4,000</u>
Overage gallons	16,000

$(16,000)/2 = 8,000$ – Overage gallons used to make water bill adjustment

$(8,000)(\$3.00 \text{ per } 1,000 \text{ gallons}) = \24.00 - Adjusted bill amount of gallons
above average monthly water usage

(5) When the Town determines that the water from the qualifying leak did not enter the Town's sewer system, the Town will adjust the customer's high sewer bill to the customer's average sewer bill using the customer's average monthly water usage as defined in section 4.

(6) When a high sewer bill is caused by a water leak which does not qualify for a water leak adjustment under section (2) and the Town determines the water from the non-qualifying leak did not enter the Town's sewer system, the Town will adjust the customer's high sewer bill to the customer's average sewer bill using the customer's average monthly water usage as defined in section 4.

(7) In hardship cases the Town's Mayor and Board of Aldermen may approve monthly installment payments for the adjusted bill not to exceed twelve (12) consecutive monthly installments.

RESOLUTION NO. 2022-_____**A RESOLUTION TO ESTABLISH A CAPITAL ASSET POLICY**

WHEREAS, the City of Collinwood, Tennessee (the City) desires to formally adopt a capital asset policy which conforms to the manner in which the City's fixed assets have historically been capitalized and recorded as capital assets in the City's financial statements; and

WHEREAS, the City desires to establish appropriate service lives for its water system assets which are consistent with the directives of the Water and Wastewater Financing Board for municipal water systems.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Board of Alderman that:

(a) **Capitalization Thresholds.** City assets with an estimated useful life of more than one year will be capitalized when the cost of the asset is \$10,000 or more. Land and Construction in Progress are capitalized but not depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized.

(b) **Asset Cost Basis.** Capital assets shall be recorded at historical cost when the cost is reasonably determinable. If historical cost data is not determinable, an estimated historical cost will be used.

- (1) Actual Cost – This cost will include the purchase or construction cost (which can be obtained through invoice, purchase order, and paid check files) and charges necessary to place the asset into service at its intended location. Such necessary costs may include costs such as freight and transportation, site preparation expenditures, interest costs, professional fees, and legal claims directly attributable to asset acquisition.
- (2) Estimated Cost – This cost will be based on as much documentary evidence as can be found to support the cost, such as interviews with vendors selling such assets, engineers, or other personnel and price level adjustments based on the Consumer Price Index for each asset.
- (3) Donated Cost – These assets will be based on their estimated fair market value at time of acquisition. A determination as to the fair market value basis will be included with property records.
- (4) Interest on Debt Issued – Interest on debt issued for the construction of an asset will be capitalized as part of the asset's cost to the extent of the interest that was incurred during the construction period only.

(c) **Depreciation.**

- (1) Depreciation is a method for allocating the cost of capital assets over their useful lives. Generally accepted accounting principles dictate that the value of the capital asset must be written off as an expense over the useful life of the asset.
- (2) Annual depreciation expense will be calculated using the straight-line method.
- (3) When the asset is disposed of, the actual date of disposal is disregarded, and the disposal date is the end of the month prior to the month of disposal (i.e. no depreciation is taken for the month of disposal).
- (4) The salvage value of an asset is an estimate made by management of what the value of an asset will be at the end of its useful life. If the City intends to utilize a capital asset until it is literally worthless, a salvage value of zero (0) will be assigned.

(d) **Useful Lives of Capital Assets**

<u>Asset Type</u>	<u>Useful Life in Years</u>
Land and Easements	No depreciation
Infrastructure (other than water and sewer system)	40
Buildings (other than water and sewer system)	20-40
Improvements (other than water and sewer system)	20-40
Machinery and equipment (other than water and sewer system)	5-10
Furniture and fixtures (other than water and sewer system)	5-10
Water System:	
Buildings (Office and Plant)	20-50
Equipment and Tools	3-10
Furniture and Fixtures	3-10
Machinery, Equipment and Service Vehicles	3-10
Pumps and Treatment Equipment	3-10
Transportation Equipment	3-10
Water Lines and Storage	20-50
Well / Dam	Engineer's Estimate
Sewer System:	
Buildings (Office and Plant)	20-50
Equipment and Tools	3-10

Furniture and Fixtures	3-10
Machinery, Equipment and Service Vehicles	3-10
Pumps and Treatment Equipment	3-10
Transportation Equipment	3-10
Wastewater (Sewer) System	20-50

Adopted this _____ day of _____, 2022.

Mayor

Attest: _____
City Recorder

Wayne County Government

Jaime T. Mangubat, County Executive
100 Court Circle, Suite 300
Waynesboro, Tennessee 38485

September 20, 2022

Ms. Vena Jones
TN Department of Environment & Conservation
Wm. Snodgrass Building, 12th Floor
312 Rosa Parks Blvd
Nashville, TN 37243

RE: Transfer of ARP Funds from Wayne County to the City of Collinwood

Dear Vena,

As indicated by the attached resolution, Wayne County plans to transfer \$2,500,027.13 of its state allocation of \$3,437,522.73 in Tennessee Department of Environment and Conservation ARP funds to the City of Collinwood for improvements to the portion of the Wayne County Water System that Wayne County would transfer to the City of Collinwood as well as other Collinwood critical infrastructure needs. This transfer is contingent on the City of Collinwood agreeing to take ownership of the portion of the Wayne County Water System along Highway 13 South which is currently being supplied all its water via a wholesale connection with the City of Collinwood. The effective date of the transfer will be September 19, 2022 as indicated by the resolution that was passed by the Wayne County Commission. Additionally, Wayne County has approved the transfer of a portion of its ARP funds to the City of Clifton for a water treatment plant. Indicated below is a table indicating the transfer information:

City of Collinwood \$2,500,027.13

City of Clifton \$937,495.60

Thank you for your consideration of our application

Sincerely,

Jim Mangubat
County Executive

RESOLUTION NO. WC20220919-01

WHEREAS, funds have been authorized and appropriated by the federal American Rescue Plan Act (ARP) to be used for eligible drinking water, wastewater, or stormwater projects. The Tennessee Department of Environment and Conservation (TDEC) has been designated to administer these funds; and

WHEREAS, ARP guidelines stipulated that "Project Owners are those entities that may execute projects. Project owners must operate a drinking water or wastewater system or a permitted stormwater system or execute a project on behalf of a drinking water or wastewater system or a permitted stormwater system"; and

WHEREAS, Wayne County, at the request of the State Comptroller's Office, would like to divest itself of ownership of a portion of their water system; and

WHEREAS, the City of Collinwood owns and operates a water and wastewater system that provides water and wastewater services to Wayne County residents; and

WHEREAS, Wayne County desires to transfer a portion of its ARP allocation to the City of Collinwood to be used for much needed improvements to the portion of the Wayne County Water System that Wayne County would transfer to the City of Collinwood as well as other Collinwood critical infrastructure needs for the benefit of citizens of the City of Collinwood and Wayne County.

NOW, THEREFORE BE IT RESOLVED, by the Wayne County Commission that

- 1). Wayne County partial allocation of \$2,500,027.13 be transferred to the City of Collinwood to be used for upgrades and improvements to the current Wayne County Water System as well as improvements to the Collinwood water and wastewater system as allowed by the TDEC ARP grant guidelines.
- 2). By making this transfer, Wayne County is absolved of the responsibility of the application process; administration; reporting; or contractual agreements with engineers, contractors, administrators, and any other parties necessary to carry out the program for the portion of the funds transferred to the City of Collinwood.
- 3). As a condition of this resolution, the City of Collinwood agrees to take ownership of the Wayne County Water System which is currently being supplied all of its water via a wholesale connection with the City of Collinwood.

PASSED AND SO ORDERED THIS 19 DAY OF SEPTEMBER, 2022.

Jim Mangubat, County Executive

Stan Horton, County Clerk



Jason E. Mumpower
Comptroller

Entity Referred: **City of Lobelville**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water And Sewer**

Staff Summary: The City of Lobelville ("the Entity") has been referred to the Water and Wastewater Financing Board ("the Board") for financial distress since its fiscal year 2020 audit. The Entity has complied with Board directives to complete a rate study. The Entity has provided proof of implementation of the Tennessee Association of Utility District's ("TAUD") recommendations by November 1, 2021. Board staff believes the Entity should be required to submit biannual financial updates to the Board. These updates will consist of changes in fund balance, changes in revenues, pro-forma statements of revenues, expenses, and changes in net position, or other financial documents that indicate the Entity's financial distress is being remedied.

The Entity reported excessive water loss in its Annual Information Report Filing. The Entity is currently working with MTAS to complete the required AWWA water loss tool submission. Board staff will not have a recommendation for its non-revenue water until the submission is received. Board staff anticipates having the submission prior to the first Board meeting of 2023.

Staff Recommendation:

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 1, 2023, until the Board releases the Entity from its oversight.
2. By February 28, 2023, the Entity shall send Board staff a proposed plan of action to improve its non-revenue water which may included proposed capital projects or any engagements with third parties to address water loss.



REPORT FOR CITY OF LOBELVILLE, TENNESSEE

WATER AND WASTEWATER FINANCING BOARD ORDER DATED MAY 20, 2021

June 23, 2022

INTRODUCTION

Description of the Lobelville Water and Sewer System

The City of Lobelville, Tennessee (City or Lobelville) is in Perry County. The governing board of the City's water and sewer system is its five-member Mayor and Board of Aldermen. As of June 30, 2021, the City's customer base was as follows:

Water

Inside-City 456 customers
 Outside-City 919 customers

Sewer 258 (all inside the city)

The City gets its raw water supply from the Buffalo River and operates a water treatment plant with a design capacity of 1.0 MGD. The City operates a wastewater treatment plant with a design capacity of 0.113 MGD and is authorized to discharge lagoon treated municipal wastewater from the plant into the Buffalo River.

The City was referred to the Water and Wastewater Financing Board (WWFB) upon the submission of its audit for its fiscal year ending June 30, 2020, because it met the statutory definition for a financially distressed municipal water and sewer system. The system had a negative change in net position for two consecutive years without regard to any grants or capital contributions for its fiscal years ending June 30, 2019 and June 30, 2020.

The City's water and sewer fund had a negative change in net position of (\$88,087) for its fiscal year ending June 30, 2020. The City's water and sewer fund had a positive change in net position of \$142,495 for its fiscal year ending June 30, 2021.

History of Rates and Existing Rate Structure

Since the City was referred to the WWFB, the City has implemented two increases in water and sewer rates. One became effective on November 1, 2020, and the second became effective on July 1, 2021. The City's current rates for water and sewer service are set forth below. The City does not provide sewer service outside of its municipal limits.

Water Rates

Inside - City

Minimum Bill (includes 2,000 gallons):

5/8 inch meter	\$ 21.28
1 inch meter	\$ 48.62
2 inch meter	\$155.58

Usage rate	\$7.28 per 1,000 gallons
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Outside - City

Minimum Bill (includes 2,000 gallons):

5/8 inch meter	\$ 42.68
1 inch meter	\$ 76.84
2 inch meter	\$245.86

Usage rate	\$8.32 per 1,000 gallons
------------	--------------------------

Sewer Rates

Sewer rates are the same as the inside-city water rates:

Minimum Bill (includes 2,000 gallons):

5/8 inch meter	\$ 21.28
1 inch meter	\$ 48.62
2 inch meter	\$155.58

Usage rate	\$7.28 per 1,000 gallons
------------	--------------------------

The water bill for an inside-city customer with a 5/8 inch meter using 5,000 gallons of water a month before the two rate increases was \$39.17. The water bill for this customer after the two rate increases was \$43.12. This represented a 9.1% in the customer's monthly water bill.

The water bill for an outside-city customer with a 5/8 inch meter using 5,000 gallons of water a month before the two rate increases was \$63.03. The water bill for this customer using 5,000 gallons of water a month after the two rate increases was \$67.64. This represented a 6.8% in the monthly water bill.

The minimum bill for an outside-city customer with a 5/8 inch meter is more than double the rate of the minimum bill for an inside-city customer with a 5/8 inch meter.

The minimum bills for outside-city customers with larger meters are 63% higher than the minimum bills for inside-city customers with larger meters.

The balance of the Cash and Investments accounts of the water and sewer fund as of July 1, 2021, was \$1,231,313.

Water and Wastewater Financing Board Order

On May 20, 2021, the Water and Wastewater Financing Board (WWFB) issued an order directing the City of Lobelville do the following items.

- 1) The City 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 justification for the differing rates classes, or if no justification is possible, recommendations for an appropriate rate structure;
 - creation of a capitalization policy;
 - creation of a five-year capital asset plan;
 - creation of a plan to address infiltration and inflow;
 - a review of the leak adjustment policy;
 - a review of connection, reconnection, and tap fees; and
 - creation of a plan to resolve its sewer capacity issues.
- 2) By June 7, 2021, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.
- 3) By November 1, 2021, the City shall send Board staff proof that all members of the utility systems' governing body have complied with the training requirements set forth in Tenn. Code Ann. 7-34-115(j).
- 4) Board staff is given the authority to grant one extension for up to six months of the foregoing deadlines upon a showing of good cause by the City.

RECOMMENDATIONS

Recommendation #1

The City needs to adopt the Five-Year Capital Asset Plan attached as **Exhibit 2**.

Recommendation #2

TAUD does not recommend any changes in the City's monthly service rates for water and sewer services.

Recommendation #3

The outside-of-city customers appear to be over-recovering the cost of providing water service to the outside-of-city customers. When the City needs additional revenue in the future, it should consider narrowing the rate differential between the inside-city and outside-city water rates to address this over-recovery.

Recommendation #4

The City's current tap fees do not appear to be covering the cost of installing new water and sewer taps. Water and sewer tap fees for outside-of-city customers are double the fees for inside-of-city customers. No cost justification exists for this differential. TAUD recommends the City adopt the following tap fees for all customers:

Water	\$1,800 Plus \$250 when a road bore is required
Sewer	\$1,500

FIVE YEAR CAPITAL ASSET PLAN

The City's consulting engineer, Jim Hilborn, provided TAUD with the City's plans to address the City's sewer capacity issues and its problems with inflow and infiltration which is attached as **Exhibit 1**.

TAUD prepared a Five-Year Capital Asset Plan based upon the report provided by the City's engineer, Jim Hilborn, and information provided by the City for a water loss project which was used in the TAUD financial projections. The City plans to fund these projects with American Rescue Plan funds.

The City should adopt the Five-Year Capital Asset Plan attached to this Report as **Exhibit 2**.

RATE STUDY AND PROPOSED PLAN OF ACTION

To determine whether existing rates will produce sufficient revenues to make the City's water and sewer system self-supporting, TAUD first projected a Statement of Revenues and Expenses and Changes in Net Position for the City's water and sewer fund for its fiscal year ending June 30, 2022, 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 City's budget for its water and sewer fund for its fiscal year ending June 30, 2022; and (3) considering any known and anticipated changes during the test year based upon discussions with the City. See **Exhibit 3** attached to this Report.

Then, TAUD projected Statements of Revenues and Expenses and Changes in Net Position for the City's water and sewer fund for its fiscal years ending June 30 of 2023, 2024, 2025, and 2026. See **Exhibit 4** attached to this Report.

Revenue Projections:

- Water and sewer revenues (metered sales) for the test year, were projected by taking the City's actual annual water usage reports as of June 30, 2021, and applying the City's water and sewer rates in effect on July 1, 2021, to this actual usage.
- Tap and installation revenue for the test year was projected using the average of this revenue from the past two fiscal years.
- The City has experienced some growth in its water customers over the last couple of years. Therefore, projections for the water revenues for the remaining four years of the five-year projection period assume an annual increase in 50 customers per year with an average bill of \$50 per month for a total of \$30,000 each year.

- Interest income was projected using the City's budget for its fiscal year ending June 30, 2022.

Expense Projections:

- Salaries for the test year was projected to be \$189,545 which was less than the previous two years which reflects the retirement of a full-time employee who was replaced by a part-time employee in 2021.
- The following operating expenses for the test year were projected based upon the average of these operating expenses from the past two fiscal years ending June 30, 2020 and June 30, 2021:

Professional services
 Utilities
 Repairs and maintenance
 Insurance
 Miscellaneous

- The following operating expenses for the test year were projected based the City's budget for these expenses for the fiscal year ending June 30, 2022:

Employee benefits
 Vehicle expenses
 Supplies
 Dues and subscriptions
 Training

- Depreciation for the test year was based upon the depreciation used for the City's fiscal year ending June 30, 2021.
- Interest expense for the test year was based upon the City's budget for its fiscal year ending June 30, 2022.
- All operating expenses except depreciation were projected to increase for the remaining four years of the five-year projection period due to inflation using the following rates:

Fiscal year ending June 30, 2023	3.5%
Fiscal year ending June 30, 2024	2.5%
Fiscal year ending June 30, 2025 and 2026	2.0%

- Annual depreciation expenses for the remaining four years of the five-year projection period are projected based upon the City'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 City's water and sewer fund will have a positive change in net position of \$146,351 for the test year ending June 30, 2022, not including capital contributions and grant revenue. The operating ratio for the water and sewer fund will be 1.2 for the test year. Based upon TAUD's projections, the City's water and sewer fund will continue to have a positive change in net position for the remaining four years in the five-year projection period and will continue to have an operating ratio in the 1.2% range. Therefore, TAUD does not recommend any water and sewer rates increases for the City.

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. Therefore, the City 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 water and sewer fund a positive change in net position in future fiscal years.

Projected Cash and Investments Schedule

TAUD projects the water and sewer fund should have a cash and investments balance of \$2,927,181 as of June 30, 2026. The Water and Sewer Fund - Projected Cash and Investments Balance Schedule is attached as **Exhibit 5**.

JUSTIFICATION FOR DIFFERING RATE CLASSES

The only rate classes the City has are inside-city and outside-city water rate classes. The City has the same usage rates for residential, commercial, and industrial customers. Due to the limited number of commercial and industrial customers, the revenue produced by the higher minimum bill rates for larger meters is immaterial to the City's overall water revenues. TAUD has allocated the revenues and expenses of its water system between its inside and outside city customers. See **Exhibit 6** attached to this Report.

The City has almost 50% more outside-of-city customers than it has inside-of-city customers. The outside-of-city customers appear to be over-recovering the cost of providing water service to the outside-of-city customers. Currently, the City does not need any additional revenue, and no rate changes are recommended. When the City needs additional revenue in the future, it should consider narrowing the rate differential between the inside-city and outside-city water rates to address this over-recovery.

CAPITALIZATION POLICY

The City was not able to locate a resolution or other action which set forth its capitalization policy. The City should adopt a resolution which incorporates the capitalization cost thresholds and service lives the Town currently uses for all capital assets as described in its annual audits, except for its water and sewer system assets. The City's capitalization policy should include the service lives for its water and sewer system using the recommended service lives adopted by the WWFB for municipal water and sewer systems. TAUD prepared a suggested resolution which the City can adopt to establish this recommended capitalization policy which is attached as **Exhibit 7** to this Report.

TAP FEES AND OTHER FEES

Tap Fees

The City's current tap fees are as follows:

Water – Inside	\$ 800
Water – Outside	\$1,600
Plus \$250 when a road bore is required	
Sewer -Inside	\$ 800
Sewer – Outside	\$1,600

TAUD recommended that the Board review the average material and labor costs it incurs in installing water and sewer taps to ensure the current tap fees are covering the cost of making taps. The Board estimated the labor and material costs it incurs to install its water and sewer taps which are set forth in **Exhibits 8** and **9** attached to this Report.

The City's current water tap fees do not appear to be covering the cost of installing new water taps. The City estimates that the cost of installing a residential water tap is approximately \$1,800. The City incurs the same cost in installing a water tap inside the city as outside the city. Therefore, TAUD recommends that the City increase its water tap fee for all customers to \$1,800 and that the City continue to add \$250 for any new water tap which requires a road bore.

The City's current sewer tap fees do not appear to be covering the cost of installing new sewer taps. The City estimates that the cost of installing a sewer tap is approximately \$1,400. The City incurs the same cost in installing a sewer tap inside the city as outside the city. Therefore, TAUD recommends that the City adopt a sewer tap fee of \$1,500 for all customers.

Connection Fees

The Town's current connection and reconnection are as follows:

Water service fee (connection fee) – Property owners	\$ 50
Water service fee (connection fee) – Renters	\$100

Reconnection fee (normal business hours)	\$ 50
Reconnection fee (after normal business hours)	\$100

At a minimum, a connection fee should cover the labor and administrative cost of establishing new service for a customer. These costs should attempt to cover a customer service employee meeting with the applicant or talking with the applicant by phone, reviewing the application for service, and processing the connection fee payment and tap fee payment, if applicable. A field employee must travel to the service address to verify the initial meter reading for the new account and to turn on the meter. The \$50 connection fee appears to cover the labor and administrative costs incurred to sign up a new customer for service.

The City charges rental customers a water service fee of \$100. The City informed TAUD that it experiences significantly higher uncollectible accounts for rental customers than non-rental customers. The City has a higher number of uncollectible accounts for rental customers than property owner customers and experiences higher delinquent balances from rental customers whose move away without making final payments. Using the higher water service fee to create revenue to offset the higher uncollectible accounts of rental customers is reasonable.

Similarly, the reconnection fee to reinstate service after termination of service for nonpayment or other reasons should cover the labor and administrative cost of reinstating service both in the office and in the field. The current re-connection fee of \$50 appears to cover the time spent by office personnel on a service termination and the cost of two trips to the service address, one trip to turn off water service for nonpayment and a second trip to turn service back on after payment is received. The reconnection fee of \$100 charged for a reconnection after business hours is appropriate in light of overtime generally required to be paid for a field employee to reconnect service after hours.

LEAK ADJUSTMENT POLICY

TAUD reviewed the City's water and sewer leak adjustment policy which are attached as **Exhibit 10**. When a utility reduces a customer's water or sewer bill due to a water leak, the remaining customers of the utility are subsidizing the cost of the leak. Therefore, the amount of any leak adjustment should reflect a fair and reasonable sharing of the loss of revenue resulting from a leak adjustment. The terms and conditions of the City's leak adjustment policies appear to be reasonable.

DEBT MANAGEMENT POLICY

The City adopted a new debt management policy on April 5, 2016, which is attached as **Exhibit 11** 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 City's debt management policy.



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404 BNA Drive, Suite 201 | Nashville, TN 37217
615.366.1600 | www.grwinc.com

July 7, 2021

Cristal Odom
City Recorder
City of Lobelville
55 South Main Street
Lobelville, TN 37097

RE: Lobelville Sewer Correction Plan
NPDES Permit # TN0020818

Dear Cristal:

The “Order” from the Tennessee Water and Wastewater Financing Board, dated April 29, 2021, directed the city (in paragraph 1. H), “to create a plan to address the sewer capacity issues”. After discussing the options, the city felt it was in their best interest to apply for a 2022 CDBG grant. The grant applications are typically submitted in February (2022) and recipients are normally announced the following September (2022). Construction would typically occur in the following summer of 2023. The city has applied in past years requesting \$400,000 and matching with \$100,000 of local funds. The City could apply for this grant every two (2) years.

The City has already undertaken preliminary steps to address the sewer capacity issues from infiltration and inflow (I/I) by planning for possible funding of construction projects.

Previous planning efforts that have taken place to reduce I&I have included mapping, identification, and a plan for sewer rehabilitation in the form of construction.

- Mapping - The City has updated the map of the sewer system to create a data base of available information and this map is being updated by GRW Engineers as improvements and additional information is obtained.
- Identification – The City has taken and recorded flows during a storm event to identify areas of extensive I&I. In addition the City of Lobelville has utilized a camera borrowed from a neighboring City to further investigate areas of concern.
- Construction – Using the data obtained, the City will utilize the available funds to further investigate, and repair needed areas.
- The city has prioritized and identified, through visual inspection during rain events, areas they would like to focus on.

Previous I&I Reduction Projects

The 2015 CDBG I&I Sewer System Rehabilitation Project addressed I&I issues by providing approximately; 4,500 L.F. of CCTV inspection, lining 2,700 L.F. of sewer line, and addressing other related items. The total cost of this project was approximately \$403,800 of which the city provided approximately \$62,000. This project was completed in January of 2017.



Engineers · Architects · Planners

To continue the work found in the inspection phase of the 2015 project the city plans to apply for a 2022 CDBG project requesting approximately \$400,000 in assistance from CDBG and obligating \$100,000 for a total project cost of \$500,000.

If you have any question or need additional information, please let me know.

Sincerely,

A handwritten signature in black ink that reads "Jim Hilborn". The signature is written in a cursive style.

Jim Hilborn, P.E.,
GRW Engineering, Inc.,

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

	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2025</u>	<u>6/30/2026</u>
Sewer Rehab	-	-	250,000	250,000	-
Water Loss Project		-	150,000	165,000	
Total	-	-	400,000	415,000	-
Cumulative Depreciation	-	-	-	20,375	20,375
Total Capital Outlay & Depreciation	-	-	400,000	435,375	20,375
<u>Source of Funds</u>					
Loans	-	-	-	-	-
Grants	-	-	400,000	415,000	-
Cash	-	-	-	-	-
Total Funding Sources	-	-	400,000	415,000	-

Lobelville, Tennessee - Test Year

Water & Sewer Fund

	City	Last 2 Year	Recalculated	
	<u>Budget</u>	<u>Average</u>	<u>Budget for 21-22</u>	<u>Explanation</u>
Operating Revenues:				
Metered Sales	966,510	894,992	954,438	Calculated from usage reports using new rates
Tap & Installation Revenue	25,500	58,830	58,830	Used 2 year average
Other Revenue	3,250	-	-	Never had this, one time event
Total Operating Revenues	995,260	953,822	1,013,268	
Operating Expenses:				
Salaries	179,250	247,307	184,070	Used 2021, employee retired, replaced by part time.
Employee Benefits	89,482	95,278	89,482	Used budget
Professional Services	32,975	50,942	50,942	Used 2 year average
Utilities	39,080	50,413	50,413	Used 2 year average
Repairs & Maintenance	78,742	97,579	97,579	Used 2 year average
Vehicle Expenses	9,580	8,276	9,580	Used budget
Supplies	97,200	98,626	97,200	Used budget
Insurance	15,500	16,283	16,283	Used 2 year average
Rent	-	12,000	-	This fund was paying rent to GF, but is no longer
Dues & Subscriptions	1,400	1,297	1,400	Used budget
Training	1,500	1,856	1,500	Used budget
Miscellaneous	10,680	135	135	Used 2 year average
Depreciation	245,124	245,124	245,124	Same for both, doubled water plant capacity in 2020
Total Operating Expenses	800,513	925,113	843,708	
Operating Income (Loss)	194,747	28,709	169,560	
Nonoperating Revenues (Expenses)				
Interest Expense	(23,327)	(23,376)	(26,459)	From amortization schedule
Interest Income	3,250	3,327	3,250	From budget
State Reimbursements	-	18,545	-	N/A
Total Nonoperating Revenues (Expenses)	(20,077)	(1,505)	(23,209)	

Change in Net Position before Contributed Capital	174,670	27,204	146,351
Capital Contributions & Grants	50,000	23,399	-
Change in Net Position	<u>224,670</u>	<u>50,603</u>	<u>146,351</u>

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

Water & Sewer Fund

	Projected 6/30/2022	Projected 6/30/2023	Projected 6/30/2024	Projected 6/30/2025	Projected 6/30/2026
Operating Revenues:					
Metered Sales	954,438	954,438	954,438	954,438	954,438
Metered Sales -new customers	-	30,000	60,000	90,000	120,000
Tap & Installation Revenue	58,830	58,830	58,830	58,830	58,830
Total Operating Revenues	1,013,268	1,043,268	1,073,268	1,103,268	1,133,268
Operating Expenses:					
Salaries	184,070	190,512	195,275	199,181	203,164
Employee Benefits	89,482	92,614	94,929	96,828	98,764
Professional Services	50,942	52,725	54,043	55,124	56,226
Utilities	50,413	52,177	53,482	54,552	55,643
Repairs & Maintenance	97,579	100,994	103,519	105,590	107,701
Vehicle Expenses	9,580	9,915	10,163	10,366	10,574
Supplies	97,200	100,602	103,117	105,179	107,283
Insurance	16,283	16,853	17,274	17,620	17,972
Dues & Subscriptions	1,400	1,449	1,485	1,515	1,545
Training	1,500	1,553	1,591	1,623	1,656
Miscellaneous	135	140	143	146	149
Depreciation	245,124	245,124	245,124	265,499	265,499
Total Operating Expenses	843,708	864,658	880,147	913,222	926,177
Operating Income (Loss)	169,560	178,610	193,121	190,046	207,091
Nonoperating Revenues (Expenses)					
Interest Expense	(26,459)	(25,966)	(25,460)	(24,939)	(24,404)
Interest Income	3,250	3,250	3,250	3,250	3,250
Total Nonoperating Revenues (Expenses)	(23,209)	(22,716)	(22,210)	(21,689)	(21,154)

Change in Net Position before Suggested Rate Increase	146,351	155,894	170,911	168,357	185,937
Revenue Generated from Suggested Rate Increase	N/A	N/A	N/A	N/A	N/A
Change in Net Position	146,351	155,894	170,911	168,357	185,937

NOTE: For FY23, we increased expenses 3.5% for inflation, FY24, 2.5% for inflation, FY25 and FY26, 2% for inflation. All expenses were increased by these percentages with the exception of depreciation expense and interest expense. Depreciation expense increased with new depreciation from 5-year capital plan. Interest expense is from the amortization schedule.

We estimated around 50 new customers each year with an average bill of \$50 per month for a total of \$30,000 each year cumulative.

Lobelville, Tennessee - Water & Sewer Fund - Projected Cash & Investment Schedule

	Projected <u>6/30/2022</u>	Projected <u>6/30/2023</u>	Projected <u>6/30/2024</u>	Projected <u>6/30/2025</u>	Projected <u>6/30/2026</u>
Beginning Balance	1,231,313	1,604,211	1,956,159	2,292,618	2,616,377
Sources of Funds					
Metered Sales	954,438	954,438	954,438	954,438	954,438
Tap & Installation Revenue	58,830	58,830	58,830	58,830	58,830
Interest Income	3,250	3,250	3,250	3,250	3,250
Grants	-	-	400,000	415,000	-
Total Sources of Funds	1,016,518	1,016,518	1,416,518	1,431,518	1,016,518
Uses of Funds					
Operating Expenses	843,708	864,658	880,147	913,222	926,177
Depreciation	(245,124)	(245,124)	(245,124)	(265,499)	(265,499)
Interest Expenses	26,459	25,966	25,460	24,939	24,404
Payment on Principal	18,577	19,070	19,576	20,097	20,632
Sewer Rehab Projects	-	-	400,000	415,000	-
Total Uses of Funds	643,620	664,570	1,080,059	1,107,759	705,714
Ending Balance	1,604,211	1,956,159	2,292,618	2,616,377	2,927,181

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.

LOBELVILLE, Tennessee - Inside / Outside Analysis

WATER ONLY	Unaudited 6/30/2021	WATER		Total	Allocation Explained
		Inside	Outside		
Operating Revenues:					
Metered Sales	787,923	247,321	540,602	787,923	% Based on Usage
Tap & Installation Revenue	40,000	13,265	26,735	40,000	% Based on Customers
Other Revenue	33,542	11,124	22,418	33,542	% Based on Customers
Total Operating Revenues	861,465	271,710	589,755	861,465	
Operating Expenses:					
Salaries	181,883	60,319	121,564	181,883	% Based on Customers
Employee Benefits	93,969	31,164	62,805	93,969	% Based on Customers
Professional Services	51,808	17,181	34,627	51,808	% Based on Customers
Utilities	28,825	13,805	15,020	28,825	% Based on Gallons
Repairs & Maintenance	71,224	34,112	37,112	71,224	% Based on Gallons
Vehicle Expenses	6,558	3,141	3,417	6,558	% Based on Gallons
Supplies	99,790	47,793	51,997	99,790	% Based on Gallons
Insurance	15,279	5,067	10,212	15,279	% Based on Customers
Dues & Subscriptions	1,297	430	867	1,297	% Based on Customers
Training	1,000	332	668	1,000	% Based on Customers
Miscellaneous	4,846	2,321	2,525	4,846	% Based on Gallons
Depreciation	215,725	103,319	112,406	215,725	% Based on Gallons
Total Operating Expenses	772,204	318,985	453,219	772,204	
Operating Income (Loss)	89,261	(47,275)	136,536	89,261	
Nonoperating Revenues (Expenses)					
Interest Expense	(23,327)	(7,736)	(15,591)	(23,327)	% Based on Customers
Interest Income	1,237	410	827	1,237	% Based on Customers
Total Nonoperating Revenues (Expenses)	(22,090)	(7,326)	(14,764)	(22,090)	
Change in Net Position	67,171	(54,601)	121,772	67,171	

<u>Allocations based on % of customers</u>		
Water - Inside	456	33.16%
Water - Outside	919	66.84%
	<hr/>	
	1375	100.00%

<u>Allocations based on gallons sold</u>		
Water - Inside	24,998,543	47.89%
Water - Outside	27,197,015	52.11%
	<hr/>	
	52,195,558	100.00%

Exhibit 7**RESOLUTION NO. 2022-_____****A RESOLUTION TO ESTABLISH A CAPITAL ASSET POLICY**

WHEREAS, the City of Lobelville, Tennessee (the City) desires to formally adopt a capital asset policy which conforms to the manner in which the City's fixed assets have historically been capitalized and recorded as capital assets in the City's financial statements; and

WHEREAS, the City desires to establish appropriate service lives for its water and sewer system assets which are consistent with the directives of the Water and Wastewater Financing Board for municipal water and sewer systems.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Board of Alderman that:

(a) **Capitalization Thresholds.** City assets with an estimated useful life of three years or more will be capitalized when the cost of the asset is \$5,000 or more. Land and Construction in Progress are capitalized but not depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized.

(b) **Asset Cost Basis.** Capital assets shall be recorded at historical cost when the cost is reasonably determinable. If historical cost data is not determinable, an estimated historical cost will be used.

- (1) Actual Cost – This cost will include the purchase or construction cost (which can be obtained through invoice, purchase order, and paid check files) and charges necessary to place the asset into service at its intended location. Such necessary costs may include costs such as freight and transportation, site preparation expenditures, interest costs, professional fees, and legal claims directly attributable to asset acquisition.
- (2) Estimated Cost – This cost will be based on as much documentary evidence as can be found to support the cost, such as interviews with vendors selling such assets, engineers, or other personnel and price level adjustments based on the Consumer Price Index for each asset.
- (3) Donated Cost – These assets will be based on their estimated fair market value at time of acquisition. A determination as to the fair market value basis will be included with property records.
- (4) Interest on Debt Issued – Interest on debt issued for the construction of an asset will be capitalized as part of the asset's cost to the extent of the interest that was incurred during the construction period only.

(c) **Depreciation.**

- (1) Depreciation is a method for allocating the cost of capital assets over their useful lives. Generally accepted accounting principles dictate that the value of the capital asset must be written off as an expense over the useful life of the asset.
- (2) Annual depreciation expense will be calculated using the straight-line method.
- (3) When the asset is disposed of, the actual date of disposal is disregarded, and the disposal date is the end of the month prior to the month of disposal (i.e. no depreciation is taken for the month of disposal).
- (4) The salvage value of an asset is an estimate made by management of what the value of an asset will be at the end of its useful life. If the City intends to utilize a capital asset until it is literally worthless, a salvage value of zero (0) will be assigned.

(d) **Useful Lives of Capital Assets**

<u>Asset Type</u>	<u>Useful Life in Years</u>
Land and Easements	No depreciation
Infrastructure (other than water and sewer system)	40-50
Buildings (other than water and sewer)	10-50
Furniture, machinery and equipment (other than water and sewer)	5-10
Water System:	
Buildings (Office and Plant)	20-50
Equipment and Tools	3-10
Furniture and Fixtures	3-10
Machinery, Equipment and Service Vehicles	3-10
Pumps and Treatment Equipment	3-10
Transportation Equipment	3-10
Water Lines and Storage	20-50
Well / Dam	Engineer's Estimate

Sewer System:

Buildings (Office and Plant)	20-50
Equipment and Tools	3-10
Furniture and Fixtures	3-10
Machinery, Equipment and Service Vehicles	3-10
Pumps and Treatment Equipment	3-10
Transportation Equipment	3-10
Wastewater (Sewer) System	20-50

Adopted this _____ day of _____, 2022.

Mayor

Attest: _____
City Recorder

Exhibit 9**Cost of Tap Installation**

Name of Utility CITY OF LOBELVILLE

Prepared By: CRISTAL ODOM Title : CITY RECORDER

Date Prepared: 4/21/22

Type of Tap Sewer Tap

COMPLETE ALL THAT APPLY

Quantity	Itemized Description	Cost	Total Cost
<u>MATERIALS</u>			
	Tap into main @	each	0
20	Feet of Service Line @	\$4.65 per foot	\$93.00
20	Feet of Location Wire/Tape @	\$0.20 per foot	\$4.00
	connection sewer main fitting @	each	\$0.00
1	Saddle @	\$295.05 each	\$295.05
	Air Compressors @	each	\$0.00
	Valve or Valve Parts (if used) @	each	\$0.00
1	Clean out at customer connection point @	\$51.75 each	\$51.75
	Gravel in protection if over 5' deep	each	\$0.00
2	Miscellaneous	\$4.60	\$9.20
<u>EQUIPMENT RENTAL - OUTSIDE</u>			
6	Backhoe Hours @	\$75.00 per hour	\$450.00
	Boring @	per foot	\$0.00
	Truck and Trailer Hours @	per hour	\$0.00
<u>LABOR - INTERNAL</u>			
	Locate Cost @	per hour	\$0.00
1	Installation Labor for <u>4 men x 6 hou</u>	\$82.54 per hour	495.24
	Final clean -up/&inspection	per hour	\$0.00
	Seed Straw@	per hour	\$0.00
	Administrative Hours @	per hour	\$0.00
<u>LABOR - EXTERNAL</u>			
	Contractor	Amount	
	Total	per hour	\$1,398.24

HL

CITY OF LOBELVILLE'S LEAK NOTIFICATION AND LEAK ADJUSTMENT POLICY

It is the policy of the City of Lobelville that if their customer's have a potential leak they will be notified by the City stamping their bill with a potential leak stamp. It will be up to the customer to find out where the leak is and fixing it.

It is the policy of the City of Lobelville to consider, on a case by case basis, partial relief (up to 50% of the estimated loss from the highest bill during the period that the leak occurred, irrespective of how long the leak continued) to customers in good standing in the instance that a customer has sustained a loss of billable water due to a leak on their premises. If the customer has sewer their sewer will be adjusted at the same rate since the sewer is charged at 100% of the water charge.

In order to qualify for a case by case basis leak adjustment, the customer must meet the following criteria:

1. Have suffered a leak on their premises,
2. Had the leak repaired immediately upon discovery,
3. Have a good payment history,
4. Cannot have received a leak adjustment in the preceding 12 months,
5. Customer must request assistance within 15 business days of the leak being fixed.

A customer qualifying for a leak adjustment must fill out the attached Leak Adjustment Request and attach an original receipt from a plumber or receipt for the materials/equipment used in the repair. All necessary paperwork must be returned to the Utility Billing Office of the City of Lobelville. The required documents may be delivered in person or mailed to:

City of Lobelville
Attn: UB - Leak Adjustment
P.O. Box 369
Lobelville, Tn 37097

In no case, shall a customer pay less than 50% of the amount of the highest billing even if the City of Lobelville agrees to adjust the leak upon the customer's application. In addition, late charges will not be removed even if a leak adjustment is granted, if these conditions were not met.

By filling out and turning in the required paperwork, a customer is attesting that they meet all of the above listed criteria, and they are agreeing to abide by the City's policy regarding leak adjustments. Anyone who has been turned down for a leak adjustment may appeal that initial decision to the Board of Mayor and Aldermen which body reserves the right to make further exceptions on a case by case basis.

IMPORTANT NOTICE: A large leak may cost a customer thousands of dollars, whereas a smaller leak may be less than a \$100. A leak adjustment may be requested only once within a 12 month period. If you request an adjustment for any size leak, you will be ineligible for another adjustment for the next 12 months regardless of the size of the future leak.

ORDINANCE NO. #16-01

AN ORDINANCE OF THE LOBELVILLE, TENNESSEE, BOARD OF MAYOR AND ALDERMEN ENACTING A NEW DEBT MANAGEMENT POLICY FOR THE CITY.

WHEREAS, the Lobelville Board of Mayor and Aldermen has enacted a debt management policy, codified as City Ordinance No. 11-06; and

WHEREAS, the aforesaid debt management policy, enacted in 2011, established a debt limit of \$891,469 for the City; and

WHEREAS, purchasing power has decreased in the 5 years since enactment of the aforesaid debt management policy and therefore, such ordinance is in need of revision;

NOW, THEREFORE, BE IT ORDAINED BY THE LOBELVILLE BOARD OF MAYOR AND ALDERMEN AS FOLLOWS:

1. Repeal of Ordinance No. 11-06. Ordinance No. 11-06 entitled "City of Lobelville, TN Debt Policy" is hereby repealed in its entirety.

2. Adoption of new debt management policy. A new debt management policy, attached to this ordinance and entitled "Debt Management Policy - City of Lobelville, Tennessee" and dated March, 2016 is hereby ratified by the Board of Mayor and Aldermen. It is the specific intent of this policy to increase the City's debt limit to \$1,500,000.00.

3. Effective date. This ordinance shall be in full force and effect from and after its date of enactment by the Board of Mayor and Aldermen.

4. Repealer. All ordinances and parts of ordinances found to be inconsistent with the provisions of this ordinance are hereby repealed to the extent of such inconsistency.

Passed on First Reading: March 1st, 2016

Passed and Adopted on Second Reading: April 5th, 2016

PASSED AND APPROVED THIS 5th DAY OF APRIL, 2016 BY A ROLL CALL VOTE OF THE LOBELVILLE BOARD OF MAYOR AND ALDERMEN.



ROBBY J. MOORE, MAYOR

ATTEST:



CRISTAL ODOM, CITY RECORDER

DEBT MANAGEMENT POLICY

CITY OF LOBELVILLE, TENNESSEE

March, 2016

Introduction

Debt management policies are written guidelines and restrictions that affect the amount and type of debt issued by a state or local government, the issuance process, and the management of a debt portfolio. A debt management policy improves the quality of decisions, provides justification for the structure of debt issuance, identifies policy goals and demonstrates a commitment to long-term financial planning, including a multi-year capital plan. Adherence to a debt management policy signals to rating agencies and the capital markets that a government 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.

Since the guidelines contained in the Policy require regular updating in order to maintain relevance and to respond to the changes inherent in the capital markets, the Town plans to revisit the Policy from time to time.

Purpose

The purpose of this debt management policy is to establish a set of parameters by which debt obligations will be undertaken by the City of Lobelville, Tennessee. This policy reinforces the commitment of the City and its officials to manage the financial affairs of the City so as to minimize risks, avoid conflicts of interest and ensure transparency while still meeting the capital needs of the City. A debt management policy signals to the public and the rating agencies that the City is using a disciplined and defined approach to financing capital needs and fulfills the requirements of the State of Tennessee regarding the adoption of a debt management policy.

The goal of this policy is to assist decision makers in planning, issuing, and managing debt obligations by providing clear direction as to the steps, substance, and outcomes desired. In addition, greater stability over the long term will be generated by the use of consistent guidelines in issuing debt.

Definition of Debt: All obligations of the City to repay, with or without interest, in installments and/or at a later date, some amount of money utilized for the purchase, construction, or operation of City resources. This includes, but is not limited to notes, bond issuance, capital leases, and loans of any type (whether from an outside source such as a bank or from another City of Lobelville fund).

Approval of Debt: Bond anticipation notes, capital outlay notes, grant anticipation notes, and tax and revenue anticipation notes will be submitted to the State of Tennessee's Comptroller's Office and the Lobelville Board of Mayor and Aldermen prior to issuance or entering into the obligation. A plan for refunding debt issues will also be submitted to the Comptroller's Office prior to issuance. Capital or equipment leases may be entered into by the Board of Mayor and Aldermen; however, details of the lease agreement shall be forwarded to the Comptroller's Office on the specified form within 45 days of entering into such lease.

Transparency

- The City of Lobelville shall comply with legal requirements for notice and public meetings related to debt issuance.
- All notices shall be posted in the customary and required posting locations, including as required in local newspapers, community bulletin boards, and websites.

- All costs (including principal, interest, issuance fees, continuing and one-time costs) shall be clearly presented and disclosed to the citizens of Lobelville, the Board of Mayor and Aldermen, and other stakeholders in a timely manner.
- The term(s) and life of each debt issuance shall be clearly presented and disclosed to the citizens, Board of Mayor and Aldermen, and other stakeholders in a timely manner.
- A debt service schedule outlining the rate of retirement for the principal amount shall be clearly presented and disclosed to the citizens, Board of Mayor and Aldermen, and other stakeholders in a timely manner.

Role of Debt

- Long-term debt shall not be used to finance current operations. Long-term debt may be used for capital purchases or construction identified through the capital improvement, regional development, transportation, or master process or plan. Short-term debt may be used for certain projects and equipment financing as well as for operational purposes; however, the City will minimize the use of short-term cash flow borrowings by maintaining adequate working capital and careful budget management.
- In accordance with Generally Accepted Accounting Principles and Tennessee law,
 1. The maturity of the underlying debt will not be more than the useful life of the assets purchased or built with the debt, not to exceed 30 years; however, an exception may be made with respect to federally sponsored loans, provided such an exception is consistent with the law and accepted practices.
 2. Debt issuance for operating expenses shall be repaid within the same fiscal year of issuance or incurrence.

Types and Debt Limits

- The City of Lobelville will seek to limit total outstanding debt obligations to \$1,500,000, excluding overlapping debt, enterprise fund debt, and revenue debt.
- The limitation on total outstanding debt shall be reviewed prior to the issuance of any new debt.

- The City's total outstanding debt will be regularly and routinely monitored and reported to the Board of Mayor and Aldermen by the City Recorder and/or the City's finance officer. The City Recorder and/or finance officer shall also report to the Board of Mayor and Aldermen any matter that might adversely affect the credit or financial integrity of the City.
- The City has previously issued and is authorized to issue General Obligation Bonds, Revenue Bonds, Tax Increment Financing Bonds, loans, notes and other debt as allowed by law.
- The City shall seek to structure debt with level or declining debt service payments, over the life of each individual bond issue or loan.
- As a rule, the City shall not backload, use "wrap around" techniques, balloon payments or other exotic formats to pursue the financing of projects. When refunding opportunities, natural or man-made disasters, other non-general fund revenues, or other external factors occur, the City may utilize non-level debt repayment methods. However, the use of such methods shall be thoroughly discussed in a public meeting and the Board of Mayor and Aldermen must determine such use is justified and in the public interest prior to issuance or incurrence.
- The City may use capital leases to finance short-term projects or acquisitions.
- Bonds backed with a general obligation pledge often have lower interest rates than revenue bonds. The City may use its General Obligation pledge with revenue bond issues when the populations served by the revenue bond project overlap or significantly are the same as the property tax base of the City. The Board of Mayor and Aldermen are committed to maintaining rates and fee structures of revenue supported debt at levels that will not require a subsidy from the City's General Fund.

Use of Variable Rate Debt

- The City of Lobelville recognizes the value of variable rate debt obligations and that municipalities have greatly benefitted from the use of variable rate debt in the financing of necessary infrastructure and capital improvements.
- However, the City also recognizes the inherent risks associated with the use of variable rate debt and will implement steps to mitigate these risks, including

1. The City shall annually include in its budget an interest rate assumption for any outstanding variable rate debt that takes into consideration market fluctuations affecting the rate of interest.
2. Prior to entering into any variable rate debt obligation that is backed by insurance and secured by a liquidity provider, the Board of Mayor and Aldermen shall be informed of the potential effect on rates as well as any additional costs that might be incurred should the insurance fail.
3. Prior to entering into any variable rate debt obligation that is backed by a letter of credit provider, the Board of Mayor and Aldermen shall be informed of the potential effect on rates as well as any additional costs that might be incurred should the letter of credit fail.
4. Prior to entering into any variable rate debt obligation, the Board of Mayor and Aldermen shall be informed of any terms, conditions, fees, or other costs associated with the prepayment of variable rate debt obligations.
5. The City shall consult with persons familiar with and sophisticated in the rules regarding arbitrage to determine applicability, legal responsibility, and potential consequences associated with any variable rate debt obligation.

Use of Derivatives

- The City of Lobelville shall not use derivatives or other exotic financial structures in the management of the City's debt portfolio.
- Prior to any reversal of this provision:
 1. A written management report outlining the potential benefits and consequences of utilizing these structures shall be submitted to the Board of Mayor and Aldermen; and
 2. The Board of Mayor and Aldermen must adopt a specific amendment to this policy concerning the use of derivatives or interest rate agreements that complies with the State Funding Board guidelines.

Costs of Debt

- All costs associated with the initial issuance of incurrence of debt, management and repayment of debt (including interest, principal, fees or charges) shall be disclosed prior to action by the Board of Mayor and Aldermen in accordance with the notice requirements required by the policy.
- In cases of variable interest or non-specified costs, a detailed explanation of the assumptions shall be provided along with the complete estimate of the total costs anticipated to be incurred as part of the debt issuance.
- Costs related to the repayment of debt, including liabilities for future years, shall be provided in context of the annual budgets from which such payments will be funded (i.e., General Obligation Bonds in context of the General Fund, Revenue Bonds in context of the dedicated revenue stream and related expenditures, loans and notes).

Refinancing Outstanding Debt

- The City of Lobelville will refund debt when it is in the best financial interest of the City to do so, and the City's chief financial officer shall have the responsibility to analyze outstanding bond issues for refunding opportunities. The decision to refinance must be explicitly approved by the Board of Mayor and Aldermen and all plans for current or advance refunding of debt must be in compliance with State laws and regulations.
- The chief financial officer shall consider the following issues when analyzing possible refunding opportunities:
 1. Onerous Restrictions. Debt may be refinances to eliminate onerous or restrictive covenants contained in existing debt documents, or to take advantage of changing financial conditions or interest rates.
 2. Restructuring for Economic Purposes. The City will refund debt when it is in the best financial interests of the City to do so. Such refunding may include restructuring to meet unanticipated revenue expectations, achieve cost savings, mitigate irregular debt service payments, or to release reserve funds. Current refunding opportunities may be considered by the chief financial officer if the refunding generates positive present value savings, and the chief financial officer shall establish a minimum present value savings threshold for any refinancing.
 3. Term of Refunding Issues. The City will refund bonds within the term of the originally issued debt. However, the chief financial officer may consider maturity extension, when necessary to achieve a desired outcome,

provided such extension is legally permissible. The chief financial officer may also consider shortening the term of the originally issued debt to realize greater savings. The remaining useful life of the financed facility and the concept of inter-generational equity should guide this decision.

4. Escrow Structuring. The City shall utilize the least costly securities available in structuring refunding escrows. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the City of Lobelville from its own account.
5. Arbitrage. The City shall consult with persons familiar with the State's arbitrage rules to determine applicability, legal responsibility, and potential consequences associated with any refunding.

Professional Services

The City of Lobelville shall require all professionals engaged in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by both the City and the lender or conduit issuer, if any. This includes "soft" costs or compensations in lieu of direct payments.

- Counsel The City shall enter into an engagement letter agreement with each lawyer or law firm representing the City in a debt obligation. No engagement letter shall be required for any lawyer who is an employee of the City or lawyer or law firm which is under a general appointment or contract to serve as counsel to the City. The City does not require an engagement letter with counsel not representing the City, such as the underwriter's counsel.
- Financial Advisor The City shall enter into a written agreement with each person or firm serving as a financial advisor for debt management and related transactions. Whether in a competitive sale or negotiated sale, the financial advisor shall not be permitted to bid on, privately place or underwrite an issue for which they are or have been providing advisory services for the issuance or broker any other debt transactions for the City.
- Underwriter The City shall require the Underwriter to clearly identify itself in writing (e.g., in a response to a request for proposals or in promotional materials provided to an issuer) as an underwriter and not as a financial advisor from the earliest stages of its relationship with the City with respect to that issue. The Underwriter must clarify its primary role as a purchaser of securities in an arm's-length commercial transaction and that it has financial and other interests that differ from those of the City of Lobelville. 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 Board of Mayor and Aldermen in advance of the pricing of the debt.

Conflicts

- Professionals involved in a debt transaction or hired or compensated by the City of Lobelville shall be required to disclose to the City any existing client and business relationships between and among the professionals to a transaction (including but not limited to the financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, liquidity or credit enhancement provider, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators. This disclosure shall include that information reasonably sufficient to allow the City to understand and appreciate the significance of the relationship.
- 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.

Review of Policy

This policy shall be reviewed at least once annually by the Board of Mayor and Aldermen concurrent with adoption of the City's annual budget. Any amendments shall be considered and approved in the same process as the initial adoption of this Policy, with opportunity for public input.

Compliance

The Board of Mayor and Aldermen are responsible for ensuring compliance with this policy.



Jason E. Mumpower
Comptroller

Entity Referred: **City of Puryear**
Referral Reason: **Decrease In Net Position**
Utility Type Referred: **Water And Sewer**

Staff Summary:

The Entity has complied with prior directives of the Board. The Entity has shown progress in correcting their financial distress, and Board staff believes the Entity should be required to submit biannual financial updates to the Board. These updates will consist of changes in fund balance, changes in revenues, pro-forma statements of revenues, expenses, and changes in net position, or other financial documents that indicate the Entity's financial distress is being remedied.

Staff Recommendation:

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.



REPORT FOR CITY OF PURYEAR, TENNESSEE

WATER AND WASTEWATER FINANCING BOARD ORDER DATED SEPTEMBER 18, 2020

July 25, 2022

INTRODUCTION

Description of the Puryear Water System and Sewer System

The City of Puryear, Tennessee (City or Puryear) is located in Henry County. The governing board of the City's water and sewer system is its Board of Mayor and Aldermen. As of June 30, 2021, the City's customer base was as follows:

Water:

326 - Inside-City
20 - Outside-City

Sewer 320 – All sewer customers are located inside the City

The City gets its raw water supply from wells and operates a water treatment plant. The City operates a wastewater collection system, lagoon, and spray irrigation system with a design capacity of 0.8 MGD.

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

The City's water and sewer fund had a negative change in net position of (\$34,424) for its fiscal year ending June 30, 2020. The City's water and sewer fund had a positive change in net position of \$9,603 for its fiscal year ending June 30, 2021.

History of Rates and Existing Rate Structure

Since the City was referred to the WWFB, the City's increased the minimum monthly bill rate for inside-city and outside-city water customers by \$10.00. This rate increase became effective on March 1, 2021. The City has not raised its sewer rates in several years. The City's current monthly service rate structure is as follows:

Water Rates

Inside-City	Minimum bill (includes 2,000 gallons)	\$30.50
	Over 2,000 gallons	\$ 3.15 per 1,000 gallons
Outside-City	Minimum bill (includes 2,000 gallons)	\$35.75
	Over 2,000 gallons	\$ 4.73 per 1,000 gallons

Sewer Rates

Inside-City	Minimum bill (includes 2,000 gallons)	\$12.03
	Over 2,000 gallons	\$ 4.10 per 1,000 gallons
Outside-City	Minimum bill (includes 2,000 gallons)	\$18.05
	Over 2,000 gallons	\$ 6.14 per 1,000 gallons

The water and sewer bill for an inside-city customer using 4,000 gallons of water a month (without sales tax) is as follows:

Water bill:	\$36.80
Sewer bill:	\$20.23

The City's water and sewer system has no outstanding debt. The balance of the Cash accounts of the water and sewer fund as of July 1, 2021, was \$447,572.

Water and Wastewater Financing Board Order

On September 18, 2020, the Water and Wastewater Financing Board (WWFB) issued an order directing the City of Puryear do the following items.

- (1) The City shall hire a qualified expert to perform a rate study to include the following items:
 - a recommendation on monthly service rates and other charges to eliminate the City's financially distressed position;
 - a justification for the differing rates for customers outside the City as opposed for those inside the City, and if no justification is possible, a recommendation involving a singular rate for the two types of customers;
 - the creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;
 - a determination of the cost of producing 1,000 gallons of water, and of treating 1,000 gallons of wastewater;
 - a review of the new customer contract to include recommended modifications if needed;
 - A review of the tap fees to include recommended modifications if needed; and
 - A plan to reduce non-revenue water.

- (2) By October 31, 2020, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in the Board's September 18, 2020 order.
- (3) By December 31, 2020, the City or qualified expert shall send Board proof that all Board members have complied with the training requirements set forth in Tenn. Code Ann. 7-34-115(j).
- (4) By February 28, 2020, the City shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

TAUD provided the WWFB with the training received by the members of the City's Board of Mayor and Aldermen with a letter to John Greer dated January 14, 2021.

RECOMMENDATIONS

Recommendation #1

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

Recommendations #2

The City has no outside-city sewer customers. Therefore, the City should delete the outside-city sewer rates from its Schedule of Rates and Fees.

Recommendations #3

The City only has 20 outside-city water customers. The additional annual revenue the City receives from charging these 20 customers the higher outside-city rate rather than the inside-city rate is only \$1,263 which is just 0.76% of its total annual revenues. Therefore, TAUD recommends the City charge its outside-city water customers the same rates as its inside-city customers.

Recommendations #4

TAUD recommends the City go ahead and approve the following changes to the City's existing rates:

Effective October 1, 2022:

Water Rates

Minimum charge (includes 1,000 gallons)	\$31.00
Over 1,000 gallons	\$ 4.50 per 1,000 gallons

Sewer Rates

Minimum bill (includes 1,000 gallons)	\$13.25
Over 1,000 gallons	\$ 5.75 per 1,000 gallons

These rates include a reduction in the number of gallons included in the minimum bill from 2,000 gallons to 1,000 gallons with these rate changes.

Effective July 1, 2023:

Water Rates

Minimum charge (includes 1,000 gallons)	\$32.00
Over 1,000 gallons	\$ 4.75 per 1,000 gallons

Sewer Rates

Minimum bill (includes 1,000 gallons)	\$15.00
Over 1,000 gallons	\$ 7.75 per 1,000 gallons

The City should reduce the number of gallons included in the minimum bill from 1,000 gallons to 500 gallons with these rate changes.

Recommendation #5

The City's existing water tap fee and sewer tap fee should each be increased to \$200 to fully cover the cost the City incurs to install these taps.

Recommendation #6

TAUD suggests that the City have its attorney revise its Application for Service to address items set forth in this Report. In the alternative, the City may consider working with TAUD to improve the form and structure of its Application for Service.

FIVE YEAR CAPITAL ASSET PLAN

After meeting with City representatives, TAUD prepared the Five-Year Capital Asset Plan attached to this Report as **Exhibit 1**. The City's Mayor and Board of Aldermen should approve and adopt this Plan.

RATE STUDY AND PROPOSED PLAN OF ACTION

To determine whether existing rates will produce sufficient revenues to make the City's water and sewer system self-supporting, TAUD first projected a Statement of Revenues and Expenses and Changes in Net Position for the City's water and sewer fund for its fiscal year ending June 30, 2022, to use as its test year. Revenues were projected using existing rates for the test year and for the remaining four years of 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 City's budget for its water and sewer fund for its fiscal year ending June 30, 2022; and (3) considering any known and anticipated changes during the test year based upon discussions with the City. See **Exhibit 2** attached to this Report.

Then, TAUD projected Statements of Revenues and Expenses and Changes in Net Position for the City's water and sewer fund for its fiscal years ending June 30 of 2023, 2024, 2025, and 2026. See **Exhibit 3** attached to this Report.

Revenue Projections:

- Water and sewer revenues (metered sales) for the test year, were projected by taking the City's actual annual water usage reports as of June 30, 2021, and applying the City's water and sewer rates in effect on July 1, 2021, to this actual usage.
- TAUD included no revenue for installation and tap fees. The City installed no water or sewer taps during its last two fiscal years ending June 30, 2020 and June 30, 2021.
- Since 2017 the City has experienced no annual customer growth and does not plan to expand its existing water or sewer system in the near future to add new customers. Therefore, the water and sewer revenues for the remaining four years of the five-year projection period do not include any revenue increases based annual customer growth.
- Interest income for the test year and for the remaining four years in the five-year projection period was projected using the City's budget for its fiscal year ending June 30, 2022.

Expense Projections:

- The following operating expenses for the test year were projected based upon the average of these operating expenses from the past two fiscal years ending June 30, 2020 and June 30, 2021:

Salaries and wages
Dues
Utilities
Insurance
Miscellaneous

- The following operating expenses for the test year were projected based the City's budget for these expenses for the fiscal year ending June 30, 2022:

Materials and supplies
Contract services

- The following operating expenses for the test year were projected based the actual amount of these expenses for the City's fiscal year ending June 30, 2021:

Repairs and maintenance
Depreciation

- All operating expenses except depreciation were projected to increase for the remaining four years of the five-year projection period due to inflation using the following rates:

Fiscal year ending June 30, 2023	3.5%
Fiscal year ending June 30, 2024	2.5%
Fiscal year ending June 30, 2025 and 2026	2.0%

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

Revenue Sufficiency and Rate Modifications Required

TAUD projects that the City's water and sewer fund will have a negative change in net position of (\$29,004) for the test year ending June 30, 2022, not including capital contributions and grant revenue. For the remaining four years of the five-year projection period, the City's water and sewer fund will continue to have negative changes in net position which grow worse each year.

Therefore, TAUD recommends the following rate increases and adjustments.

Rate Changes Effective October 1, 2022 and July 1, 2023

TAUD recommends the City go ahead and adopt the following changes to the City's existing rates:

Effective October 1, 2022:

Water Rates

Minimum charge (includes 1,000 gallons)	\$31.00
Over 1,000 gallons	\$ 4.50 per 1,000 gallons

Sewer Rates

Minimum bill (includes 1,000 gallons)	\$14.00
Over 1,000 gallons	\$ 7.00 per 1,000 gallons

These rates include a reduction in the number of gallons included in the minimum bill from 2,000 gallons to 1,000 gallons.

Effective July 1, 2023:

Water Rates

Minimum charge (includes 1,000 gallons)	\$32.00
Over 1,000 gallons	\$ 4.75 per 1,000 gallons

Sewer Rates

Minimum bill (includes 1,000 gallons)	\$15.00
Over 1,000 gallons	\$ 7.75 per 1,000 gallons

The rates include a reduction in the number of gallons included in the minimum bill from 1,000 gallons to 500 gallons.

Historically, the City's monthly bills sewer service have been significantly less than its monthly water bills. The cost to provide sewer service is generally higher than the cost to provide water service. The recommended rate changes significantly reduces the current difference between an average customer's water bill and sewer bill at the City's present rates. If the rates recommended to begin July 1, 2023, are implemented, a City customer using 4,000 gallons of water a month (without sales tax) will have a monthly sewer bill as follows which is a significant increase:

Water bill:	\$48.63
Sewer bill:	\$42.13.

See **Exhibit 4**.

These rate changes should give the City's water and fund a positive change in net position for its fiscal years ending June 30 of 2023 and 2024 and will permit it to continue to have an operating ratio in the 1.2% range for its fiscal year ending June 30, 2024 and for the remaining two years in the projection period.

Although TAUD does not recommend any additional rates increases after July 1, 2023, TAUD's recommendations are based upon revenue and expense projections which are subject to change. Moreover, most of the expenses projected during the five-year projection period assume a specific annual rate of inflation. In today's economic environment, accurately forecasting inflation is particularly difficult.

Therefore, TAUD suggests the City review its rates as a part of its budgetary process for the water and sewer fund each fiscal year to ensure that rates recommended will continue to produce sufficient revenues to give the water and sewer fund a positive change in net position for these future fiscal years.

Projected Cash and Investments Schedule

If the City adopts its planned rate increases through July 1, 2023, the water and sewer fund should have a cash and investments balance of \$959,657 as of June 30, 2026. The Water and Sewer Fund - Projected Cash and Investments Balance Schedule is attached as **Exhibit 5**.

JUSTIFICATION FOR DIFFERING RATE CLASSES

As of June 30, 2021, the City only had 20 outside-city water customers. The total revenue projected to be produced by these outside-city water customers at the higher outside-city rate for the test year is \$29,293. If these 20 outside-city customers paid the inside-city rate, the total revenue projected to be produced by the outside-city water customers for the test year would be \$28,033. Thus, the additional annual revenue the City is receiving from charging the higher outside-city rate to 20 customers is only \$1,263. This additional revenue is just 0.76% of the City's total water revenues. This tiny percentage of additional revenue the City received by charging its outside-city rates does not justify having a separate rate for outside-city water customers. TAUD recommends that the City charge all of its water customers the same monthly service rates.

COST OF PRODUCING 1,000 GALLONS OF WATER AND TREATING 1,000 GALLONS OF WASTEWATER

The City recently completed its Tennessee Infrastructure Scorecard (TNIS) in connection with obtaining a non-competitive ARP grant from TDEC. The TNIS includes a calculation of the City's cost to produce water per 1,000 gallons and the City's cost to treat its wastewater per

1,000 gallons. The financial tab of the City's TNIS is attached as **Exhibit 6** to this Report. The City's cost to produce water is \$4.61 per 1,000 gallons, and the City's cost to treat its wastewater is \$3.98 per 1,000 gallons.

TAP FEES

The City's current taps fees are:

Water	\$1,200
Sewer	\$2,000

The City was not able to locate any records to support the amount of the current tap fees. TAUD provided the City with a Cost of Tap Installation Worksheet which the City could use to identify and estimate the material, equipment and labor costs it expends on make its water and sewer taps. A copy of the Cost of Tap Installation Worksheets is attached as **Exhibit 7**. Based upon information provided by the City, TAUD recommends the City increase its water tap fee and sewer tap by fee \$200. If the City adopted TAUD's recommendation, the City's new tap fees will be:

Water	\$1,400
Sewer	\$2,200

REVIEW OF CITY'S CUSTOMER CONTRACT

The only document the City requires new customers to sign to obtain service is its Application for Water Service which is attached as **Exhibit 8**. The Application is woefully inadequate for a customer utility contract for service. Some important provisions the Application should include are as follows:

- The application should indicate whether the customer is applying for sewer service as well as water service.
- The application does not incorporate the City's ordinances which govern the provision of water and sewer services into the application. If the City's ordinances do not have all the terms and conditions for providing service, then such terms and conditions should be spelled out in the application.
- The application does not state the monthly rates for water and sewer service or incorporate a schedule of rates which the customer is agreeing to pay for services.
- The application has no language which limits the City's liability for interruptions of water or sewer services which are beyond its control.

- The application does not set forth the reasons for service termination such as for non-payment, rule violations, etc.

There may be other helpful provisions which the City could include in its application. TAUD suggests that the City have its attorney revise the Application to address the above items and other provisions which might be helpful for the City. In the alternative, the City may consider working with TAUD to improve the form and structure of its Application.

PLAN TO REDUCE NON-REVENUE WATER

The City has initiated a project to replacing older, existing water meters with new radio read meters. This meter change-out program should reduce the City's existing water loss. The City is actively searching for water leaks and is repairing leaks when discovered. After the City sees the results of the meter change-out program, it will assess whether the installation of zone meters on its main lines will be a cost-effective next step to take to reduce its water loss.

**Puryear, Tennessee -Water & Sewer
Five Year Capital Asset Plan**

	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2025</u>	<u>6/30/2026</u>
Radio Read Meters	-	90,000	-	-	-
Sewer Line Rehab	-	175,000	375,000	-	-
Water Line Replacement - 3,000 feet	-	-	-	70,000	-
Total	-	265,000	375,000	70,000	-
Cumulative Depreciation	-	10,375	19,750	21,500	21,500
Total Capital Outlay & Depreciation	-	275,375	394,750	91,500	21,500
Source of Funds					
Loans	-	-	-	-	-
ARP Grant	-	238,500	305,000	-	-
Cash	-	26,500	70,000	70,000	-
Total Funding Sources	-	265,000	375,000	70,000	-

Puryear, Tennessee- Test Year
Water & Sewer Fund

	<u>City Budget</u> <u>21-22</u>	<u>2 Year</u> <u>Average</u>	<u>Test Year</u> <u>21-22</u>	<u>Explanation</u>
Operating Revenues:				
Metered Sales	298,100	212,572	250,474	Calculated from Usage
Installation & Tap Fees	1,200	-	-	N/A
Total Operating Revenues	299,300	212,572	250,474	
Operating Expenses:				
Salaries & Wages	44,600	33,326	33,326	Used 2 year average
Repairs & Maintenance	90,000	54,819	74,685	Used actual from 2021
Dues	1,500	2,785	2,785	Used 2 year average
Utilities	20,000	22,708	22,708	Used 2 year average
Material & Supplies	30,000	21,363	30,000	Used budget
Contract Services	28,000	22,622	22,622	Used 2 year average
Insurance	-	5,000	5,000	Used 2 year average
Depreciation	75,000	86,236	87,470	Used actual from 2021
Miscellaneous	3,100	1,582	1,582	Used 2 year average
Grant Expenditures	7,800	-	-	
Total Operating Expenses	300,000	250,440	280,178	
Operating Income (Loss)	(700)	(37,868)	(29,704)	
Nonoperating Revenues (Expenses)				
Interest Income	700	3,098	700	Used budget, cash decreased
Governors Appropriation	-	22,360	-	N/A
Total Nonoperating Revenues (Expenses)	700	25,458	700	
Change in Net Position before Contributed	-	(12,411)	(29,004)	
Capital Contributions / Grants	-	-	-	
Change in Net Position	-	(12,411)	(29,004)	

Puryear, Tennessee- Projected Statements of Revenues and Expenses and Changes in Net Position
Water & Sewer Fund

	Projected <u>6/30/2022</u>	Projected <u>6/30/2023</u>	Projected <u>6/30/2024</u>	Projected <u>6/30/2025</u>	Projected <u>6/30/2026</u>
Operating Revenues:					
Metered Sales	250,474	250,474	250,474	250,474	250,474
Total Operating Revenues	250,474	250,474	250,474	250,474	250,474
Operating Expenses:					
Salaries & Wages	33,326	34,492	35,355	36,062	36,783
Repairs & Maintenance	74,685	77,299	79,231	80,816	82,432
Dues	2,785	2,882	2,955	3,014	3,074
Utilities	22,708	23,503	24,090	24,572	25,064
Material & Supplies	30,000	31,050	31,826	32,463	33,112
Contract Services	22,622	23,414	23,999	24,479	24,969
Insurance	5,000	5,175	5,304	5,410	5,519
Depreciation	87,470	97,845	107,220	108,970	108,970
Miscellaneous	1,582	1,637	1,678	1,712	1,746
Total Operating Expenses	280,178	297,298	311,659	317,498	321,668
Operating Income (Loss)	(29,704)	(46,824)	(61,185)	(67,024)	(71,194)
Nonoperating Revenues (Expenses)					
Interest Income	700	700	700	700	700
Total Nonoperating Revenues (Expenses)	700	700	700	700	700
Change in Net Position before Recommended Rate Increase	(29,004)	(46,124)	(60,485)	(66,324)	(70,494)
Revenue from Recommended Rate Increase	N/A	62,158	126,128	126,128	126,128
Change in Net Position	(29,004)	16,034	65,643	59,804	55,633

NOTE: For FY23, operating expenses were increased by 3.5% for inflation, FY24, 2.5% for inflation, FY25 and FY26, 2% for inflation. All expenses were increased by these percentages with the exception of depreciation expense. Depreciation expense increased with new depreciation from 5-year capital plan.

Puryear, Tennessee - Water & Sewer Fund - Recommended Rates

	<u>FY 22-23</u>
<u>Water</u>	
Minimum (includes 1,000)	\$31.00
Over 1,000 gallons	\$4.50 / 1,000
<u>Sewer</u>	
Minimum (includes 1,000)	\$14.00
Over 1,000 gallons	\$7.00 / 1,000
<i>Note: reduced to 1,000 gallons included in minimum bill</i>	
Average Inside Water Bill for 4,000 gallons	\$ 44.50
Average Sewer Bill for 4,000 gallons	\$ 35.00

	<u>FY 23-24</u>	<u>FY 24-25</u>	<u>FY 25-26</u>
<u>Water - Inside</u>			
Minimum (includes 500)	\$32.00	\$32.00	\$32.00
Over 500 gallons	\$4.75 / 1,000	\$4.75 / 1,000	\$4.75 / 1,000
<u>Sewer</u>			
Minimum (includes 500)	\$15.00	\$15.00	\$15.00
Over 500 gallons	\$7.75 / 1,000	\$7.75 / 1,000	\$7.75 / 1,000
<i>Note: reduced to 500 gallons included in minimum bill</i>			
Average Inside Water Bill for 4,000 gallons	\$ 48.63	\$ 48.63	\$ 48.63
Average Sewer Bill for 4,000 gallons	\$ 42.13	\$ 42.13	\$ 42.13

Puryear, Tennessee - Water & Sewer Fund - Projected Cash and Investment Schedule

	Projected <u>6/30/2022</u>	Projected <u>6/30/2023</u>	Projected <u>6/30/2024</u>	Projected <u>6/30/2025</u>	Projected <u>6/30/2026</u>
Beginning Balance	447,572	506,038	593,417	696,280	795,054
Sources of Funds					
Metered Sales***	250,474	312,632	376,602	376,602	376,602
Interest Income	700	700	700	700	700
Grant Revenue	-	238,500	305,000	-	-
Total Sources of Funds	251,174	551,832	682,302	377,302	377,302
Uses of Funds					
Operating Expenses	280,178	297,298	311,659	317,498	321,668
Depreciation	(87,470)	(97,845)	(107,220)	(108,970)	(108,970)
Capital Assets Purchased	-	265,000	375,000	70,000	-
Total Uses of Funds	192,708	464,453	579,439	278,528	212,698
Ending Balance	506,038	593,417	696,280	795,054	959,657

*** Includes revenue from suggested rate increase

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

The Financial integrity of a water infrastructure system is vital to ensuring sustainability as well as providing an adequate level of service for its customers. Connecting the financial health of a system with technical or operational challenges can assist in better decision making for current and future needs. Financial information for all water infrastructure systems should be readily accessible. If information is not easily obtained from office records, data can be retrieved from the audited financial statements submitted to the State of Tennessee Comptroller. Annually, local governments are required to submit financial audits to the TN Comptroller and can find a particular audit at <https://comptroller.tn.gov/advanced-search.html>.

Automatically Calculated

Requires User Input

FINANCIAL INFORMATION

Audited Unaudited

Performance	2018	2019	2020	2021
Operating Revenue (REV)	\$ 161,076.00	\$ 188,537.00	\$ 201,718.00	\$ 223,426.00
Operating Expenses (EXP) <small>(including depreciation)</small>	\$ 201,158.00	\$ 258,100.00	\$ 241,121.00	\$ 259,759.00
Operating Gain or Loss	\$ -40,082.00	\$ -69,563.00	\$ -39,403.00	\$ -36,333.00
Depreciation Expense	\$ 80,346.00	\$ 81,573.00	\$ 85,002.00	\$ 87,470.00
Annual Debt Service <small>(Principal & Interest)</small>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Ratios	2018	2019	2020	2021
Operating Ratio (REV/EXP) <small>(with depreciation)</small>	0.80	0.73	0.84	0.86
<small>BENCHMARK: 1.0 or higher*</small>				
Operating Ratio (REV/EXP) <small>(without depreciation)</small>	1.33	1.07	1.29	1.30
<small>BENCHMARK: 1.25 or higher*</small>				
Debt Service Coverage Ratio <small>(REV - EXP + depreciation) / Principal & Interest)</small>	0.00	0.00	0.00	0.00
<small>BENCHMARK: 1.2 or higher*</small>				

Long-Term Performance	2018	2019	2020	2021
Total Capital Assets	\$ 3,417,830.00	\$ 3,435,119.00	\$ 3,490,478.00	\$ 3,552,543.00
Accumulated Depreciation	\$ 1,941,878.00	\$ 2,023,451.00	\$ 2,108,453.00	\$ 2,195,933.00
Net Capital Assets	\$ 1,475,952.00	\$ 1,411,668.00	\$ 1,382,025.00	\$ 1,356,610.00

Current Reserves	Rates		
Debt Service	\$ 0.00	Cost of Service Study	Yes <input type="checkbox"/>
			Year of Study 2022
Repair/Replacement <small>(Depreciation)</small>	\$ 447,572.00	Residential Water Bill at 5,000 gal usage	\$ 39.95

Other (Specify)	\$	Commercial Water Bill at 5,000 gal usage	\$ 39.95
	0		
Unrestricted Cash Reserves	\$	Residential Sewer Bill at 5,000 gal usage	\$ 24.33
	0.00		
Long-Term Debt Greater than 12-months		Commercial Sewer Bill at 5,000 gal usage	\$ 24.33
Amount	\$		
	0.00		

Cost Per Connection

Drinking Water Cost

Wastewater Cost

Production cost per 1,000 gallons \$ 4.61

Treatment Cost per 1,000 gallons \$ 3.98

Retail cost per 1,000 gallons \$

Retail cost per 1,000 gallons \$

Check for missing data

Save

Cost of Tap Installation

Name of Utility	CITY OF PURYEAR	
Prepared By:	SHAYNE HARRIS	Title : WATER MANAGER
Date Prepared:	MARCH 22, 2022	
Type of Tap	Sewer Tap	

COMPLETE ALL THAT APPLY

Quantity	Itemized Description	Cost	Total Cost
<u>MATERIALS</u>			
1	Tap into main @	\$500.00 each	\$500.00
10	Feet of Service Line @	\$3.00 per foot	\$30.00
	Feet of Location Wire/Tape @	per foot	\$0.00
1	connection sewer main fitting @	\$200.00 each	\$200.00
1	Saddle @	\$200.00 each	\$200.00
	Air Compressors @	each	\$0.00
	Valve or Valve Parts (if used) @	each	\$0.00
1	Clean out at customer connection point @	\$50.00 each	\$50.00
	Gravel in protection if over 5' deep	each	\$0.00
1	Miscellaneous	\$550.00	\$550.00
<u>EQUIPMENT RENTAL - OUTSIDE</u>			
1	Backhoe Hours @	\$500.00 per hour	\$500.00
	Boring @	per foot	\$0.00
	Truck and Trailer Hours @	per hour	\$0.00
<u>LABOR - INTERNAL</u>			
	Locate Cost @	per hour	\$0.00
2	Installation Labor for <u>2</u> men x	\$50.00 per hour	\$200.00
	Final clean -up/&inspection	per hour	\$0.00
	Seed Straw@	per hour	\$0.00
	Administrative Hours @	per hour	\$0.00
<u>LABOR - EXTERNAL</u>			
	Contractor	Amount	
Total			\$2,230.00

Cost of Tap Installation

Name of Utility CITY OF PURYEAR

Prepared By: SHAYNE HARRIS **Title :** WATER MANAGER

Date Prepared: MARCH 22, 2022

Type of Tap Water Tap

COMPLETE ALL THAT APPLY

Quantity	Itemized Description	Cost	Total Cost
MATERIALS			
<u>1</u>	Water Meter @	<u>\$200.00</u> each	<u>\$200.00</u>
<u>1</u>	Meter Box @	<u>\$300.00</u> each	<u>\$300.00</u>
<u>1</u>	Meter setter/Check Valve @	<u>\$200.00</u> each	<u>\$200.00</u>
<u>1</u>	Corporation Stop @	<u>\$50.00</u> each	<u>\$50.00</u>
<u>1</u>	Feet of Service Line @	<u>\$100.00</u> per foot	<u>\$100.00</u>
	Feet of Location Wire/Tape @	_____ per foot	_____ \$0.00
<u>1</u>	connection meter fitting @	<u>\$50.00</u> each	<u>\$50.00</u>
	Saddle @	_____ each	_____ \$0.00
	Air Compressors @	_____ each	_____ \$0.00
	Valve or Valve Parts @	_____ each	_____ \$0.00
	1000 gallons flushing @	_____ per 1000	_____ \$0.00
	Miscellaneous	_____	_____ \$0.00
EQUIPMENT RENTAL - OUTSIDE			
<u>1</u>	Backhoe Hours @	<u>\$300.00</u> per hour	<u>\$300.00</u>
	Boring @	_____ per foot	_____ \$0.00
	Truck and Trailer Hours @	_____ per mile	_____ \$0.00
LABOR - INTERNAL			
	Locate Cost @	_____ per hour	_____ \$0.00
<u>2</u>	Installation Labor for <u>2</u> men x	<u>\$50.00</u> per hour	<u>\$200.00</u>
	Seed Straw@	_____	_____ \$0.00
	Final clean -up/&inspection	_____	_____ \$0.00
	Administrative Hours @	_____ per hour	_____ \$0.00
LABOR - EXTERNAL			
	Contractor	_____	_____ Amount
		Total	\$1,400.00

CITY OF PURYEAR
APPLICATION FOR WATER SERVICES

Exhibit 8²³⁹

I hereby request the city of Puryear, Tennessee to provide water service at the property known as _____
located on _____ Road and bounded by _____ and _____

MUTUAL AGREEMENT:

The (Meter Deposit) will be held by the Town for payment on the account
should the water service be terminated for any reason and the account remain unpaid.

RECEIVED from the above applicant

Meter Deposit \$ _____

Signed: _____

By: _____

Address: _____

Date: _____



Jason E. Mumpower
Comptroller

Entity Referred: **Town of Rutledge**
Referral Reason: **Decrease In Net Position**
Utility Type Referred: **Water And Sewer**

Staff Summary: The Town of Rutledge ("the Entity") has been referred to the Water and Wastewater Financing Board ("the Board") for financial distress since its fiscal year 2019 audit. The Entity has complied with Board directives to complete a rate study. TAUD has performed the rate study for the Entity. Once proof of implementation has been obtained Board staff believes the Entity should be required to submit biannual financial updates to the Board.

Staff Recommendation:

The Board should order the following:

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



REPORT FOR CITY OF RUTLEDGE, TENNESSEE

WATER AND WASTEWATER FINANCING BOARD ORDER DATED DECEMBER 3, 2020

September 1, 2022

INTRODUCTION

Description of the Rutledge Water and Sewer System

The City of Rutledge, Tennessee (City or Rutledge) is in Grainger County. The governing board of the City's water and sewer system is its five-member Mayor and Board of Aldermen. As of June 30, 2021, the City's customer base was as follows:

Water

Residential	551 customers
Commercial	141 customers

Sewer

Residential	193 customers
Commercial	118 customers

The City purchases its water supply from Bean Station Utility District. The City operates a wastewater treatment plant with a design capacity of 0.2 MGD and is authorized to discharge its treated wastewater into Richland Creek.

The City was referred to the Water and Wastewater Financing Board (WWFB) upon the submission of its audit for its fiscal year ending June 30, 2020, because it met the statutory definition for a financially distressed municipal water and sewer system. The system had a negative change in net position for two consecutive years without regard to any grants or capital contributions for its fiscal years ending June 30, 2019 and June 30, 2020.

The City's water and sewer fund had a positive change in net position of \$35,785 for its fiscal year ending June 30, 2021.

History of Rates and Existing Rate Structure

Since the City was referred to the WWFB, the City has implemented two increases in water and sewer rates. One increase became effective on July 1, 2020, and the second became effective on July 1, 2021. The City's current rates for water and sewer service are set forth below. The City does not provide sewer service outside of its municipal limits.

Water Rates

Residential:	Minimum bill (includes 2,000 gallons)	\$19.50
	Over 2,000 gallons	\$ 7.50 per 1,000 gallons
Commercial:	Minimum bill (includes 2,000 gallons)	\$20.50
	Over 2,000 gallons	\$ 9.05 per 1,000 gallons

Sewer Rates

Residential:	Minimum bill (includes 2,000 gallons)	\$23.50
	Over 2,000 gallons	\$ 8.75 per 1,000 gallons
Commercial:	Minimum bill (includes 2,000 gallons)	\$25.00
	Over 2,000 gallons	\$ 9.05 per 1,000 gallons

The water and sewer bill for a customer using 4,000 gallons of water a month at existing rates is \$75.50.

The City's water and sewer fund has no debt. The balance of the Cash and Investments accounts of the water and sewer fund as of July 1, 2021, was \$1,253,981.

Water and Wastewater Financing Board Order

On December 3, 2020, the Water and Wastewater Financing Board (WWFB) issued an order directing the City of Rutledge do the following items.

- 1) The City shall comply with all directives of the Board's order which requires the City hire a qualified expert to perform a rate study to include the following items:
 - creation of a capitalization policy;
 - a review of all utility fees, including any recommended modifications;
 - a review of the new customer contract, including any recommended modifications;
 - a review of the capital asset list, including any recommended modifications;
 - creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs.
- 2) By December 31, 2020, the City shall send Board staff a copy of the contract between the City and the qualified expert who is to perform the tasks in paragraph 1.
- 3) By December 31, 2020, the City shall send Board staff proof that all members of the utility systems' governing body have complied with the training requirements set forth in Tenn. Code Ann. 7-34-115(j).
- 4) By April 1, 2021 the City shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

RECOMMENDATIONS

Recommendation #1

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

Recommendation #2

The City should adopt the rates changes outlined on page 7 of this Report to become effective on October 1, 2022, and July 1, 2023.

Recommendation #3

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

Recommendation #4

The City should adopt the following tap fees to ensure the fees cover the costs of tap installations:

Water tap	\$1,000
Sewer tap	\$ 800

Recommendation #5

The City charges a profile fee of \$30 when a customer requests a water usage report of its account more than once in a calendar year. The water usage report is a public record. If a customer requested a water usage report as a public record request, the City would not be able to charge \$30. The City would be limited to a reimbursement of copying charge for the number of pages in the water usage report. TAUD recommends that the City no longer charge a profile fee for a water usage report when requests are made more than once in a calendar year. The City may treat these requests as a public record request and charge accordingly.

FIVE YEAR CAPITAL ASSET PLAN

TAUD requested the City project the capital improvements and capital purchases the City was planning to make or should consider making to its water system and sewer system over the next five years. They discussed the options for funding these capital expenditures. TAUD prepared a Five-Year Capital Asset Plan based upon the capital improvements information provided by Stacy Harbin, City Finance Director.

The City 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 City's water and sewer system self-supporting, TAUD first projected a Statement of Revenues and Expenses and Changes in Net Position for the City's water and sewer fund for its fiscal year ending June 30, 2022, to use as its test year. Revenues were projected using existing rates for the five-year projection period.

TAUD projected operation and maintenance expenses for the test year by: (1) reviewing historical information from the five previous years; (2) reviewing the City's budget for its water and sewer fund for its fiscal year ending June 30, 2022; (3) the actual amount of operating expenses for the first 6 months of the test year; and (4) considering any known and anticipated changes during the test year based upon discussions with the City. See **Exhibit 2** attached to this Report.

Then, TAUD projected Statements of Revenues and Expenses and Changes in Net Position for the City's water and sewer fund for its fiscal years ending June 30 of 2023, 2024, 2025, and 2026. See **Exhibit 3** attached to this Report.

Revenue Projections:

- Water and sewer revenues (metered sales) for the test year, were projected by taking the City's actual annual water usage reports as of June 30, 2021 and applying the City's water and sewer rates in effect on July 1, 2021 to this actual usage.
- Tap fees revenue for the test year was projected using the average of this revenue from the past two fiscal years.
- The following revenue items are based upon the City's budget for its fiscal year ending June 30, 2022:

Hydrant charges
Connection and service fees

ServLine revenue
Interest income

- Since 2017 the City has experienced no annual customer growth and does not plan to expand its existing water or sewer system in the near future to add new customers. Therefore, the water and sewer revenues for the remaining four years of the five-year projection period do not include any revenue increases based annual customer growth.

Expense Projections:

- The following operating expenses for the test year were projected based upon the actual amount of these expenses for the first six months of the test year plus an estimate of the remaining six months of the test year:

System Expenses:

Repairs and maintenance
Materials and supplies

Administrative and General Expenses:

OASI
Postage and mailing
Materials and supplies

- The following operating expenses for the test year were projected based the City's budget for these expenses for the fiscal year ending June 30, 2022:

System Expenses:

Salaries and wages
Retirement
Utilities
Cost of water purchased
Miscellaneous and other
Professional services

Administrative and General expenses:

Salaries and wages
Retirement
Insurance
Legal and accounting
Other professional services
Data processing services
Miscellaneous and other

- Administrative and General – Repairs and Maintenance expense for the test year was projected using the budget for the water and sewer fund for the fiscal year ending June 30, 2022.
- Depreciation for the test year was based upon the depreciation used for the City’s fiscal year ending June 30, 2021, plus any capital improvement completed for the fiscal year ending June 30, 2022.
- All operating expenses except depreciation were projected to increase for the remaining four years of the five-year projection period due to inflation using the following rates:

Fiscal year ending June 30, 2023	3.5%
Fiscal year ending June 30, 2024	2.5%
Fiscal year ending June 30, 2025 and 2026	2.0%

- Annual depreciation expenses for the remaining four years of the five-year projection period are projected based upon the City’s existing fixed asset schedule and on the new capital assets included in the capital asset plan during the five-year projection period.

Revenue Sufficiency and Rate Modifications Required

TAUD projects the City’s water and sewer fund will have a negative change in net position of (\$23,617) for the test year ending June 30, 2022, at existing rates. TAUD projects that the City’s negative change in net position will continue to increase during the remaining four years of the five-year projection period.

Therefore, TAUD recommends that effective October 1, 2022, the City decrease the number of gallons included in the minimum water bill and sewer bill from 2,000 gallons to 1,000 gallons. This rate change will produce additional annual revenues of \$66,138 for the City’s current fiscal year and will result in a change in net position for the current fiscal year. The water and sewer bill for a customer using 4,000 gallons of water a month with this rate change will be \$91.75.

Effective July 1, 2023, TAUD recommends that the City decrease the number of gallons included in the minimum water bill and sewer bill from 1,000 gallons to 500 gallons. TAUD projects that this change will result in a positive change in net position for the fiscal year ending June 30, 2024 of \$51,431 with an operating ratio of 1.06%. The water and sewer bill for a customer using 4,000 gallons of water a month with this rate change will be \$99.88.

The City should maintain an operating ratio in the 1.1 to 1.2% range to maintain the financial stability of its water and sewer system. For its fiscal year ending June 30, 2025, the City’s operating ratio will fall to 1.04% without a rate increase. Therefore, TAUD recommends that rates be increased effective July 1, 2024, to achieve an operating ratio within this range for the final two years of the five-year projection period. TAUD recommends that the City adopt the following rates effective July 1, 2024, which include no gallons in the minimum bill:

Water:

Residential	Minimum bill	\$21.00
	Usage rate	\$ 8.00 per 1,000 gallons
Commercial	Minimum bill	\$22.00
	Usage rate	\$ 9.50 per 1,000 gallons

Sewer:

Residential	Minimum bill	\$25.00
	Usage rate	\$ 9.25 per 1,000 gallons
Commercial	Minimum bill	\$27.50
	Usage rate	\$ 9.50 per 1,000 gallons

The suggested rate changes to become effective July 1, 2024, are based upon revenue and expense projections which are subject to change. Moreover, most of the expenses projected during the five-year projection period assume a specific annual rate of inflation. In today's economic environment, accurately forecasting inflation is particularly difficult.

Therefore, TAUD suggests that its rate recommendation for the fiscal years beginning July 1, 2024, should be reviewed as a part of the budgetary process for this fiscal year to ensure that rates recommended will continue to produce sufficient revenues to give the water and sewer fund a positive change in net position and will permit it to maintain an operating ratio of at least 1.1%.

Projected Cash and Investments Schedule

Based upon the rate changes recommended, TAUD projects the water and sewer fund should have a cash and investments balance of \$2,214,527 as of June 30, 2026. The Water and Sewer Fund - Projected Cash and Investments Balance Schedule is attached as **Exhibit 4**.

REVIEW OF THE CITY'S CAPITAL ASSET LIST

TAUD reviewed the water and sewer fund's capital asset list with the City and does not recommend any changes to the capital asset list.

CAPITALIZATION POLICY

The City was not able to locate a resolution or other action which set forth its capitalization policy. The City should adopt a resolution which incorporates the capitalization cost thresholds and service lives the City currently uses for all capital assets as described in its annual audits, except for its water and sewer system assets. The City's capitalization policy

should include the service lives for its water and sewer system using the recommended service lives adopted by the WWFB for municipal water and sewer systems. TAUD prepared a suggested resolution which the City can adopt to establish this recommended capitalization policy which is attached as **Exhibit 5** to this Report.

UTILITY FEES

Tap Fees

The City's current tap fees are as follows:

Water – Residential	\$750	Commercial	\$1,000
Sewer – Residential	\$750	Commercial	\$1,000

If the actual cost exceeds \$750, the customer pays the actual cost plus 10% of actual cost over \$750.

TAUD recommended that the City review the average material and labor costs it incurs in installing water and sewer taps to ensure the current tap fees are covering the cost of making taps. The City estimated the labor and material costs it incurs to install its residential water and sewer taps which are set forth in **Exhibits 6, 7, and 8** and attached to this Report.

TAUD assisted the City in preparing an itemization of the cost for the installation of both short-side and long-side residential water taps. The current tap fee appears to permit the City to charge more than \$750 for a tap when the cost exceeds \$750 and allows 10% to be added to any cost over \$750. Since some of the work on tap installations is performed by City employees, the determination of the “actual costs” for the installation of a tap would appear to be difficult to quantify.

The current residential tap fees do not quite cover their costs based upon the information provided by the City. TAUD suggests that the new residential water tap fee be \$1,000 which is average between the cost of the short-side and long-side water taps. TAUD recommends that the sewer tap fee be increased to \$800.

To the extent a commercial water meter costs more than a residential meter, adding the difference in this cost to the \$1,000 residential water tap fee for a commercial tap is reasonable.

Other Utility Fees

At a minimum, a utility fee should cover the labor and administrative cost of the service covered by the fee.

Connection Fees

The City's current connection fees are as follows:

Residential

Owner:	Water only	\$ 60.00
	Water/Sewer	\$120.00

Rental	Water only	\$80.00
	Water/Sewer	\$160.00

Commercial

Owner	Water only	\$ 65.00
	Water/Sewer	\$130.00

Rental	Water	\$ 85.00
	Water/Sewer -	\$170.00

Transfer Fee:	Apartments	\$40.00 (Apt)
	Other	\$45.00 (Other)

The connection fee is charged to establish new service for a customer. The fee should attempt to cover the costs for a customer service employee meeting with the applicant or talking with the applicant by phone, reviewing the application for service, and processing the connection fee payment and tap fee payment, if applicable. A field employee must travel to the service address to verify the initial meter reading for the new account and to turn on the meter. TAUD assisted the City in preparing an itemization of the costs for signing up a new customer which indicates the cost of setting up new water and sewer service is \$48.25. See **Exhibit 9**. Therefore, the \$60 residential connection fee and \$65 commercial connection fee appear to cover the labor and administrative costs incurred to sign up a new customer for service.

The City charges residential and commercial water customers who are renters a connection fee which is \$20 higher than the fee charged property owner customers. The City informed TAUD that it experiences significantly higher uncollectible accounts for rental customers than non-rental customers. Using a higher connection fee of \$20 to create revenue to offset the higher uncollectible accounts of rental customers is reasonable.

The City charges a new customer who receives both water and sewer service a connection fee which is double the connection fee charged water only customers. The cost to sign up a customer for water and sewer service is approximately the same as signing up a customer for water service only; therefore, the connection fee for water and sewer service covers its cost. To the extent the connection fee for water and sewer service exceeds its cost, the fee provides additional revenue to the water and sewer system. The extent to which a utility decides to charge fees to provide revenues above cost is a policy decision for the governing board of the

utility. Therefore, TAUD does not recommend any changes to the current connection fee for water and sewer service.

The transfer fee is charged to an existing customer who moves from one location to another within the City's water system. Because there is a little less work required for a transfer, the transfer fees are reasonable.

Re-Connection Fee

The City's reconnection is \$45.00. The reconnection fee is charged to reinstate service after the termination of service for nonpayment or other reasons. The fee should cover costs of office personnel on a service termination and the cost of two trips to the service address, one trip to turn off water service for nonpayment and a second trip to turn service back on after payment is received. TAUD assisted the City in preparing an itemization of the costs for the termination and reinstatement of service which indicates the cost of terminating and reinstating service is \$43.75. See **Exhibit 10**. Therefore, the \$45 reconnection fee appears to cover the labor and administrative costs incurred to terminate and reinstate utility service.

Other Fees

Profile - \$30.00 (1st Free)
 Reread Meter - \$30.00
 Return Check - \$35.00

The reread meter fee is charged when customer requests the City to read its water meter a second time based upon the usage in the customer's bill. The return check fee is permitted by Tennessee law and does not exceed the maximum amount allowed. TAUD asserts that the reread meter fee and return check fees are reasonable and appropriate.

The profile fee is charged when a customer requests a water usage report more than once in a calendar year. The profile fee is being charged for a water usage report which is a public record. If a customer requested a water usage report as a public record request, the City would not be able to charge \$30. The City would be limited to a reimbursement of copying charge for the number of pages in the water usage report. Therefore, the City may want to reconsider charging the profile fee in the future and simply treat any request by a customer of its water usage as a public record request and charge accordingly.

REVIEW OF CITY'S CUSTOMER CONTRACT

The City requires new customers to sign its Application for Water and Sewer Service which is attached as **Exhibit 11**. The Application is the only document a new customer signs to obtain water and/or sewer service. The Application appears to sufficiently identify the applicant and has language which incorporates the City's rules and regulations for service and references that a copy of the City's policy/ordinance is available upon request which should contains these rules and regulations. The City would benefit from a revision of the Application which addresses the following items.

- If the City's ordinances do not have all the terms and conditions for providing service, then such terms and conditions should be spelled out in the application.
- The Application references the actual water and sewer rates, tap fees, and other fees the City has. These rates and fees will change over time. The City may want to just reference a Schedule of Rates and Charges in the Application so it does not have to change the language of the Application each time there is a rate change.
- The application has no language which limits the City's liability for interruptions of water or sewer services which are beyond its control.
- The application does not set forth the reasons for service termination such as for non-payment, rule violations, etc.

There may be other helpful provisions which the City could include in its Application. TAUD suggests that the City have its attorney revise the Application to address the above items and other provisions which might be helpful for the City. In the alternative, the City may consider working with TAUD to improve the form and structure of its Application.

Rutledge, Tennessee -Water & Sewer
Five Year Capital Asset Plan

	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2025</u>	<u>6/30/2026</u>
Sewer Line - Clayton Home Factory	505,065	-	-	-	-
Sewer Improvements	-	262,825	262,825	-	-
Sewer Mapping	-	-	50,000	-	-
Total	505,065	262,825	312,825	-	-
Cumulative Depreciation	12,627	19,197	27,018	27,018	27,018
Total Capital Outlay & Depreciation	517,692	282,022	339,843	27,018	27,018
<u>Source of Funds</u>					
Loans	-	-	-	-	-
Grants	505,065	234,003	284,003	-	-
Cash	-	28,922	28,922	-	-
Total Funding Sources	505,065	262,925	312,925	-	-

Rutledge, Tennessee- Test Worksheet

Water & Sewer Fund

	City Budget	2 Year	6 months	Estimated	Estimated	Test Year	
	<u>21-22</u>	<u>Average</u>	<u>7/1/21-12/31/21</u>	<u>1/1/22-6/30/22</u>	<u>21-22</u>	<u>21-22</u>	<u>Explanation</u>
Operating Revenues:							
Water & Sewer Charges	650,000	616,032	329,513	329,513	659,026	614,950	Used calculated amount with new rates
Hydrant Charges	4,200	4,241	2,081	2,081	4,162	4,200	Used budget
Connection & Service Charges	25,750	39,453	15,884	15,884	31,768	25,750	Used budget
Tap Fees	3,750	7,797	5,658	5,658	11,316	7,797	Used average from last 2 years
Servline Revenue	20,000	-	10,358	10,358	20,716	20,000	Used budget
Total Operating Revenues	703,700	667,523	363,494	363,494	726,988	672,697	
Operating Expenses:							
<u>System Expenses</u>							
Salaries & Wages	153,000	146,126	76,594	76,594	153,188	153,000	Used budget
Retirement	9,500	(10,425)	4,578	4,578	9,156	9,500	Used budget
Repairs & Maintenance	51,700	54,720	19,297	19,297	38,594	38,594	Used estimated for this fiscal year
Materials & Supplies	22,925	17,162	10,755	10,755	21,510	21,510	Used estimated for this fiscal year
Utilities	82,020	80,757	45,351	45,351	90,702	82,020	Used budget
Cost of Water Purchased	140,000	139,059	69,999	69,999	139,998	140,000	Used budget
Miscellaneous & Other	1,750	2,800	1,100	1,100	2,200	1,750	Used budget
Professional Services	6,200	7,021	4,507	4,507	9,014	6,200	Used budget
Grant Expenditures	-	#REF!	148,150	-	148,150	-	N/A
<u>Adm & General</u>							
Salaries & Wages	30,000	32,146	14,902	14,902	29,804	30,000	Used budget
OASI	15,000	13,209	6,929	6,929	13,858	13,858	Used estimated for this fiscal year
Retirement	1,800	(2,370)	880	880	1,760	1,800	Used budget
Repairs & Maintenance	-	13,654	14,490	-	14,490	13,654	Used last 2 year average
Insurance	11,000	9,177	10,314	-	10,314	11,000	Used budget
Legal & Accounting	5,500	5,413	-	5,500	5,500	5,500	Used budget
Postage & Mailing	4,400	4,851	2,400	2,400	4,800	4,800	Used estimated for this fiscal year
Other Professional Services	22,000	-	10,566	10,566	21,132	22,000	Used budget
Materials & Supplies	3,500	6,240	2,367	2,367	4,734	4,734	Used estimated for this fiscal year
Data Processing Services	8,000	9,804	6,455	6,455	12,910	8,000	Used budget
Miscellaneous & Other	2,500	3,105	366	366	732	2,500	Used budget
Depreciation	131,200	125,993	65,600	65,600	131,200	130,684	Used 21 audit plus new additions
Total Operating Expenses	701,995	#REF!	515,600	348,146	863,746	701,104	
Operating Income (Loss)	1,705	#REF!	(152,106)	15,348	(136,758)	(28,407)	

Nonoperating Revenues (Expenses)							
Interest Income	1,700	4,790	5,885	-	5,885	4,790	Used last 2 year average
Total Nonoperating Revenues (Exp)	1,700	4,790	5,885	-	5,885	4,790	
Change in Net Position before Contributed Capital	3,405	#REF!	(146,221)	15,348	(130,873)	(23,617)	
Capital Contributions / Grants	-	173,260	144,631	-	144,631	-	
Change in Net Position	3,405	#REF!	(1,590)	15,348	13,758	(23,617)	

Rutledge, Tennessee- Projected Statements of Revenues and Expenses and Changes in Net Position
Water & Sewer Fund

	Projected <u>6/30/2022</u>	Projected <u>6/30/2023</u>	Projected <u>6/20/2024</u>	Projected <u>6/30/2025</u>	Projected <u>6/30/2026</u>
Operating Revenues:					
Water & Sewer Charges	614,950	614,950	614,950	614,950	614,950
Hydrant Charges	4,200	4,200	4,200	4,200	4,200
Connection & Service Charges	25,750	25,750	25,750	25,750	25,750
Tap Fees	7,797	7,797	7,797	7,797	7,797
Servline Revenue	20,000	20,000	20,000	20,000	20,000
Total Operating Revenues	672,697	672,697	672,697	672,697	672,697
Operating Expenses:					
<u>System Expenses</u>					
Salaries & Wages	153,000	158,355	162,314	165,560	168,871
Retirement	9,500	9,833	10,078	10,280	10,485
Repairs & Maintenance	38,594	39,945	40,943	41,762	42,598
Materials & Supplies	21,510	22,263	22,819	23,276	23,741
Utilities	82,020	84,891	87,013	88,753	90,528
Cost of Water Purchased	140,000	144,900	148,523	151,493	154,523
Miscellaneous & Other	1,750	1,811	1,857	1,894	1,932
Professional Services	6,200	6,417	6,577	6,709	6,843
<u>Adm & General</u>					
Salaries & Wages	30,000	31,050	31,826	32,463	33,112
OASI	13,858	14,343	14,702	14,996	15,296
Retirement	1,800	1,863	1,910	1,948	1,987
Repairs & Maintenance	13,654	14,132	14,485	14,775	15,070
Insurance	11,000	11,385	11,670	11,903	12,141
Legal & Accounting	5,500	5,693	5,835	5,952	6,071
Postage & Mailing	4,800	4,968	5,092	5,194	5,298
Other Professional Services	22,000	22,770	23,339	23,806	24,282
Materials & Supplies	4,734	4,900	5,022	5,123	5,225

Data Processing Services	8,000	8,280	8,487	8,657	8,830
Miscellaneous & Other	2,500	2,588	2,652	2,705	2,759
Depreciation	130,684	143,567	151,388	151,388	151,388
Total Operating Expenses	701,104	733,952	756,532	768,635	780,980
Operating Income (Loss)	(28,407)	(61,255)	(83,835)	(95,938)	(108,283)
Nonoperating Revenues (Expenses)					
Interest Income	4,790	2,990	2,990	2,990	2,990
Total Nonoperating Revenues (Expense)	4,790	2,990	2,990	2,990	2,990
Change in Net Position before	(23,617)	(58,265)	(80,845)	(92,948)	(105,293)
Capital Contributions / Grants	-	-	-	-	-
Change in Net Position	(23,617)	(58,265)	(80,845)	(92,948)	(105,293)
Revenue Generated from Suggested Rate Increase	N/A	66,138	132,276	226,164	226,164
Change in Net Position after Suggested Rate Increase	(23,617)	7,873	51,431	133,216	120,871

NOTE: For FY23, we increased expenses 3.5% for inflation, FY24, 2.5% for inflation, FY25 and FY26, 2% for inflation. All expenses were increased by these percentages with the exception of depreciation expense. Depreciation expense increased with new depreciation from 5-year capital plan.

Rutledge, Tennessee - Water & Sewer Fund - Projected Cash and Investment Schedule

	Projected <u>6/30/2022</u>	Projected <u>6/30/2023</u>	Projected <u>6/30/2024</u>	Projected <u>6/30/2025</u>	Projected <u>6/30/2026</u>
Beginning Balance	1,253,981	1,361,048	1,483,667	1,657,664	1,942,268
Sources of Funds					
Water & Sewer Charges ***	614,950	681,088	747,226	841,114	841,114
Hydrant Charges	4,200	4,200	4,200	4,200	4,200
Connection & Service Charges	25,750	25,750	25,750	25,750	25,750
Tap Fees	7,797	7,797	7,797	7,797	7,797
Servline Revenue	20,000	20,000	20,000	20,000	20,000
Interest Revenue	4,790	2,990	2,990	2,990	2,990
Grants	505,065	234,003	284,003	-	-
Total Sources of Funds	1,182,552	975,828	1,091,966	901,851	901,851
Uses of Funds					
Operating Expenses	701,104	733,952	756,532	768,635	780,980
Depreciation	(130,684)	(143,567)	(151,388)	(151,388)	(151,388)
Capital Assets Purchased	505,065	262,825	312,825	-	-
Total Uses of Funds	1,075,485	853,210	917,969	617,247	629,592
Ending Balance	1,361,048	1,483,667	1,657,664	1,942,268	2,214,527

*** Includes revenue from suggested rate increase

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

RESOLUTION NO. 2022-_____

A RESOLUTION TO ESTABLISH CAPITALIZATION THRESHOLDS FOR ASSETS TO BE RECORDED AS CAPITAL ASSETS IN THE CITY'S FINANCIAL STATEMENTS

WHEREAS, the City of Rutledge, Tennessee (the City) desires to formally adopt the capitalization thresholds at which its assets have historically been capitalized and recorded as capital assets in the City's financial statements; and

WHEREAS, the City desires to establish appropriate capitalization service lives for its water and sewer system assets which are consistent with the directives of the Water and Wastewater Financing Board for municipal water and sewer systems.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Board of Alderman that:

(a) **Capitalization Thresholds.** City assets with an estimated useful life of more than one year will be capitalized when the cost of the asset is \$2,500 or more. Land and Construction in Progress are capitalized but not depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

(b) **Asset Cost Basis.** Capital assets shall be recorded at historical cost when the cost is reasonably determinable. If historical cost data is not determinable, an estimated historical cost will be used.

- (1) Actual Cost – This cost will include the purchase or construction cost (which can be obtained through invoice, purchase order, and paid check files) and charges necessary to place the asset into service at its intended location. Such necessary costs may include costs such as freight and transportation, site preparation expenditures, interest costs, professional fees, and legal claims directly attributable to asset acquisition.
- (2) Estimated Cost – This cost will be based on as much documentary evidence as can be found to support the cost, such as interviews with vendors selling such assets engineers, or other personnel and price level adjustments based on the Consumer Price Index for each asset.
- (3) Donated Cost – These assets will be based on their estimated fair market value at time of acquisition. A determination as to the fair market value basis will be included with property records.
- (4) Interest on Debt Issued – Interest on debt issued for the construction of an asset will be capitalized as part of the asset's cost to the extent of the interest that was incurred during the construction period only.

(c) **Depreciation.**

- (1) Depreciation is a method for allocating the cost of capital assets over their useful lives. Generally accepted accounting principles dictate that the value of the capital asset must be written off as an expense over the useful life of the asset.
- (2) Annual depreciation expense will be calculated using the straight-line method.
- (3) When the asset is disposed of, the actual date of disposal is disregarded, and the disposal date is the end of the month prior to the month of disposal (i.e. no depreciation is taken for the month of disposal).
- (4) The salvage value of an asset is an estimate made by management of what the value of an asset will be at the end of its useful life. If the City intends to utilize a capital asset until it is literally worthless, a salvage value of zero (0) will be assigned.

(d) **Useful Lives of Capital Assets**

<u>Asset Type</u>	<u>Useful Life in Years</u>
Land and Easements	No depreciation
Buildings (other than water and sewer system)	5-20
Improvements other than buildings (other than water and sewer)	2-50
Mobile equipment	3-30
Furniture, machinery, and equipment (other than water and sewer)	5-10
Water System:	
Buildings (Office and Plant)	20-50
Equipment and Tools	3-10
Furniture and Fixtures	3-10
Machinery, Equipment and Service Vehicles	3-10
Pumps and Treatment Equipment	3-10
Transportation Equipment	3-10
Water Lines and Storage	20-50
Well / Dam	Engineer's Estimate

Sewer System:

Buildings (Office and Plant)	20-50
Equipment and Tools	3-10
Furniture and Fixtures	3-10
Machinery, Equipment and Service Vehicles	3-10
Pumps and Treatment Equipment	3-10
Transportation Equipment	3-10
Wastewater (Sewer) System	20-50

Adopted this _____ day of _____ 2022.

Mayor

Attest: _____
City Recorder

Cost of Tap Installation

Name of Utility City of Rutledge

Prepared By: Nathaniel Allsup Title : _____

Date Prepared: _____

Type of Tap Water Tap Long Side

COMPLETE ALL THAT APPLY

Quantity	Itemized Description	Cost	Total Cost
----------	----------------------	------	------------

MATERIALS

<u>1</u>	Water Meter @	_____ each	<u>\$159.00</u>
<u>1</u>	Meter Box and Lid @	_____ each	<u>\$72.00</u>
<u>1</u>	Meter setter/Check Valve @	_____ each	<u>\$215.00</u>
<u>1</u>	Corporation Stop @	_____ each	<u>\$52.00</u>
<u>20-60</u>	Feet of Service Line @	<u>\$0.40</u> per foot	<u>\$24.00</u>
<u>0</u>	Feet of Location Wire/Tape @	_____ per foot	<u>\$0.00</u>
<u>1</u>	connection meter fitting @	_____ each	<u>\$25.00</u>
<u>1</u>	Saddle @	_____ each	<u>\$50.74</u>
<u>1</u>	Air Compressors @	<u>\$200.00</u> each	<u>\$200.00</u>
_____	Valve or Valve Parts @	_____ each	<u>\$0.00</u>
_____	1000 gallons flushing @	_____ per 1000	<u>\$0.00</u>
_____	Miscellaneous	_____	<u>\$0.00</u>

EQUIPMENT RENTAL - OUTSIDE

<u>2</u>	Backhoe Hours @	<u>\$80.00</u> per hour	<u>\$160.00</u>
<u>1</u>	Boring @	Flat Rate	<u>\$100.00</u>
_____	Truck and Trailer Hours @	_____ per mile	<u>\$0.00</u>

LABOR - INTERNAL

_____	Locate Cost @	_____ per hour	<u>\$0.00</u>
<u>2</u>	Installation Labor for <u>2 men x</u>	<u>\$25.00</u> per hour	<u>\$100.00</u>
_____	Seed Straw@	_____	<u>\$0.00</u>
_____	Final clean -up/&inspection	_____	<u>\$0.00</u>
_____	Administrative Hours @	_____ per hour	<u>\$0.00</u>

LABOR - EXTERNAL

Contractor _____ Amount _____

Total

\$1,157.74

Cost of Tap Installation

Name of Utility City of Rutledge

Prepared By: Nathaniel Allsup Title: _____

Date Prepared: _____

Type of Tap Water Tap

COMPLETE ALL THAT APPLY

Quantity	Itemized Description	Cost	Total Cost
MATERIALS			
<u>1</u>	Water Meter @	_____ each	<u>\$159.00</u>
<u>1</u>	Meter Box and Lid @	_____ each	<u>\$72.00</u>
<u>1</u>	Meter setter/Check Valve @	_____ each	<u>\$215.00</u>
<u>1</u>	Corporation Stop @	_____ each	<u>\$52.00</u>
<u>20-60</u>	Feet of Service Line @	<u>\$0.40</u> per foot	<u>\$24.00</u>
<u>0</u>	Feet of Location Wire/Tape @	_____ per foot	<u>\$0.00</u>
<u>1</u>	connection meter fitting @	_____ each	<u>\$25.00</u>
<u>1</u>	Saddle @	_____ each	<u>\$50.74</u>
_____	Air Compressors @	_____ each	_____
_____	Valve or Valve Parts @	_____ each	<u>\$0.00</u>
_____	1000 gallons flushing @	_____ per 1000	<u>\$0.00</u>
_____	Miscellaneous	_____	<u>\$0.00</u>
EQUIPMENT RENTAL - OUTSIDE			
<u>2</u>	Backhoe Hours @	<u>\$80.00</u> per hour	<u>\$160.00</u>
<u>0</u>	Boring @	Flat Rate	<u>\$0.00</u>
_____	Truck and Trailer Hours @	_____ per mile	<u>\$0.00</u>
LABOR - INTERNAL			
_____	Locate Cost @	_____ per hour	<u>\$0.00</u>
<u>2</u>	Installation Labor for <u>2 men x</u>	<u>\$25.00</u> per hour	<u>\$100.00</u>
_____	Seed Straw@	_____	<u>\$0.00</u>
_____	Final clean -up/&inspection	_____	<u>\$0.00</u>
_____	Administrative Hours @	_____ per hour	<u>\$0.00</u>
LABOR - EXTERNAL			
_____	Contractor	_____ Amount	_____
Total			\$857.74

Exhibit 8

Cost of Tap Installation

Name of Utility Rutledge

Prepared By: Nathaniel Allsup Title : _____

Date Prepared: _____

Type of Tap Residential Sewer Tap

COMPLETE ALL THAT APPLY

Quantity	Itemized Description	Cost	Total Cost
<u>MATERIALS</u>			
<u>1</u>	Tap into main @	<u>\$25.00</u> each	<u>\$25.00</u>
<u>20</u>	Feet of Service Line @	<u>\$3.00</u> per foot	<u>\$60.00</u>
	Feet of Location Wire/Tape @	_____ per foot	<u>\$0.00</u>
<u>1</u>	connection sewer main fitting @	<u>\$50.00</u> each	<u>\$50.00</u>
<u>1</u>	Saddle @	<u>\$75.00</u> each	<u>\$75.00</u>
	Air Compressors @	_____ each	<u>\$0.00</u>
	Valve or Valve Parts (if used) @	_____ each	<u>\$0.00</u>
<u>2</u>	Clean out at customer connection point @	<u>\$50.00</u> each	<u>\$100.00</u>
<u>1</u>	Gravel in protection if over 5' deep	<u>\$100.00</u> each	<u>\$100.00</u>
<u>1</u>	Miscellaneous	<u>\$50.00</u>	<u>\$50.00</u>
<u>EQUIPMENT RENTAL - OUTSIDE</u>			
<u>3</u>	Backhoe Hours @	<u>\$80.00</u> per hour	<u>\$240.00</u>
	Boring @	_____ per foot	<u>\$0.00</u>
	Truck and Trailer Hours @	_____ per hour	<u>\$0.00</u>
<u>LABOR - INTERNAL</u>			
	Locate Cost @	_____ per hour	<u>\$0.00</u>
<u>2</u>	Installation Labor for	<u>2 me 2 hou</u> <u>\$25.00</u> per hour	<u>\$100.00</u>
	Final clean -up/&inspection	_____ per hour	<u>\$0.00</u>
	Seed Straw@	_____ per hour	<u>\$0.00</u>
	Administrative Hours @	_____ per hour	<u>\$0.00</u>
<u>LABOR - EXTERNAL</u>			
	Contractor	_____ Amount	_____
	Total	per hour	\$800.00

NEW CUSTOMER CONNECTION FEE COST JUSTIFICATION

Name of Utility: Rutledge

The following is an itemization of expenses for setting up service to a new customer

<u>Labor</u>	<u>Total Hours</u>	<u>Hourly Rate</u>	
Field Personnel	1	21.00	\$ 21.00
Office Personnel	1	\$ 21.00	\$ 21.00

<u>Materials</u>	<u>Unit Quantity</u>	<u>Cost</u>	
			\$ -
			\$ -
			\$ -

<u>Average Mileage for Customer Trip</u>		
10	miles x \$.625 per mile	\$ 6.25

<u>Other Expense (Describe)</u>	<u>Cost</u>	
		\$ -
		\$ -
		\$ -
TOTAL COST		\$ 48.25

**RECONNECTION FEE
COST JUSTIFICATION**

Name of Utility: Rutledge 50

The following is an itemization of expenses for disconnection service and reconnecting service.

<u>Labor</u>	<u>Total Hours</u>	<u>Hourly Rate</u>	
Field Personnel	<u>1</u>	<u>\$ 25.00</u>	<u>\$ 25.00</u>
Office Personnel	<u>0.5</u>	<u>\$ 25.00</u>	<u>\$ 12.50</u>

<u>Materials</u>	<u>Unit Quantity</u>	<u>Cost</u>	
_____	_____	_____	<u>\$ -</u>
_____	_____	_____	<u>\$ -</u>
_____	_____	_____	<u>\$ -</u>

<u>Average Mileage for Customer Trip</u>		
<u>10</u>	miles x \$.625 per mile	<u>\$ 6.25</u>

<u>Other Expense (Describe)</u>	<u>Cost</u>	
_____	_____	<u>\$ -</u>
_____	_____	<u>\$ -</u>
_____	_____	<u>\$ -</u>
TOTAL COST		<u>\$ 43.75</u>

CITY OF RUTLEDGE
APPLICATION FOR WATER & SEWER SERVICE

Customer Name: _____ Acct#: _____ Date: _____

Service Address: _____ Phone #: _____

Billing Address: _____

Social Security #: _____ Employment: _____

Type of Service: Residential _____ Commercial _____ Owner _____
 Rental _____ Water Service _____ Sewer Service _____
 Water Tap _____ Sewer Tap _____ Transfer Fee _____
 Reconnect Fee _____ Reread Fee _____ Meter Profile Fee _____

I hereby apply for services as checked above at the address/account number shown and agree to abide by the rules and regulations governing such service (Copy of policy/ordinance available on request). I understand all service charges are **Non-Refundable**.

Signed: _____ Signed: _____
 Property Owner/Lessee City Employee/Title

WATER & SEWER SERVICE CHARGES & FEES

<u>RESIDENTIAL</u>	<u>COMMERCIAL</u>	<u>OTHER FEES</u>
Water: Owner \$60.00	Water: Owner \$65.00	Meter Profile Fee \$30.00
Rental \$80.00	Rental \$85.00	Transfer Fee \$40.00 (Apt)
Sewer: Owner \$60.00	Sewer: Owner \$65.00	Reconnection Fee \$45.00
Rental \$80.00	Rental \$85.00	Reread Fee \$30.00
Water Tap \$750.00	Water Tap \$1,000.00	Transfer \$45.00 (Other)
Sewer Tap \$750.00	Sewer Tap \$1,000.00	

(Tap Fees Plus 10% of Actual Cost will be billed after meter is installed)

Total Charges: _____ CC #: _____ Check #: _____ Cash: _____

Required Documents: Valid Driver's License, Social Security Number, & Rental/Lease Agreement
 The City of Rutledge reserves the right to refuse services if these documents are not provided



Jason E. Mumpower
Comptroller

Entity Referred: **Town of Trimble**
Referral Reason: **Decrease In Net Position**
Utility Type Referred: **Water And Sewer**

Staff Summary:

The Town of Trimble ("the Entity") has been referred to the Water and Wastewater Financing Board ("the Board") for financial distress since its fiscal year 2019 audit. The Entity has complied with prior directives of the Board. The Entity has shown progress in correcting their financial distress, and Board staff believes the Entity should be required to submit biannual financial updates to the Board. These updates will consist of changes in fund balance, changes in revenues, pro-forma statements of revenues, expenses, and changes in net position, or other financial documents that indicate the Entity's financial distress is being remedied.

Staff Recommendation:

The Board should order the following:

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



REPORT FOR TOWN OF TRIMBLE, TENNESSEE

WATER AND WASTEWATER FINANCING BOARD ORDER DATED SEPTEMBER 18, 2020

February 28, 2022

INTRODUCTION

Description of the Trimble Water System and Sewer System

The Town of Trimble, Tennessee (Town or Trimble) is located in Dyer and Obion Counties. The governing board of the Town's water and sewer system is its Mayor and Board of Aldermen. The Town gets its raw water supply from two wells and operates a water treatment plant with a design capacity of 1.5 MGD. The Town operates a wastewater treatment plant with an average design capacity of 0.2 MGD which discharges into the Obion River.

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

The Town's water and sewer fund had a negative change in net position of (\$18,863) for its fiscal year ending June 30, 2020.

History of Rates and Existing Rate Structure

The Town charges all of its water and sewer customers the same rates. Since the Town was referred to the WWFB, it increased rates effective July 1, 2021.

Water Rates

Minimum charge	\$22.50
Per 1,000 gallons	\$ 3.50 per 1,000 gallons

Sewer Rates

Minimum bill (includes 2,800 gallons)	\$14.00
Over 2,800 gallons	\$ 3.00 per 1,000 gallons

The balance of the Cash and Investments accounts of the water and sewer fund as of July 1, 2021, was \$290,219.

Water and Wastewater Financing Board Order

On September 18, 2020, the Water and Wastewater Financing Board (WWFB) issued an order directing the Town of Trimble do the following items.

- 1) The Town was directed to hire a qualified expert to perform a rate study to include the following items:

- The creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs;
 - A review of new customer contract to include recommended modifications if needed;
 - A review of tap fees to include recommended modifications if needed; and
 - A review of the leak adjustment policy to include recommended modifications if needed.
- 2) By October 31, 2020, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in the Board's September 18, 2020 order.
- 3) By February 28, 2021, the Town shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

RECOMMENDATIONS

Recommendation #1

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

Recommendation #2

The Town should adopt the increases in water and sewer rates for its fiscal years beginning July 1, 2022, and July 1, 2023, as set forth on page 7 of this Report.

Recommendation #3

TAUD suggests the Town get its attorney to review and prepare new applications for service if the Town attorney deems the changes discussed in this Report and other changes would be beneficial. TAUD is willing to work with the Town or its attorney on new service application forms.

Recommendation #4

TAUD recommends that the Town's "tap fee" for a new water or sewer tap be the actual cost the Town incurs to have a contractor install the new water or sewer tap.

Recommendation #5

TAUD recommends that the Town have its attorney prepare an ordinance for adoption by the Town's Board which includes the terms and conditions for leak adjustments which it has in its current policies.

FIVE YEAR CAPITAL ASSET PLAN

John Hall met with Town representatives to discuss potential capital improvements and capital purchases the Town was planning to make or should consider making to its water and sewer system over the next five years. They discussed the options for funding these capital expenditures. Mr. Hall prepared a Five-Year Capital Asset Plan based upon these discussions which was used in the TAUD financial projections.

The Town 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 Town's water and sewer system self-supporting, TAUD first projected a Statement of Revenues and Expenses and Changes in Net Position for the Town's water and sewer fund for its fiscal year ending June 30, 2022, to use as its test year. TAUD projected the revenues for the system using existing rates. TAUD projected operation and maintenance expenses and debt service payments by: (1) reviewing historical information from the five previous years; (2) reviewing the Town's budget for its water and sewer fund for its fiscal year ending June 30, 2022; and (3) considering any known and anticipated changes during the test year. See **Exhibit 2** attached to this Report.

Then, TAUD projected Statements of Revenues and Expenses and Changes in Net Position for the Town's water and sewer fund for its fiscal years ending June 30 of 2023, 2024, 2025, and 2026. See **Exhibit 3** attached to this Report.

Revenue Projections:

- Water and sewer revenues (water and sewer sales) for the test year, were projected by taking the Town's actual annual water usage reports as of June 30, 2021, and applying the Town's water and sewer rates in effect on July 1, 2021, to this actual usage.
- Penalty and interest income for the test year was projected using the Town's budget for its fiscal year ending June 30, 2022.
- Miscellaneous revenue for the test year was projected using the Town's budget for its fiscal year ending June 30, 2022.
- Since 2016 the Town has experienced minimal annual customer growth and does not plan to expand its existing water or sewer system in the near future to add new customers. Therefore, the water and sewer revenues for the remaining four years of the five-year projection period do not include any revenue increases based upon annual customer growth.
- Interest income and rental income were projected using the Town's budget for its fiscal year ending June 30, 2022.

Expense Projections:

- The following operating expenses for the test year are projected based upon the average of these expenses for the fiscal years ending June 30 of 2020 and 2021:

Wages
Insurance
Professional fees
Payroll taxes
Dues and conferences
Miscellaneous
Chemicals

- The following operating expenses for the test year are projected based upon the average of these expenses for the Town's last four fiscal years:

Repair and maintenance
Supplies

- Depreciation for the test year is based upon the Town's fixed asset schedule which includes the annual depreciation of its capital assets plus depreciation on the capital assets added during the fiscal year ending June 30, 2021.
- For the remaining four years in the five-year projection period, all operating expenses, except depreciation, are increased by 2% annually over the projected amount for the test year.
- Annual depreciation expenses for the remaining four years of the five-year projection period are projected based upon the Town'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 Town's water and sewer fund will have a positive change in net position of \$14,353 for the test year ending June 30, 2022, not including capital contributions and grant revenue. While the Town's water and sewer fund should continue to have a positive change in net position for its fiscal years ending June 30 of 2023 and 2024, the Town should set rates to continue to give it an operating ratio of around 1.1. Rates should be set to produce revenues to achieve an operating ratio of around 1.1 and to cover the annual interest expenses of the Town's water and sewer fund.

To achieve these results, TAUD recommends that the Town adopt the following water and sewer rate increases effective July 1, 2022, and July 1, 2023.

TAUD recommends the Town adopt the following rates effective July 1, 2022:

Water Rates

Minimum charge	\$22.50
Per 1,000 gallons	\$ 3.85 per 1,000 gallons

Sewer Rates

Minimum bill (includes 2,800 gallons)	\$14.00
Over 2,800 gallons	\$ 3.35 per 1,000 gallons

TAUD recommends the Town adopt the following rates effective July 1, 2023:

Water Rates

Minimum charge	\$22.50
Per 1,000 gallons	\$ 3.95 per 1,000 gallons

Sewer Rates

Minimum bill (includes 2,800 gallons)	\$14.00
Over 2,800 gallons	\$ 3.45 per 1,000 gallons

Based upon its projections, TAUD anticipates that the Town will need additional water and sewer rate increases for its fiscal years beginning July 1 of 2024 and 2025. The annual rate recommendations for the fiscal years beginning July 1, 2024, are based upon revenue and expense projections which are subject to change. Therefore, these rate recommendations should be reviewed annually as a part of the budgetary process each year to ensure that the rates recommended will continue to produce sufficient revenues to give the water and sewer fund a positive change in net position and an appropriate operating ratio.

Projected Cash and Investments Schedule

If the Town adopts TAUD's suggested rate increases through July 1, 2025, the water and sewer fund should have a cash and investments balance of \$668,449 as of June 30, 2026. The Water and Sewer Fund - Projected Cash and Investments Balance Schedule is attached as **Exhibit 4**.

CUSTOMER CONTRACT

The Town has two separate applications for water and sewer service, one for property owner customers and one for rental property customers. These applications are attached as **Exhibit 5**. The Town uses these same applications for solid waste services.

TAUD has reviewed these applications and suggests the Town considers the following:

- The property owner application contemplates that a new tap is being installed for the applicant. However, most of the Town's new customers are moving into residences and businesses with existing taps. The Town may want to include the tap provisions in a separate addendum or agreement.
- The Town may want to consider having a single application form for all customers. A new application form can simply have the applicant indicate whether the applicant is a property owner or rental applicant.
- The renter's application has some provisions in it which the property owner's application does not such as the reconnection fee.

TAUD suggests the Town get its attorney to review and prepare new applications for service if the Town attorney deems the above provisions and other changes would be beneficial. TAUD is willing to work with the Town or its attorney on new service application forms.

TAP FEES

Tap fees should be set to cover the Town's cost of installing new water and sewer taps. According to the Town, it has only installed five water and sewer taps in the last 20 years. Because new taps are installed so infrequently, the Town hires a contractor to install water and sewer taps when service to a new customer requires a new water or sewer tap. TAUD recommends that the Town's "tap fee" for a new water or sewer tap be the actual cost the Town incurs to install the new water or sewer tap.

LEAK ADJUSTMENT POLICY

TAUD reviewed the Town's water and sewer leak adjustment policies which are attached as **Exhibit 6**. When a utility reduces a customer's water or sewer bill due to a water leak, the remaining customers of the utility are subsidizing the cost of the leak. Therefore, the amount of any leak adjustment should reflect a fair and reasonable sharing of the loss of revenue resulting from a leak adjustment. The terms and conditions of the Town's leak adjustment policies appear to be reasonable.

The Town's leak adjustment policies do not appear to have been adopted by ordinance and incorporated in the Town's Municipal Code. TAUD recommends that the Town have its

attorney prepare an ordinance to adopt the terms and conditions for leak adjustments as set forth in **Exhibit 6**.

Trimble, Tennessee
Five Year Capital Asset Plan

	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2025</u>	<u>6/30/2026</u>
Filter Support Repair & Paint	-	40,000	-	-	-
Clearwell Painting & Concrete Coating	-	41,000	-	-	-
Elevated Tank Inspection	-	-	-	200,000	-
Generator Control Switch	-	-	-	-	-
Total	-	81,000	-	200,000	-
Cumulative Depreciation	-	2,700	2,700	12,700	12,700
Total Capital Outlay & Depreciation	-	83,700	2,700	212,700	12,700
Source of Funds					
Loans	-	-	-	-	-
Grants	-	-	-	200,000	-
Cash	-	81,000	-	-	-
Total Funding Sources	-	81,000	-	200,000	-

Trimble, TN - Test Year

	<u>Budget</u> <u>21-22</u>	<u>Last 2 Year</u> <u>Average</u>	<u>Test Year</u> <u>21-22</u>	<u>Explanation</u>
Operating Revenues:				
Water & Sewer Sales	189,500	194,256	211,858	From revenue calculated based on usage
Penalty & Interest Income	3,150	3,028	3,150	From budget
Miscellaneous Revenue	900	768	900	From budget
	<u>193,550</u>	<u>198,052</u>	<u>215,908</u>	
Operating Expenses:				
Wages	39,522	42,572	42,500	From 2 year average
Depreciation & Amortization	82,000	82,185	82,402	From budget plus new additions
Insurance	6,225	6,476	6,500	From 2 year average
Professional Fees	2,700	2,700	2,700	From 2 year average
Payroll Taxes	3,025	3,313	3,300	From 2 year average
Repair & Maintenance	3,600	10,679	6,000	From prior 4 year average
Supplies	1,550	7,857	12,800	From prior 4 year average
Office Expenses	700	352	700	From budget
Travel	925	828	925	From budget
Bad Debt Expense	100	775	100	From budget
Dues & Conferences	2,450	3,477	3,400	From 2 year average
Miscellaneous	500	164	200	From 2 year average
Utilities	17,750	16,202	17,750	From budget
Laboratory Expenses	1,500	1,574	1,500	From budget
Chemicals	3,500	4,064	4,000	From 2 year average
Gas & Oil	1,500	1,257	1,500	From budget
Wastewater Expenses	10,000	-	-	Reclassified on audit
	<u>177,547</u>	<u>184,473</u>	<u>186,277</u>	
Operating Income (Loss)	<u>16,003</u>	<u>13,579</u>	<u>29,631</u>	

Nonoperating Revenues (Expenses)			
Interest Income	1,525	2,244	1,525 From budget
Interest Expenses	(20,753)	(22,446)	(20,753) From amortization schedule
Rental Income	<u>3,950</u>	<u>2,705</u>	<u>3,950</u> From budget
Total Nonoperating Revenues (Expenses)	<u>(15,278)</u>	<u>(17,498)</u>	<u>(15,278)</u>
Change in Net Position	<u><u>725</u></u>	<u><u>(3,919)</u></u>	<u><u>14,353</u></u>

<u>NOTE: Purchased in FY 20-21</u>	<u>Cost</u>	<u>Life</u>	<u>Depreciation</u>
Generator Control Switch	\$ <u>16,072</u>	40	\$ <u>402</u>
	\$ 16,072		\$ 402

Trimble, TN - Projected Statements of Revenues and Expenses and Changes in Net Position

	Projected 6/30/2022	Projected 6/30/2023	Projected 6/30/2024	Projected 6/30/2025	Projected 6/30/2026
Operating Revenues:					
Water & Sewer Sales	211,858	211,858	211,858	211,858	211,858
Penalty & Interest Income	3,150	3,150	3,150	3,150	3,150
Miscellaneous Revenue	900	900	900	900	900
Total Operating Revenue	215,908	215,908	215,908	215,908	215,908
Operating Expenses:					
Wages	42,500	43,350	44,217	45,101	46,003
Depreciation & Amortization	82,402	85,102	85,102	95,102	95,102
Insurance	6,500	6,630	6,763	6,898	7,036
Professional Fees	2,700	2,754	2,809	2,865	2,923
Payroll Taxes	3,300	3,366	3,433	3,502	3,572
Repair & Maintenance	6,000	6,120	6,242	6,367	6,495
Supplies	12,800	13,056	13,317	13,583	13,855
Office Expenses	700	714	728	743	758
Travel	925	944	962	982	1,001
Bad Debt Expense	100	102	104	106	108
Dues & Conferences	3,400	3,468	3,537	3,608	3,680
Miscellaneous	200	204	208	212	216
Utilities	17,750	18,105	18,467	18,836	19,213
Laboratory Expenses	1,500	1,530	1,561	1,592	1,624
Chemicals	4,000	4,080	4,162	4,245	4,330
Gas & Oil	1,500	1,530	1,561	1,592	1,624
Total Operating Expenses	186,277	191,055	193,174	205,335	207,540
Operating Income (Loss)	29,631	24,854	22,734	10,573	8,368
Nonoperating Revenues (Expenses)					
Interest Income	1,525	1,525	1,525	1,525	1,525
Interest Expenses	(20,753)	(20,113)	(19,443)	(18,742)	(18,009)
Rental Income	3,950	3,950	3,950	3,950	3,950
Total Nonoperating Revenues (Expenses)	(15,278)	(14,638)	(13,968)	(13,267)	(12,534)
Change in Net Position before Suggest Rate Increase	14,353	10,216	8,766	(2,694)	(4,166)
Revenue from Suggested Rate Increase	N/A	8,834	11,359	22,447	23,709
Change in Net Position	14,353	19,050	20,125	19,753	19,543
Projected Grant Revenue	-	-	-	200,000	-

Trimble, TN - Projected Cash Balance Schedule

	Projected 6/30/2022	Projected 6/30/2023	Projected 6/30/2024	Projected 6/30/2025	Projected 6/30/2026
Beginning Balance	290,219	373,034	381,606	471,583	570,487
Sources of Funds					
Water & Sewer Charges ***	211,858	220,692	223,217	234,305	235,567
Penalty & Interest	3,150	3,150	3,150	3,150	3,150
Other Revenue	900	900	900	900	900
Interest Revenue	1,525	1,525	1,525	1,525	1,525
Rental Income	3,950	3,950	3,950	3,950	3,950
Grants	-	-	-	200,000	-
Total Sources of Funds	221,383	230,217	232,742	443,830	245,092
Uses of Funds					
Operating Expenses	186,277	191,055	193,174	205,335	207,540
Depreciation	(82,402)	(85,102)	(85,102)	(95,102)	(95,102)
Debt Service - Principal	13,940	14,580	15,250	15,951	16,684
Debt Service - Interest	20,753	20,113	19,443	18,742	18,009
Capital Outlay over \$5,000	-	81,000	-	200,000	-
Total Uses of Funds	138,568	221,646	142,765	344,926	147,131
Ending Balance	373,034	381,606	471,583	570,487	668,449

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

*** Includes revenue from suggested rate increase

Exhibit 5

HOME OWNERS APPLICATION FOR UTILITIES

The undersigned hereby applies for water and/or sewer and solid waste services from the Town of Trimble and agrees to abide by and to be subject to all codes, rules and regulations- The undersigned hereby authorizes and directs the Town of Trimble to go on his premises for the purpose of installing service and to make all necessary excavations on his premises for laying said service line. The undersigned releases and discharges said Town of Trimble from any and all obligations to preserve or replace sod, shrubs or trees removed or damaged in excavating for said service lines. The location of said excavation shall be determined by the Town of Trimble. Employees of the Town of Trimble are hereby granted the privilege of going on the undersigned premises for the purpose of making all necessary inspections and repairs. Homeowner will be responsible for damages done to city property. The undersigned also agrees to the policies of the city water and sewer ordinances:

BILL DUE 1ST DAY OF MONTH AND THE FIRST DAY OF EACH MONTH THEREAFTER. PAST DUE AFTER 5:00 PM ON THE 15TH DAY OF MONTH. PENALTIES SHALL BE ADDED TO THE BILL AFTER THE 15TH DAY OF THE MONTH. SERVICE SHALL BE DISCONTINUED ON THE 21ST DAY OF THE MONTH FOR NON-PAYMENT OF UTILITY BILL.

A \$25.00 FEE WILL BE CHARGED FOR PROCESSING A RETURNED CHECK. IF AN ACCOUNT HAS TWO OR MORE RETURNED CHECKS, PAYMENTS MUST BE MADE WITH CASH OR MONEY ORDERS.

ON-REFUNDABLE CONNECTION FEES FOR PROPERTY OWNERS WITH RECORDED DEED:

WATER \$25.00

Undersigned understands and agrees that all charges will be paid or services SHALL be refused.

"I HEREBY CERTIFY THAT ALL INFORMATION PROVIDED ON THIS FORM IN SUPPORT OF MY APPLICATION FOR MUNICIPAL UTILITIES IS TRUE AND ACCURATE TO THE BEST OF MY KNOWLEDGE AND BELIEF. I FURTHER CERTIFY MY UNDERSTANDING AND AGREEMENT THAT FAILURE TO PAY ALL UTILITY BILLS PROMPTLY AND IN FULL SHALL RESULT IN THE TERMINATION OF SERVICE. PAYMENT OF LATE FEES AND COLLECTION FEES. AND PAYMENT OF RECONNECTION FEES."

SIGNATURE OF APPLICANT _____

SIGNATURE OF CO-APPLICANT _____

PROPERTY ADDRESS _____

MAILING ADDRESS: _____

CUSTOMER ACCOUNT NUMBER _____

PHONE NUMBER: _____

DATE PAID _____

NONREFUNDABLE FEE _____

**TOWN OF TRIMBLE, TN.
P .0. BOX 215
TRIMBLE, TN. 38259**

RENTER'S APPLICATION FOR UTILITIES

The undersigned hereby applies for water and/or sewer, solid waste services from the Town of Trimble and agrees to abide by and to be subject to all codes, rules and regulations- The undersigned also agrees to the policy of the city water and sewer ordinances:

ALL UTILITY BILLS ARE DUE ON 1ST DAY OF MONTH. A LATE FEE WILL BE ADDED AFTER 5:00 PM ON THE 15TH DAY OF MONTH. SERVICE SHALL BE DISCONTINUED IF NOT PAID BY THE 21ST DAY OF THE MONTH.

RECONNECT FEE (after cut off for nonpayment) \$25.00. Normal business hours 10:00 am to-3:00pm. After hours reconnect fees \$35.00 paid in advance. Undersigned understands and agrees that all charges will be paid or services SHALL be refused.

A \$25.00 FEE WILL BE CHARGED FOR PROCESSING A RETURNED CHECK. IF AN ACCOUNT HAS TWO OR MORE RETURNED CHECKS, PAYMENTS MUST BE MADE IN CASH OR WITH MONEY ORDERS.

RENTERS WITH LETTER OF GOOD-PAYMENT HISTORY:

Establishment of good credit status is based on the following conditions:

1. No more than two (2) payments made after the due date
2. No payments made past the grace period
3. No checks returned for insufficient funds
4. No disconnections in the most recent twelve (12) month period.

Each letter of credit must state that the customer has had twelve (12) months of continuous utility service within the last eighteen (18) months, be on a utility supplier's letterhead and be signed by an official of that utility supplier.

NON-REFUNDABLE CONNECTIONS FEES REQUIRED FOR ALL RENTERS:

WATER - \$25.00

REFUNDABLE DEPOSIT FEES:

WATER \$50.00

RENTERS WITHOUT SATISFACTORY PAYMENT HISTORY AND VALID DRIVERS LICENSES:

Water deposits will be \$175.00

OR:

Landlord may co-sign account and accept responsibility for final payment of unpaid utilities.

"I HEREBY CERTIFY THAT ALL INFORMATION PROVIDED ON THIS FORM IN SUPPORT OF MY APPLICATION FOR MUNICIPAL UTILITIES IS TRUE AND ACCURATE TO THE BEST OF MY KNOWLEDGE AND BELIEF. I FURTHER CERTIFY MY UNDERSTANDING AND AGREEMENT THAT FAILURE TO PAY ALL UTILITY BILLS PROMPTLY AND IN FULL SHALL RESULT IN THE TERMINATION OF SERVICE, PAYMENT OF LATE FEES AND COLLECTION FEES, AND PAYMENT OF RECONNECTION FEES."

SIGNATURE OF APPLICANT _____

SIGNATURE OF CO-APPLICANT _____

SIGNATURE OF LANDLORD AS CO-SIGNER _____

DATE _____

CUSTOMER ACCOUNT NO. _____

DEPOSITS PAID:

WATER

DEPOSIT: _____

NON-REFUND FEE _____

TOTAL _____

A RENTAL AGREEMENT IS REQUIRED FOR SERVICES.

Exhibit 6

Town of Trimble Water Dept.**WATER LEAK ADJUSTMENT POLICY****(Revised September 2010)****Summary**

This policy provides for a billing adjustment for residential customers only who have experienced a large and unexpected increase in their water consumption due to fixture leaks, pipe breaks, vandalism, or similar occurrence(s). The billing adjustment is limited to a maximum of \$300 and is calculated at 60% of the excess water use over a maximum two-month period. It is only available once every five years for the same customer at the same location.

Scope

Water is a limited resource and it is the responsibility of all water customers to maintain their home irrigation systems, pipes and fixtures to minimize the unintended loss of water.

Nevertheless, on rare occasions, unexpected water use can occur through no fault of the customer. It is Trimble Water dept. policy to provide a partial credit to the water bill for eligible water loss.

A water customer shall be eligible for an adjustment, under this policy, if he or she has not had a prior adjustment for the same meter location in the prior five years.

Utility Billing Customer Service Staff shall determine if the water customer is eligible for an adjustment and then proceed to calculate the adjustment. If the excess water use is due to a leak at the meter connection, it is the Water dept. responsibility and the limit on eligibility shall not apply.

This Water Leak Adjustment policy applies only to residential and commercial water customers as follows:

- 1 For excessive water use, due to fixture leaks, pipe breaks, vandalism or similar Unexpected loss of water limited to a two-month period. The policy does not apply to new landscaping irrigation, pool / spa filling/ spray tank filling or other similar uses of water.
2. To receive a credit, water customers must complete an Excess Water Use Adjustment Claim form and correct the cause of the excess water use prior to any adjustment to the water bill. Excessive water use is defined as greater than 7500 gallons over the average monthly use calculated from The three prior years for the same month.
3. Adjustment is limited to once every five years for the same customer at the same meter location.
3. Adjustments to water account billings are limited to the volume charges for water use and are based on the average monthly use. The credit to the customer's account will be 60% of the excess water use leaving 40% of the cost to be paid by the customer.
4. This policy is applicable only for leaks on the customer's side of the water meter. Any leaks on City water mains and connections leading up to the customer's meter and the meter connections up to the customer service line connection will be the responsibility of the City. Customers will receive a 100%

credit for excessive water use resulting from faulty meter connection. The calculation of the billing adjustment shall be based on the water rate applied to the excess use and limited to a maximum of \$300.

Procedure:

Eligible water customer who suspects or discovers a leak shall contact Trimble Water Dept at 297 3955 to request an inspection by water dept personal. As a Customer courtesy, the cost of the first visit to the customer's property will be provided at no charge.

Trimble staff will prepare a work order requesting Public Works staff to contact the customer for a consultation and inspection of the property to determine if there is a leak. If a leak is found at the meter, it is a city responsibility and Public Works staff shall repair the leak, and request Utility Billing Staff to make an adjustment, if necessary, to the next billing. If there is no leak at the meter and with the customer's permission, Public Works staff will perform a brief survey of the property for any fixtures, pipes or irrigation systems that may visibly be leaking and shall inform customers of the results. Any repairs or a more comprehensive surveying or testing of the customer's water System is the responsibility of the customer. Public Works staff shall write a note on the work order explaining the result of the visit and whether an Adjustment to the customer's water bill is recommended.

In order to receive a leak credit, the customer must complete an Excess Water Use Adjustment form indicating the problem and provide a contractor's invoice, repair parts invoice or other documentation that the leak was repaired. These documents may be scanned and E-mailed to trimble@west-tenn.com. Documentation may also be faxed to 731 297 3172 or mailed to Po Box 215 Trimble TN. 38259 The Mayor or his designee will be responsible for adjudicating the request and notifying the customer.

The billing adjustment shall be calculated only for the excess water use up to a two-month period. The excess shall be calculated on a monthly basis and the average of the same months in the prior three years for the service at the meter location. The excess water use must be greater than 7,500 gallons over the average monthly use. If the customer has not lived at the address for three years, then water usage from the prior customer will be used in the adjustment calculation. If this is a new tap credit may be received after a three month billing history is generated.

If the excess water use is greater than 7,500 for the month, then the adjustment to the billing, for a one or two month period, shall be made as follows:

1. Schedule the excess consumption along with the same month(s) for the prior three years.
2. Determine the average monthly use over the past three years.
3. Subtract the average use from the total consumption to determine excess Consumption. If amount is 7,500 gallons or less, customer is not eligible for a credit.
4. If excess consumption is over 7,500 gallons, multiply the excess consumption by the water rate to determine the cost of the excess water use. Multiply it by the Leak Credit of 60% to determine customer's credit.

5. Notify the customer of the adjustment and apply it on the next billing cycle .The customer that receives water credit may be eligible for a sewer credit.
See adjustment form and sample calculation.

Water Leak Calculation Example

	December 2009	December 2008	December 2007	December 2006
Assume leak in December 2009				
Consumption in gallons	50,000	6,000	5,000	7,000
Average monthly use over prior 3 years	6,000			
Excess Consumption for DEC 2009	44,000			
Water rate per 1,000 gallons	\$ 2.50			
Cost of Excess Consumption	\$110.00			
Trimble Credit Percentage	60 %			
Customer Credit Excess Water	\$66.00			
Cost of Excess Consumption	\$110.00			
Customer Credit Excess Water	\$66.00			
Customer would pay difference of	\$44.00			
Plus min bill of	\$22.00			
Plus avg bill for 6000 gal of	\$15.00			
Customer Total for Dec 2009	\$81.00			
Customers original bill	\$147.00			

**Town of Trimble
Excess Water Use Adjustment Form**

Customer Name:

Service Address:

Mailing Address if

Different:

No. Street City ZIP

Water Service Account Number:

I have read the City's Water Leak adjustment policy and confirm that I am eligible for a credit based on the following situation:

I certify that the above information is true and accurate. I have not had a water leak credit at the above service address for the past five years and understand that there is only one credit allowed every five years. I have attached invoices and receipts to document my request.

Signature: _____ Date: _____

Trimble Water Dept. USE ONLY

Request Approved Not Approved

Signature: _____

Date: _____

Trimble Wastewater Billing Adjustments Policy:

The purpose of this procedure is to establish Town of Trimble policy regarding adjustments to customers' monthly billing for sewer usage; to establish guidelines for application of adjustments to customers' monthly bills; and to ensure that the use of billing adjustments is correctly authorized and applied.

It is Trimble's policy to provide the highest standard of service to our community in a customer friendly manner. The application of adjustments to customers' monthly billings provides assistance to those customers who may have experienced hidden plumbing problems or to those customers who own and fill a swimming pool. Utilizing an adjustment process supports Trimble Water Dept's efforts to provide high quality, customer friendly service delivery to the public. For this reason, establishing guidelines should help preserve the benefits provided to our customers from billing adjustments.

Procedure:

Leaks that are in an outside line or due to a faulty water heater (i.e. water used does not enter into the wastewater collection system) will be adjusted. The following process must be followed:

Complete a sanitary sewer credit application form if approved then, an adjustment will be made by reviewing the previous 12-month period and using the average of the lowest 6 months as the Adjusted Consumption for the billing cycle in question. Sewer customers shall only be charged for the Adjusted Consumption based on current rates and no additional amount shall be charged for the excess water used. Only one sewer adjustment will be made during any 12-month period.

Customers who have residential swimming pools will be allowed one adjustment per calendar year. The Adjusted Consumption shall be computed and charged as discussed above, after the customer fills out a Sewer credit for pool filling request form and is approved for credit.

Further, adjustments for leaks created by faulty inside plumbing (i.e. faucets, toilets, etc.) and adjustments for gardening/lawn maintenance will not be considered. If gardening/lawn maintenance are metered separately, that usage would be eligible for credit.

**Town of Trimble
Water and Wastewater Dept
SANITARY SEWER CREDIT APPLICATION FORM**

Date of Application: _____
Account number: _____
Applicant's name: _____
Phone: _____
Address: _____

City/State/Zip: _____

Account address if different than above:

Reason for request: ___ water did not enter sewer and was discharged on the ground
___ water did not enter sewer, went to basement no floor drain/sump
___ water meter not functioning properly
___ water did not enter sewer-other. Please explain where the water went:

Date(s) of occurrences: _____ **Amount of credit requested**
\$ _____

Applicant's signature: _____
Date _____

*City use only
Comments*

*Credit approved Credit not approved Amount of credit \$ _____
for _____ Gallons*

Public Works Director

Date

SEWER CREDIT FOR POOL FILLING REQUEST FORM

Name: _____

Town of Trimble Utilities Account Number: _____

Address: _____

Phone: _____

Pool Information

Does pool have drain which empties into a sanitary sewer? YES NO

Dimensions of pool in feet: _____

Capacity of pool in gallons: _____

Does the pool have a drain? YES NO

Where is discharge location of the drain? _____

Pool Filling Start Date: _____

Pool Filling End Date: _____

If filled out completely, this form will provide enough information for the City of Trimble Water Department to issue a credit to your wastewater account. The credit will be posted after your next meter reading is posted.

Due to automated billing, it is not possible to get a credit on the month containing the extra charges for filling your pool. It will be on next month's bill.

If you have any questions, please call 297 3955 between the hours of 10 a.m. and 5 p.m.

Thank you!

Signature: _____

Date: _____

Mail this form to:

Trimble Water Dept

PO Box 215

Trimble Tn 38259



Jason E. Mumpower
Comptroller

Entity Referred: **Town of Vanleer**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water**

Staff Summary: The Town of Vanleer ("the Entity") has been referred to the Water and Wastewater Financing Board ("the Board") for financial distress since its fiscal year 2019 audit. The Entity has complied with Board directives to complete a rate study. The Entity has provided proof that they will implement the Tennessee Association of Utility District's ("TAUD") recommendations by December 31, 2022. Once proof of implementation has been obtained Board staff believes the Entity should be required to submit biannual financial updates to the Board. These updates will consist of changes in fund balance, changes in revenues, pro-forma statements of revenues, expenses, and changes in net position, or other financial documents that indicate the Entity's financial distress is being remedied.

Staff Recommendation:

The Board should order the following:

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



REPORT FOR TOWN OF VANLEER, TENNESSEE

WATER AND WASTEWATER FINANCING BOARD ORDER DATED SEPTEMBER 18, 2020

August 5, 2022

INTRODUCTION

Description of the Vanleer Water System

The Town of Vanleer, Tennessee (Town or Vanleer) is located in Dickson County. The governing board of the Town's water system is its Mayor and Board of Aldermen. The Town gets its raw water supply from Yellow Creek and operates a water treatment plant with a design capacity of 750,000 gallons per day.

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

The Town's water and sewer fund had a negative change in net position of \$110,279 for its fiscal year ending June 30, 2021.

History of Rates and Existing Rate Structure

Since the Town was referred to the WWFB, it has increased its water rates three times. The Town's current rates which became effective July 1, 2022, are as follows.

Inside-City

Minimum monthly charge (includes 1,000 gallons)	\$22.50
Over 1,000 gallons	\$ 8.25 per 1,000 gallons

Outside-City

Minimum monthly charge (includes 1,000 gallons)	\$28.50
Over 1,000 gallons	\$ 8.75 per 1,000 gallons

The balance of the Cash and Investments accounts of the water and sewer fund as of July 1, 2021, was \$532,156.

Water and Wastewater Financing Board Order

On September 18, 2020, the Water and Wastewater Financing Board (WWFB) issued an order directing the Town of Trimble do the following items.

- 1) The Town was directed to hire a qualified expert to perform a rate study to include the following items:
 - A recommendation on monthly service rates and other charges to eliminate the City's financially distressed position;

- A justification for the differing rates for customers outside the Town as opposed for those inside the Town, and if no justification is possible, a recommendation involving a singular rate for the two types of customers;
 - The creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;
 - A determination of the cost of producing 1,000 gallons of water, and of treating 1,000 gallons of wastewater;
 - A review of new customer contract to include recommended modifications if needed;
 - A review of the debt management policy to include recommended modifications if needed;
 - A determination whether a leak adjustment policy is necessary;
 - The creation of a capitalization policy; and
 - A review of the tap fees to include recommended modifications if needed.
- 2) By October 31, 2020, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the tasks in the Board's September 18, 2020 order.
- 3) By December 31, 2020, the Town or qualified expert shall send Board proof that all Board members have complied with the training requirements set forth in Tenn. Code Ann. 7-34-115(j).
- 4) By February 28, 2020, the Town shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

RECOMMENDATIONS

Recommendation #1

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

Recommendation #2

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

Recommendation #3

TAUD suggests that the Town have its attorney revise the Water Service Contract to address the above items. In the alternative, the Town may consider working with TAUD to improve the form and structure of its Water Service Contract.

FIVE YEAR CAPITAL ASSET PLAN

Tim Ham met with Darren Green, the Town's Utility Superintendent to discuss potential capital improvements and capital purchases the Town was planning to make or should consider making to its water system over the next five years. They discussed the options for funding these capital expenditures. Mr. Green prepared a Five-Year Capital Asset Plan based upon these discussions which was used in the TAUD financial projections.

The Town 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 Town's water system self-supporting, TAUD first projected a Statement of Revenues and Expenses and Changes in Net Position for the Town's water fund for its fiscal year ending June 30, 2022, 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 City's budget for its water fund for its fiscal year ending June 30, 2022; and (3) considering any known and anticipated changes during the test year based upon discussions with the City. See **Exhibit 2** attached to this Report.

Then, TAUD projected Statements of Revenues and Expenses and Changes in Net Position for the City's water and sewer fund for its fiscal years ending June 30 of 2023, 2024, 2025, and 2026. See **Exhibit 3** attached to this Report.

Revenue Projections:

- Metered water sales for the test year, were projected by taking the Town's actual annual water usage reports as of June 30, 2021, and applying the Town's water and sewer rates in effect on July 1, 2022, to this actual usage.
- Installation and tap fees for the test year was projected using the amount of installation and tap fees the Town received for its fiscal year ending June 30, 2021.
- Other revenue for the test year was projected using the Town's budget for its fiscal year ending June 30, 2022.
- The Town has experienced some growth in its water customers over the last couple of years. Therefore, projections for the water revenues for the remaining four years of the five-year projection period assume an annual increase 4% per year.

- Interest income for the test is projected based upon the average of this income for the Town's last two fiscal years.

Expense Projections:

- The following operating expenses for the test year are projected based upon the Town's budget for its fiscal year ending June 30, 2022:

Chemicals
 Repair and maintenance
 Vehicle expense
 Office expense
 Insurance
 Customer billing
 Professional services
 Miscellaneous

- Personnel costs for the test year is projected based upon the average of these expenses for the Town's last two fiscal years
- Depreciation for the test year is based upon the Town's fixed asset schedule which includes the annual depreciation of its capital assets plus depreciation on the capital assets added during the fiscal year ending June 30, 2021.
- All operating expenses except depreciation were projected to increase by the following due to inflation using the following rates:

Fiscal year ending June 30, 2023	3.5%
Fiscal year ending June 30, 2024	2.5%
Fiscal year ending June 30, 2025 and 2026	2.0%

- Annual depreciation expenses for the remaining four years of the five-year projection period are projected based upon the Town'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 Town's water fund will have a positive change in net position of \$63,621 for the test year ending June 30, 2022, not including capital contributions and grant revenue. The operating ratio for the water fund will be 1.2% for the test year.

Rates should be set to produce revenues to achieve an operating ratio of at least 1.1% and to cover the annual interest expenses of the Town's water fund. Based upon TAUD's projections, the Town's water fund will continue to have a positive change in net position and will continue to have an operating ratio between 1.1% and 1.2% for the remaining four years in the five-year projection period. Therefore, TAUD does not recommend any water rate increases for the Town's water system.

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 Town to its water system which are not included in the capital asset plan will increase depreciation expenses over those projected by TAUD. Therefore, the Town 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 water fund 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 Town adopts TAUD's suggested rate increases through July 1, 2025, the water and sewer fund should have a cash and investments balance of \$1,762,669 as of June 30, 2026. The Water Fund - Projected Cash and Investments Balance Schedule is attached as **Exhibit 4**.

JUSTIFICATION FOR INSIDE-OUTSIDE RATE DIFFERENTIAL

The only rate classes the Town has are inside-city and outside-city rate classes. TAUD has allocated the revenues and expenses of the City's water system between its inside and outside city customers based upon the information the City had available for this allocation for its fiscal year ending June 30, 2021. See **Exhibit 5** attached to this Report.

The inside-city customers account for 19.9% of the operating expenses of the water system. The rates for the inside-city customers produce 17.7% of the operating revenues of the water system. Therefore, inside-city customer rates are producing revenues which appear to be slightly under-recovering the cost of providing water service to the inside-city customers. Because this under-recovery is minimal, TAUD does not recommend any changes to current rate differential between inside-city and outside-city rates. Moreover, the City does not appear to need any additional revenue during the five year projection period.

COST TO PRODUCE WATER

The Town's engineer, Peter Chimera, developed the Town's cost to produce water which is attached as **Exhibit 6**. The Town's cost to produce water \$5.41 per 1,000 gallons.

CUSTOMER CONTRACT

The Town's Water Service Contract (the Contract) is attached as **Exhibit 7**. The Contract appears to sufficiently identify the applicant and has several provisions in it which describes some of the rules and regulations the Town has for water service. The Town would benefit from a revision of the Contract which addresses the following items.

- (1) The Contract appears to have picked up language from a utility district application for service in that the term District is used in several places in the Contract.
- (2) The Contract references actual water rates, tap fees, and other fees which change with time. The Town may want to just reference a Schedule of Rates and Charges so it does not have to change the language of the Contract each time there is a rate change.
- (3) The Contract references rules and regulations, but this reference is not appropriate unless the Town actually has a set of rules and regulations which it can provide to the customer which sets forth the terms and conditions of service.
- (4) The Town appears to have certain policies incorporated in the Contract. These policies should be a part of ordinances adopted by the Town which govern its provision of water service. The Town may need to review its ordinances governing its water system to make sure they are consistent with the language in the Contract.
- (5) The Contract would benefit from a structure which lists sections or paragraphs for each of the terms in the Contract.

TAUD suggests that the Town have its attorney revise the Water Service Contract to address the above items. In the alternative, the Town may consider working with TAUD to improve the form and structure of its Water Service Contract.

DEBT MANAGEMENT POLICY

The Town adopted a new debt management policy on July 1, 2020, which is attached as **Exhibit 8** 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 Town's debt management policy.

LEAK ADJUSTMENT POLICY

The Town does not adjust water bills for leaks in a customer's service line or plumbing. While most water utilities will give a bill adjustment for a customer's water leaks, no Tennessee law mandates that a water utility have a leak adjustment. Any adjustment to a customer's bill for a water leak results in the water utility's other customers paying for the lost revenue from this

adjustment. Therefore, the water utility's other customers subsidizing the loss of revenue from a leak adjustment to a customer's bill.

Therefore, whether to have a leak adjustment and the extent of such an adjustment is generally a customer service issue for each water utility to establish. TAUD does not recommend that the Town establish a leak adjustment. If Town wants to provide its customers some relief from the payment of high bills caused by leaks, the Town may consider purchasing leak protection coverage for its customers from a company such as ServLine.

CAPITALIZATION POLICY

The Town was not able to locate a resolution or other action which set forth its capitalization policy. The Town should adopt a resolution which incorporates the capitalization cost thresholds and service lives the Town currently uses for all capital assets as described in its annual audits, except its water and sewer system assets. The City's capitalization policy should include the service lives for its water and sewer system using the recommended service lives adopted by the WWFB for municipal water and sewer systems. TAUD prepared a suggested resolution which the City can adopt to establish this recommended capitalization policy which is attached as **Exhibit 9** to this Report.

TAP FEES

The Town's current water tap is \$1,600. TAUD recommended that the Town review the average material and labor costs it incurs in installing water taps to ensure the current tap fee is covering the cost of making taps. The Town estimated the average labor and material costs it incurs to install a water tap are \$1,525 as set forth in **Exhibit 10** attached to this Report. The current water tap fee is covering its cost, and TAUD does not recommend making any changes to the current water tap fee.

Vanleer, Tennessee - Water Fund
Five Year Capital Asset Plan

	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2025</u>	<u>6/30/2026</u>
Office Addition - Water Dept	124,872	-	-	-	-
Waterline Extension Project CDBG	-	-	458,000	-	-
Flood Disaster Repair Project	-	-	408,250	408,250	-
Zone Meter Infrastructure Project	52,640	-	-	-	-
Butcher Ridge/Freeman Loop Roads	-	-	-	-	13,500
Equipment Trailer	8,500	-	-	-	-
Total	186,012	-	866,250	408,250	13,500
Cumulative Depreciation	7,481	7,481	29,137	39,344	39,681
Total Capital Outlay & Depreciation	193,493	7,481	895,387	447,594	53,181
Source of Funds					
Loans	-	-	-	-	-
Grants	52,640	-	829,610	408,250	-
Cash	133,372	-	36,640	-	13,500
Total Funding Sources	186,012	-	866,250	408,250	13,500

Vanleer, Tennessee - Test Year

Water Fund

	Budget	Last 2 Year	Test Year	
	<u>FY 21-22</u>	<u>Average</u>	<u>21-22</u>	<u>Explanation</u>
Operating Revenues:				
Metered Water Sales	834,800	818,112	827,937	From calculated revenue from rates
Installation & Tap Fees	53,800	75,518	58,190	Used amount from 21 audit
Other Revenue	1,100	3,336	1,100	Used budget
Total Operating Revenues	889,700	896,966	887,227	
Operating Expenses:				
Personnel Costs	299,219	272,243	272,243	Used last 2 year average
Chemicals	13,500	17,658	17,658	Used budget
Repair & Maintenance	82,500	68,350	82,500	Used budget since increase in 21
Vehicle Expense	29,000	31,503	29,000	Used budget
Office Expense	22,200	14,667	22,200	Used budget
Insurance	34,500	34,069	34,500	Used budget
Utilities	50,950	48,532	50,950	Used budget
Customers Billing	15,120	16,477	15,120	Used budget
Professional Services	5,500	4,643	5,500	Used budget
Miscellaneous	9,150	1,944	9,150	Used budget
Depreciation	-	216,049	227,198	From 2021 depreciation expense plus new
Total Operating Expenses	561,639	726,131	766,019	
Operating Income (Loss)	328,061	170,835	121,208	
Nonoperating Revenues (Expenses)				
Interest Expense	-	(59,740)	(59,778)	From amortization schedule
Interest Income	-	2,191	2,191	Used last 2 year average
Total Nonoperating Revenues (Expense)	-	(57,549)	(57,587)	
Change in Net Position before Contributed Capital & Grants	328,061	113,286	63,621	
Capital Contributions & Grants	-	37,652	-	
Change in Net Position	328,061	150,938	63,621	

Vanleer, Tennessee - Projected Statements of Revenues and Expenses and Changes in Net Position
Water Fund

	Projected <u>6/30/2022</u>	Projected <u>6/30/2023</u>	Projected <u>6/30/2024</u>	Projected <u>6/20/2025</u>	Projected <u>6/20/2026</u>
Operating Revenues:					
Metered Water Sales	827,937	861,054	895,496	931,316	968,569
Installation & Tap Fees	58,190	58,190	58,190	58,190	58,190
Other Revenue	1,100	1,100	1,100	1,100	1,100
Total Operating Revenues	887,227	920,344	954,786	990,606	1,027,859
Operating Expenses:					
Personnel Costs	272,243	281,772	288,816	294,592	300,484
Chemicals	17,658	18,276	18,733	19,108	19,490
Repair & Maintenance	82,500	85,388	87,522	89,273	91,058
Vehicle Expense	29,000	30,015	30,765	31,381	32,008
Office Expense	22,200	22,977	23,551	24,022	24,503
Insurance	34,500	35,708	36,600	37,332	38,079
Utilities	50,950	52,733	54,052	55,133	56,235
Customers Billing	15,120	15,649	16,040	16,361	16,688
Professional Services	5,500	5,693	5,835	5,952	6,071
Miscellaneous	9,150	9,470	9,707	9,901	10,099
Depreciation	227,198	227,198	248,854	259,061	259,398
Total Operating Expenses	766,019	784,878	820,476	842,115	854,113
Operating Income (Loss)	121,208	135,466	134,310	148,491	173,745
Nonoperating Revenues (Expenses)					
Interest Expense	(59,778)	(58,064)	(56,261)	(54,388)	(52,442)
Interest Income	2,191	2,191	2,191	2,191	2,191
Total Nonoperating Revenues (Expenses)	(57,587)	(55,873)	(54,070)	(52,197)	(50,251)
Change in Net Position	63,621	79,593	80,240	96,294	123,494

NOTE: Due to inflation factors, we estimated all expenses to increase by 3.5% for FY 2023, then 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. We also increased metered water sales each year by 4%, the average growth of the City for the past five years.

Vanleer, Tennessee - Water Fund - Projected Cash & Investment Schedule

	Projected <u>6/30/2022</u>	Projected <u>6/30/2023</u>	Projected <u>6/30/2024</u>	Projected <u>6/30/2025</u>	Projected <u>6/30/2026</u>
Beginning Balance	532,156	643,009	901,492	1,143,836	1,447,207
Sources of Funds					
Metered Water Sales	827,937	861,054	895,496	931,316	968,569
Installation & Tap Fees	58,190	58,190	58,190	58,190	58,190
Other Revenue	1,100	1,100	1,100	1,100	1,100
Grants	52,640	-	829,610	408,250	-
Interest Income	2,191	2,191	2,191	2,191	2,191
Total Sources of Funds	942,058	922,535	1,786,587	1,401,047	1,030,050
Uses of Funds					
Operating Expenses	766,019	784,878	820,476	842,115	854,113
Depreciation	(227,198)	(227,198)	(248,854)	(259,061)	(259,398)
Capital Outlay	186,012	-	866,250	408,250	13,500
Interest Payments	59,778	58,064	56,261	54,388	52,442
Principal Payments	46,594	48,308	50,111	51,984	53,930
Total Uses of Funds	831,205	664,052	1,544,244	1,097,676	714,587
Ending Balance	643,009	901,492	1,143,836	1,447,207	1,762,669

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.

Vanleer, Tennessee - Inside / Outside Analysis

	<u>6/30/2021</u>	<u>WATER</u>		<u>Allocation Explained</u>
		<u>Inside</u>	<u>Outside</u>	
Operating Revenues:				
Metered Water Sales	836,423	146,294	690,129	% Based on Revenue
Installation & Tap Fees	58,190	12,139	46,051	% Based on Customers
Other Revenue	6,582	1,373	5,209	% Based on Customers
Total Operating Revenues	901,195	159,807	741,388	
Operating Expenses:				
Personnel Costs	260,511	54,346	206,165	% Based on Customers
Chemicals	20,748	3,944	16,804	% Based on Gallons
Repair & Maintenance	95,781	18,208	77,573	% Based on Gallons
Vehicle Expense	22,949	4,363	18,586	% Based on Gallons
Office Expense	6,708	1,275	5,433	% Based on Gallons
Insurance	34,392	7,175	27,217	% Based on Customers
Utilities	49,192	10,262	38,930	% Based on Customers
Customers Billing	18,516	3,863	14,653	% Based on Customers
Professional Services	7,210	1,504	5,706	% Based on Customers
Depreciation	219,717	41,088	178,629	See Below
Total Operating Expenses	735,724	146,028	589,696	
Operating Income (Loss)	165,471	13,778	151,693	
Nonoperating Revenues (Expenses)				
Interest Expense	(56,948)	(11,880)	(45,068)	% Based on Customers
Interest Income	1,756	366	1,390	% Based on Customers
Total Nonoperating Revenues (Expenses)	(55,192)	(11,514)	(43,678)	
Change in Net Position before Contributed Capital	110,279	2,265	108,014	
Capital Contributions / Grants	13,324	2,780	10,544	% Based on Customers
Change in Net Position	123,603	5,044	118,559	

<u>Allocations based on % of Revenue Calculated</u>		
Water Sales - Inside	\$ 144,810	17.49%
Water Sales Outside	\$ 683,127	82.51%
	<u>\$ 827,937</u>	<u>100.00%</u>

<u>Allocations based on % of customers</u>		
Water - Inside	247	20.86%
Water - Outside	937	79.14%
	<u>1184</u>	<u>100.00%</u>

<u>Allocations based on gallons sold</u>		
Water - Inside	11,840,300	19.01%
Water - Outside	50,443,500	80.99%
	<u>62,283,800</u>	<u>100.00%</u>

<u>Allocations based on miles of water lines</u>		
Water - Inside	15	12.00%
Water - Outside	110	88.00%
	<u>125</u>	<u>100.00%</u>

<u>Depreciation</u>	Inside	Outside	
Water lines depreciation	9,712	1,165	8,547 Based on water lines
Water depreciation	210,005	39,922	170,083 Based on gallons sold
	<u>219,717</u>	<u>41,088</u>	<u>178,629</u>

TOWN OF VANLEER

Exhibit 6

WATER SYSTEM

EXPENSES 2020-2021

	Total System	WTP
Operating Expense		
Vehicle Expense	22,949.00	5,278.27
Chemicals	20,748.00	20,748.00
Repair and Maintenance	95,781.00	47,890.50
Personnel Costs	260,511.00	97,170.60
Office Expense	6,708.00	670.80
Insurance	34,392.00	17,196.00
Utilities	49,192.00	47,962.20
Custom Billing	18,516.00	-
Professional Services	7,210.00	2,451.40
Miscellaneous	-	-
Depreciation	219,717.00	219,717.00
Interest	<u>55,192.00</u>	<u>55,192.00</u>
Total	\$ 790,916.00	\$ 514,276.77
Fixed costs	\$ 702,460.00	\$ 445,566.57
Variable costs	\$ 88,456.00	\$ 68,710.20

Water Produced & Sold

	Produce @ WTP (1000 gal.)	Sold (1000 gal.)	WATER LOSS
Jul-19	8,127	5,930.3	27.0%
Aug-19	7,852	6,170.0	21.4%
Sep-19	8,123	6,402.7	21.2%
Oct-19	7,232	5,579.8	22.8%
Nov-19	7,231	5,206.6	28.0%
Dec-19	8,112	6,354.0	21.7%
Jan-20	7,678	4,639.0	39.6%
Feb-20	7,986	4,204.2	47.4%
Mar-20	7,698	4,639.0	39.7%
Apr-20	6,852	4,836.0	29.4%
May-20	8,952	5,285.7	41.0%
Jun-20	<u>7,456</u>	<u>5,865.9</u>	<u>21.3%</u>
Total	95,143	67,470	29.1%
Total Expenditures			
\$/1000 gal Produced		\$	8.31
\$/1000 gal Sold		\$	11.72
WTP Expenditures			
\$/1000 gal Produced		\$	5.41
\$/1000 gal Sold		\$	7.62



Vanleer Water Works
 P.O. Box 69/ 4714 Hwy 49 W
 Vanleer Tn. 37181
 615-763-2823 Fax#615-763-2821

WATER SERVICE CONTRACT

Vanleer Water Works will only set a tap and a ¾" service line out of the meter at the right-of-way property line. If water main is not adjoining the property in which service is being requested, approval from Vanleer Water Works must be acquired for extending the water main. All new service connections must be approved by the utility manager before setting a new service or relocating a service.

New service connection will be installed within 60 days weather permitting. I agree to use the water in accordance with the rules and regulations of the district and to promptly pay for the water at the applicable schedule of rates and time schedule as set forth on statements. If water bill is not paid by the 20th of the following month the water service will be disconnected.

Water rates for Inside City limits is \$21.50 for first 1,000 gallons and \$8.00 for each additional thousand gallons. Outside City limits is \$27.50 for first 1,000 gallons and \$8.50 for each additional thousand gallons. I understand that if no water is used, I will still have a minimum bill that will be due on the 20th.

The undersigned agree/s that he/she is responsible for charges incurred on this account and if the account has to be placed with a collection agency or attorney that he/she will pay any and all reasonable costs of collection and/or attorney fees.

I agree and understand the rules and regulations of the District, that there can only be (1) one resident per meter serviced by water. It is understood and agreed that a tapping fee of \$1,700.00 for a ¾" water connection will be charged. A non-refundable service connection fee to be made by applicants subscribing for water service prior to having service rendered. The rates are stated below:

Property Owner: Agrees to pay a \$100.00 non-refundable service connection fee.

Property Renter: Agrees to pay a \$150.00 non-refundable service connection fee.

Both property Owner and Property Renter understand that the service connection fee

WILL NOT BE REFUNDED.

Vanleer Water Works will endeavor to furnish continuous water service but does not guarantee to the customer any fixed pressure or continuous service. We suggest the homeowner furnish a pressure reducer in order to regulate high water pressure. Vanleer Water Works will not be liable for any damages for any interruption of service whatsoever. In connection with the operation, maintenance, repair, and extension of the city water system, the water supply may be shut off without notice when necessary or desirable and each customer must be prepared for such emergencies. Vanleer Water Works will not be liable for any damages from such interruption of services or for damages from resumption of service without notice after any such interruption.

Any bill not paid by the 20th of the following month will result in discontinuation of service. There will be a \$40 daytime reconnection and a \$100 after hours reconnection fee.



Vanleer Water Works
 P.O. Box 69/ 4714 Hwy 49 W
 Vanleer Tn. 37181
 615-763-2823 Fax#615-763-2821

WATER SERVICE CONTRACT

I have read the terms and agreements of the service contract and agree with these terms.

DATE: _____

I hereby make application to Vanleer Water Works for water service at my property located at

Box & Street # - _____

City & State _____ Zip Code _____

Name: _____ SS# _____

Signed: _____

Phone # () _____ Driver's License# - _____

**Mailing Address if Different:* _____

Place of Employment: _____

() OWNER () RENTOR

If Renter, Owner's Name: _____ Owner's Phone# - () _____

Emergency Contact:

Name: _____ Phone #: _____

Friend: _____ Relative: _____ Relationship: _____

OFFICE USE ONLY:

Account # _____ Date Installed: _____ By: _____

Comments:

Town of Vanleer, Tennessee

Amended and Restated Debt Management Policy

Debt Management Policy

Introduction

Debt management policies provide written guidance about the amount and type of debt issued by a state or local government, the issuance process, and the management of the debt portfolio. A debt management policy tailored to the needs of the Board of Mayor and Aldermen (the "Governing Body") of the Town of Vanleer, Tennessee (the "Town") 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 Town. Adherence to a debt management policy may signal to rating agencies and the capital markets that a government 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.

The debt program for the Town includes (1) general obligation debt issued by the Town for general Town purposes and for which the Town has pledged its full faith and credit for the payment of both principal and interest; and (2) bonds issued by the Town to finance or refinance capital improvements to one or more of the utility systems operated by the Town, which bonds may be secured by revenues of the system for which improvements are being financed and/or the full faith and credit of the Town.

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

Goals

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 Town's financial resources and to meet its long-term capital needs. The goals and 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;

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5. To provide guidance for evaluating refunding candidates or alternative debt structures;

4. Except for bond anticipation notes issued in anticipation of a state or federal loan, the Town shall not issue any notes under the LGPOL without first seeking the approval of the Comptroller of the State, or his or her designee.

Types of Debt

Pursuant to the LGPOL and the Revenue Bond Law, the Town is authorized from time to time to issue its negotiable bonds and notes. Each issuance of debt is authorized by a Resolution adopted by the Governing Body.

A. Long Term Bonds

The Town may issue long term bonds under the LGPOL or the Revenue Bond Law to finance capital projects or refinance outstanding debt. These bonds may be structured as:

1. **Fixed Rate Bonds** — Bonds that have an interest rate that remains constant throughout the life of the bond.
2. **Variable Rate Bonds** — Bonds which bear a variable interest rate through the term thereof. Provision as to the calculation or change of variable interest rates shall be included in the authorizing resolution. Variable rate debt shall be subject to the following limitations:
 - a. The Town will annually include in the appropriate budget an interest rate assumption for any outstanding variable rate debt that takes market fluctuations affecting the rate of interest into consideration; and
 - b. The Town's Recorder shall be responsible for monitoring the performance of the remarketing agent, if any, the name and ratings of any letter-of-credit banks or liquidity facility providers, the expiration date of any letter-of-credit or liquidity facility, and the amount of any on-going fees associated with the variable rate debt.

B. Short Term Debt

The Town may issue short term debt by resolution of the Governing Body. Debt issued in a short-term mode shall be of one of the following types:

1. **Bond Anticipation Notes (BANs)** — BANs are short term obligations authorized to be issued under the LGPOL and the Revenue Bond Law that will be repaid by proceeds of a subsequent long-term bond issue. BANs will not be issued unless and until all steps prerequisite to the issuance of the anticipated long term bonds have been taken.

2. **Capital Outlay Notes (CONs)** - CONs are short term notes (less than 12 year maturities), authorized by the LGPOL, secured by a pledge of the Town's full faith and credit. CONs may be issued when the Town wishes to finance capital projects over a relatively short period.
3. **Grant Anticipation Notes (GANs)** - GANs are short term notes, authorized by the LGPOL, secured as to interest by a pledge of the Town's full faith and credit and as to principal by a pledge of the proceeds of an anticipated grant from a state or federal agency. GANs may be issued when the Town wishes to finance capital projects in anticipation of a grant from a state or federal agency. The principal amount of the GANs shall not exceed the amount of the anticipated grant.
4. **Tax Anticipation Notes (TANs)** - TANs are short term notes, authorized by the LGPOL, secured by a pledge of taxes and other general fund revenues in the then current fiscal year of the Town. TANs, if issued, will constitute direct obligations of the Town backed by the full faith and credit of the Town. All TANs will be paid in the same fiscal year in which they are issued.
5. **Revenue Anticipation Notes (RANs)** - RANs are notes of not more than five years in length, authorized by the Revenue Bond Law, secured solely by the revenues of one or more of the Town's utility systems. RANs may be refunded with long term bonds issued pursuant to the LGPOL or the Revenue Bond Law.

The Town may undertake interfund borrowings, in which amounts on deposit in one Town fund are lent to another fund, in the form of any of the notes listed above. All such interfund borrowings shall be approved by the Governing Body and, to the extent required by the LGPOL, shall be preceded by receipt of the approval of the State Comptroller.

Short-term debt may be structured as fixed rate or variable rate instruments. Unless the Town expects that the interest on the short-term debt is to be paid from long-term bond proceeds (e.g. bond anticipation notes), the Town will annually include in the appropriate budget an interest rate assumption for any outstanding variable rate debt that takes market fluctuations affecting the rate of interest into consideration.

C. Loans from Public Building Authorities

The Town 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 LGPOL or the Revenue Bond Law. The policies set forth herein for bonds issued under the LGPOL or the Revenue Bond

Law shall be equally applicable to loan agreements entered into with a public building authority except that all loan agreements may be entered into pursuant to a negotiated sale. The Town shall not enter into loan agreements with public building authorities in lieu of issuing its own debt, unless the Governing Body determines that the Town cannot reasonably accomplish its financing objectives through the issuance of its own debt.

D. Loans from State or Federal Agencies

The Town may incur debt in the form of loans from State or federal agencies for any purpose authorized by the laws of the State, upon approval by resolution of the Governing Body. Loans are evidenced by a loan agreement between the Town and the lending agency.

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 life of the assets financed by such debt. In addition, the final maturity of any bond debt should not be longer than the expected life of the longest lived asset financed thereby.

2. Capitalized Interest

Interest on a debt issue 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 consistent with the financial objectives of the Town.

3. Debt Service Structure

Debt issuance shall be planned to achieve, in conjunction with other outstanding Town debt service, a debt service schedule that – over the long term – is approximately level or declining. This policy shall be applied separately to debt payable from a particular funding source (i.e. general fund, water and wastewater fund, natural gas fund and electric fund).

4. Call Provisions

The Town will strive to issue all of its debt with a call feature occurring no later than the end of the tenth year after delivery of the bonds. In any event, call features should be structured to provide the maximum flexibility relative to cost. The Town 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.

B. Refinancing Outstanding Debt

1. Purposes

Bonds will be considered for refunding when the refunding generates results in aggregate net present value savings to the Town. In determining whether a refunding is advisable, the Governing Body shall take into account, among other factors, the level of savings, the call date and final maturity date of the refunded bonds, and projected interest rates relative to historical interest rate levels. The Recorder shall have the responsibility to periodically analyze outstanding bond issues to determine whether bonds can be refunded for debt service savings.

The Town may also consider refunding bonds if necessary due to a change in private/public use of a project that would cause a need to change the tax status of the bonds.

The Town may also consider refunding bonds to restructure outstanding debt service; provided that the costs of such restructuring shall be presented to the Governing Body and the Governing Body must expressly determine by resolution that the restructuring is in the Town's best interest.

The Town may also consider refunding bonds to restructure revenue bonds in order to free the Town from burdensome restrictions or covenants.

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

In structuring refunding escrows, the Town shall only utilize investments permitted under applicable law. Under no circumstances shall an

underwriter, agent or financial advisor sell escrow securities to the Town from its own account.

C. Methods of Sale

General obligation bonds issued to finance new projects shall be sold through a competitive bid process. Revenue bonds, notes and refunding bonds may be sold through either a competitive bid process or through a negotiated sale. Loan agreements shall be entered into directly with the lending agency or authority.

1. **Competitive** — In a competitive sale, the Town's bonds shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres in all material respects to the requirements set forth in the official notice of sale.
2. **Negotiated** — In a negotiated sale, the underwriter(s) will be chosen prior to the sale and the interest rate and underwriter's fees will be negotiated prior to the sale. The factors to be considered for a negotiated sale include the following:
 - Volatility of market conditions
 - Size and complexity of the bond sale
 - Credit strength
 - In the case of a refunding, timing and interest rate sensitivity
 - Whether the bonds are structured in a manner that is not conducive to competitive sale (e.g. variable rate bonds)

B. Underwriter Selection (Negotiated Transaction)

1. **Selection Criteria** — The Town shall select, or provide for the selection of, the underwriter(s) for a proposed negotiated sale. The selection criteria shall include but not be limited to the following:
 - Ability and experience in managing similar transactions;
 - Prior knowledge and experience with the Town;
 - Capital adequacy;
 - Quality and experience of personnel assigned to the Town's engagement;
 - Financing ideas presented; and
 - Underwriting fees.
2. **Underwriter's Discount** — The Town will evaluate the proposed underwriter's discount in comparison to other issues in the market. All

fees will be determined prior to the sale date; a cap on expenses and underwriter's counsel, if any, will be established and communicated to all parties by the Town.

3. **Evaluation of Underwriter Performance** — The Recorder will evaluate each bond sale after completion to assess the following: costs of issuance including the underwriter's compensation, and the pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis.

E. Credit Quality

The Town's debt management activities will be conducted to maintain the highest credit ratings possible, consistent with Town's financing and public policy objectives. The Recorder will be responsible for maintaining relationships and communicating with the rating agencies that assign ratings to the Town's debt. Full disclosure of operations and open lines of communication shall be maintained with the rating agencies. The Recorder shall prepare and make presentations to the rating agencies, as needed, to assist credit analysts in making an informed decision.

F. Credit Enhancements

The Town will consider the use of credit enhancements on a case-by-case basis, evaluating economic benefit versus the cost. Only when clearly demonstrable savings can be shown shall an enhancement be utilized. The Town may consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancements:

1. Bond Insurance

The Town may purchase bond insurance when such purchase is deemed prudent and advantageous. The predominant determination shall be based on such insurance being less costly than the present value of the difference in the interest on insured bonds versus uninsured bonds. For competitive sales, the Town may either purchase bond insurance or make the issue eligible for bond insurance and allow the purchaser of the bonds to determine whether bond insurance will be used, and to pay for such bond insurance.

2. Letters of Credit

The Town may enter into a letter-of-credit (LOC) agreement when such an agreement is deemed prudent and advantageous. The Town will prepare and distribute a request for qualifications to qualified banks or other qualified financial institutions which includes terms and conditions that are acceptable to the Town.

3. Liquidity

For variable rate debt requiring liquidity facilities to protect against remarketing risk, the Town will evaluate:

- Alternative forms of liquidity, including direct pay letters of credit, standby letters of credit, and line of credit, in order to balance the protection offered against the economic costs associated with each alternative;
- Diversification among liquidity providers, thereby limiting exposure to any individual liquidity provider; and
- All cost components attendant to the liquidity facility, including commitment fees, standby fees, draw fees, and interest rates charged against liquidity draws.

G. Use of Structured Products

No interest rate agreements or forward purchase agreements will be considered unless (1) a policy defining the use of such products is approved by the Governing Body before the transaction is considered, and (2) such policy and such agreements are adopted and entered into in accordance with the restrictions and limitations set forth in applicable law.

H. Risk Assessment

The Town 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 Town 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 his obligations by failing to repay principal and interest in a timely manner.
7. **Fee Risk** — The risk that on-going fees may increase beyond what is initially expected.

I. Continuing Disclosure

To the extent that any of the Town's debt issues are subject to disclosure agreements required by U.S. Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), the Recorder will ensure that the Town remains in compliance with such agreements. Specifically, the Recorder 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.

J. Transparency

The Town shall comply with the Tennessee Open Meetings Act, providing adequate public notice of meetings and specifying on the agenda 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 Governing Body and citizens in a timely manner. In order 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.

K. Professional Services

Contracts for professional services related to debt shall be awarded on the basis of recognized competence and integrity, as required by Section 12-4-106, Tennessee Code Annotated. All professionals engaged to assist in the process of issuing debt

shall be required to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by the Town. This includes "soft" costs or compensations in lieu of direct payments.

1. **Counsel** — The Town will enter into an engagement letter agreement with each lawyer or law firm representing the Town in a debt transaction. No engagement letter is required for any lawyer who serves as counsel to the Town regarding Town matters generally.
2. **Bond Counsel** — Bond counsel for each debt transaction is contracted by the Mayor of the Town, as advised by the Recorder and Town Attorney, and serves to assist the Town in such debt issue.
3. **Financial Advisor** — If the Town chooses to engage a financial advisor for a debt transaction, the Town shall enter into a written contract with the financial advisor on terms and conditions approved by the Mayor, Recorder and Town Attorney. The financial advisor shall not be permitted to bid on or underwrite an issue for which they are or have been providing advisory services.
4. **Underwriter** — If there is an underwriter for a debt issue, the underwriter must clearly identify itself to the Town in writing (e.g., in a response to a request for proposals or in promotional materials provided to the Town) as an underwriter and not as a financial advisor from the earliest stages of its relationship with the Town with respect to that issue. The underwriter must clarify its primary role as a purchaser of securities in an arm's-length commercial transaction and that it has financial and other interests that differ from those of the Town. 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 Recorder in advance of the pricing of the debt.

L. Potential Conflicts of Interest

Professionals involved in a debt transaction hired or compensated by the Town 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 Town to appreciate the significance of the relationships.

Professionals who become involved in the debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure. No disclosure is required that would violate any rule or regulation of professional conduct.

Debt Administration

A. Planning for Sale

1. The Recorder will present to the members of the Governing Body 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 Recorder will present 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 Recorder, the bond counsel, financial advisor, if any, 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 Recorder will maintain for review by members of the Governing Body and the public a report, such as State Form CT-0253, describing the transaction and setting forth all the estimated costs associated with the transaction.
2. The Recorder will obtain a closing memorandum with written instructions on transfer and flow of funds.
3. The Recorder, the bond counsel, financial advisor, if any, 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.
4. Any proceeds of bonds, notes or other indebtedness will be invested pursuant to applicable State law.

Federal Tax Post-Issuance Compliance Policies and Procedures

In order to issue tax-exempt debt obligations ("Tax-Exempt Obligations"), the interest on which is excluded from gross income of the holders of such debt obligations, the Town must comply with federal tax rules regarding expenditure of proceeds, use of financed property, investment of proceeds in compliance with arbitrage rules, retention of records

and filings with the Internal Revenue Service pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). The provisions set forth below set forth the Town's policies for compliance with Sections 141-150 of the Code and related rules and regulations.

A. Expenditure of Proceeds

Expenditure of proceeds as set forth below will be reviewed and managed by the Recorder as needed to ensure compliance with the requirements with each tax certificate executed in connection with Tax-Exempt Obligations. In connection with such review and management, the Recorder will undertake the following with respect to the expenditure of proceeds of Tax-Exempt Obligations:

1. Establish forms and procedures for documenting expenditures of the proceeds, including a description of the property financed with each expenditure.
2. Only permit proceeds to be expended for capital expenditures, working capital if accompanied by an opinion of nationally recognized bond counsel, refunding of Tax-Exempt Obligations and other debt obligations used for the foregoing purposes, and costs of issuance of Tax-Exempt Obligations.
3. Not permit amounts to be expended to pay capitalized interest on Tax-Exempt Obligations except during the actual construction period of financed property unless accompanied by an opinion of nationally recognized bond counsel.
4. Restrict reimbursement of costs that were paid prior to the issuance of the Tax-Exempt Obligations to costs paid subsequent to, or not more than 60 days prior to, the date a "declaration of intent" to reimburse the costs was adopted by the Governing Body or as is otherwise approved by bond counsel.
5. Prepare a "final allocation" of proceeds to uses, which will be made and retained with the records of the Tax-Exempt Obligations, not later than 18 months after the placed-in-service date of the financed property (and in any event not later than 5 years and 60 days after the issuance of the issue).
6. Monitor the expenditure of proceeds of the Tax-Exempt Obligations against any tax certificate expectations.
7. Monitor the expenditure of proceeds of the Tax-Exempt Obligations against the schedule for the arbitrage rebate exception or exceptions

identified in the tax certificate related to such issue of Tax-Exempt Obligations.

B. Use of Property Financed with Tax-Exempt Obligations

Use of property financed with Tax-Exempt Obligations, when completed and placed in service, will be reviewed by the Recorder on at least an annual basis.

The Town will not do any of the following with respect to the financed property without prior discussion with bond counsel regarding potential effect of such action on the tax exemption of the Tax-Exempt Obligations that financed or refinanced such property:

1. Enter into a management, service or incentive payment contract with any non-governmental person or entity (including the federal government) (a "Non-Governmental Person").
2. Enter into a lease with any Non-Governmental Person.
3. Sell or otherwise transfer such property to any Non-Governmental Person.
4. Grant special legal entitlements with respect to such property to any Non-Governmental Person.
5. Enter into an "output contract", as defined in Section 1.141-7 of the Treasury Regulations promulgated under the Code, that has the effect of transferring the benefits of owning the financed facility and the burden of paying debt service on the pertinent Tax-Exempt Obligation to a Non-Governmental Person.

C. Investment of Proceeds

Investment of proceeds of Tax-Exempt Obligations in compliance with the arbitrage bond rules and rebate of arbitrage will be supervised by the Recorder.

All proceeds of each Tax-Exempt Obligation will be deposited and maintained in a separate account or accounts. The investment of Tax-Exempt Obligations proceeds shall comply with the following:

1. Investments will be purchased only in market transactions at fair market value.
2. Calculations of rebate liability will be performed periodically as set forth in the tax certificate by outside consultants unless the Town is eligible for an exception to rebate liability with respect to the Tax-Exempt Obligations.

3. Rebate payments, if required, will be made with Form 8038-T no later than 60 days after (a) each fifth anniversary of the date of issuance and (b) the final retirement of the Tax-Exempt Obligations. Compliance with rebate requirements will be reported to the bond trustee, if any, and the issuer.
4. The Town will identify the date for first rebate payment at time of issuance if rebate payments are expected.

D. Records

Management and retention of records related to Tax-Exempt Obligations will be supervised by the Recorder.

1. Records will be retained for the life of the Tax-Exempt Obligations plus any refunding bonds plus six years. Records may be in the form of documents or electronic copies of documents, appropriately indexed to specific bond issues and compliance functions.
2. Retain records pertaining to the issuance of Tax-Exempt Obligations including the transcript of documents executed in connection with the issuance of the Tax-Exempt Obligations and any amendments, and copies of rebate calculations and records of payments including Form 8038-T.
3. Retain records pertaining to expenditures of proceeds of Tax-Exempt Obligations including requisitions, trustee statements (if any) and final allocation of proceeds.
4. Retain records pertaining to use of property include all agreements reviewed for nonexempt use and any reviewed documents relating to unrelated business activity.
5. Retain records pertaining to investments include GIC and hedge documents under the Treasury regulations, records of purchase and sale of other investments, and records of investment activity sufficient to permit calculation of arbitrage rebate or demonstration that no rebate is due.

E. Identification of Violations

The Recorder shall be responsible for identifying any violations of federal tax requirements relating to any Tax-Exempt Obligations and shall consult with bond counsel as to best method for the timely correction of any identified violations either through available remedial actions or through the IRS's Voluntary Closing Agreement Program.

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. A violation of the Governing Body's debt policy shall in no way be interpreted as a violation of law and shall have no bearing on the validity of debt issued by the Governing Body. 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 Recorder. The Recorder may at any time present recommendations for any amendments, deletions, additions, improvements or clarifications.

RESOLUTION NO. 2022-_____**A RESOLUTION TO ESTABLISH A CAPITAL ASSET POLICY**

WHEREAS, the Town of Vanleer, Tennessee (the Town) desires to formally adopt a capital asset policy which conforms to the manner in which the Town's fixed assets have historically been capitalized and recorded as capital assets in the Town's financial statements; and

WHEREAS, the Town desires to establish appropriate service lives for its water system assets which are consistent with the directives of the Water and Wastewater Financing Board for municipal water systems.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Board of Alderman that:

(a) **Capitalization Thresholds.** Town assets with an estimated useful life of three years or more will be capitalized when the cost of the asset is \$5,000 or more. Land and Construction in Progress are capitalized but not depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized.

(b) **Asset Cost Basis.** Capital assets shall be recorded at historical cost when the cost is reasonably determinable. If historical cost data is not determinable, an estimated historical cost will be used.

- (1) Actual Cost – This cost will include the purchase or construction cost (which can be obtained through invoice, purchase order, and paid check files) and charges necessary to place the asset into service at its intended location. Such necessary costs may include costs such as freight and transportation, site preparation expenditures, interest costs, professional fees, and legal claims directly attributable to asset acquisition.
- (2) Estimated Cost – This cost will be based on as much documentary evidence as can be found to support the cost, such as interviews with vendors selling such assets, engineers, or other personnel and price level adjustments based on the Consumer Price Index for each asset.
- (3) Donated Cost – These assets will be based on their estimated fair market value at time of acquisition. A determination as to the fair market value basis will be included with property records.
- (4) Interest on Debt Issued – Interest on debt issued for the construction of an asset will be capitalized as part of the asset's cost to the extent of the interest that was incurred during the construction period only.

(c) **Depreciation.**

- (1) Depreciation is a method for allocating the cost of capital assets over their useful lives. Generally accepted accounting principles dictate that the value of the capital asset must be written off as an expense over the useful life of the asset.
- (2) Annual depreciation expense will be calculated using the straight-line method.
- (3) When the asset is disposed of, the actual date of disposal is disregarded, and the disposal date is the end of the month prior to the month of disposal (i.e. no depreciation is taken for the month of disposal).
- (4) The salvage value of an asset is an estimate made by management of what the value of an asset will be at the end of its useful life. If the Town intends to utilize a capital asset until it is literally worthless, a salvage value of zero (0) will be assigned.

(d) **Useful Lives of Capital Assets**

<u>Asset Type</u>	<u>Useful Life in Years</u>
Land and Easements	No depreciation
Infrastructure (other than water system)	40-50
Buildings (other than water)	10-50
Furniture, machinery and equipment (other than water)	5-10
Water System:	
Buildings (Office and Plant)	20-50
Equipment and Tools	3-10
Furniture and Fixtures	3-10
Machinery, Equipment and Service Vehicles	3-10
Pumps and Treatment Equipment	3-10
Transportation Equipment	3-10
Water Lines and Storage	20-50
Well / Dam	Engineer's Estimate

Adopted this ____ day of _____, 2022.

Mayor

Attest: _____
Town Recorder

**Vanleer Water Works
New Tap Worksheet**

Exhibit 10

Date: _____

Account Number: _____

Customer Name: _____

Chlorine Residual: _____

Location: _____

Meter Number: _____

Repairs Needed: _____

Quantity	Itemized Description	Cost	Total Cost
1	Water Meter @	\$110.00 each	\$110.00
1	Meter Box @	\$52.00 each	\$52.00
1	Meter setter/Check Valve @	\$209.00 each	\$209.00
1	Corporation Stop @	\$48.00 each	\$48.00
1	Saddle @	\$68.00 each	\$68.00
20	Feet of Service Line @	\$0.99 per foot	\$19.80
20	Feet of Location Wire/Tape @	\$0.25 per foot	\$5.00
1	Flushing & testing	\$5.00 each	\$5.00
2	Backhoe Hours @	\$85.00 per hour	\$170.00
0	Boring @	\$0.00 per foot	\$0.00
10	Truck and Trailer miles@	\$1.00 per mile	\$10.00
10	service truck miles@	\$0.75 per mile	\$7.50
	Air Compressors @	\$0.00 each	\$0.00
4	Installation Labor for MH	\$50.00 per hour	\$200.00
1	Traffic control setup MH	\$50.00 per hour	\$50.00
10	Locate Cost 811 @ (milage)	\$0.75 per mile	\$7.50
1	Locate Cost 811 @ (MH)	\$50.00 per hour	\$50.00
1	Miscellaneous	\$12.00	\$12.00
1	Seed Straw@	\$15.00	\$15.00
1	Administrative Hours @	\$50.00 per hour	\$50.00
10	Final clean -up/&inspection (milage)	\$0.75 per mile	\$7.50
2	Final clean -up/&inspection MH	\$50.00 per hour	\$100.00
1	Final clean -up(equipment)	\$75.00 per hour	\$75.00
Sub Total			\$1,271.30
Overhead		20%	\$254.26
Total			\$1,525.56

2023 Meeting Dates

March 23, 2023

August 24, 2023

November 16, 2023