

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 Thorton 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 Thorton. 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.