



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Agenda
Water and Wastewater Financing Board
November 21, 2019
10:00 AM

- I. Call to Order Ann Butterworth
- II. Approval of Minutes Ann Butterworth
- III. Entities Referred for Financial Distress John Greer
 - a. Financial Updates- Staff Recommended Action
 - i. City of Dunlap Pg. 24
 - ii. City of Jellico Pg. 27
 - iii. City of Kingston Pg. 33
 - iv. Metro-Nashville Davidson County Pg. 54
 - v. City of Millersville Pg. 84
 - vi. Town of Oakdale Pg. 94
 - vii. City of Rocky Top Pg. 96
 - viii. Town of Troy Pg. 98
- IV. Training Referrals
- V. Miscellaneous
 - a. Meeting Resolution Pg. 111
 - b. Discussion

Approval of Minutes



MINUTES
WATER and WASTEWATER FINANCING BOARD MEETING
September 19, 2019
10:00 am

Chair Ann Butterworth 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.

Board Members Present

Ann Butterworth, Chair, Comptroller Designee
Rick Graham, representing municipalities
Mike Goodman, representing manufacturing interests
Eugene Hampton, representing government finance
Drexel Heidel, active employee of a water utility district
Jim Redwine, representing environmental interests

Members Absent

Tom Moss, Department of Environment and Conservation (“TDEC”), Commissioner Designee
Nick Newman, active employee of municipal water system
Randy Wilkins, representing utility districts

Staff Present

John Greer, Comptroller’s Office
Ross Colona, Comptroller’s Office

Counsel Present

Rachel Buckley, Comptroller’s Office

Others Present & Addressing the Board

Terence McGhee, United States Department of Agriculture (“USDA”)
Buddy Petty, Rate Studies, Inc.
Russell Sales, Metro-Moore Lynchburg Utility Manager
Stephania Motes, Spring City Manager

New Member Introduction

Mr. Greer introduced Mr. Mike Goodman as the newly-appointed Board. Mr. Goodman’s term ends on June 30, 2021.

Approval of Minutes

Ms. Butterworth presented the March 14, 2019 minutes for approval. Mr. Graham moved to approve the minutes. Mr. Hampton seconded, and the motion passed unanimously.

The Board took some items out of order from the agenda to accommodate interested parties present at the meeting.

Financial Distress

City of Luttrell

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The City shall explore merger possibilities with surrounding utilities.
2. The City shall send an update to Board staff on merger possibilities and the final passage of the new rate structure by December 31, 2019.
3. The City shall send financial updates to Board staff by March 1st and September 1st annually starting March 1, 2020, until released from Board oversight.

Mr. Redwine moved to adopt Staff's recommendations. Mr. Goodman seconded. The motion passed unanimously.

Metro-Moore County Lynchburg

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The County shall send financial updates to Board staff by March 1st and September 1st annually starting March 1, 2020, until released from Board oversight.

Russell Sales, the manager for the County's utility system, thanked the Board for its help in making the system better for the community.

Mr. Redwine moved to adopt Staff's recommendations. Mr. Heidel seconded. The motion passed unanimously.

Town of Spring City

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The Town shall hire the Tennessee Association of Utility Districts ("TAUD"), or another qualified expert as approved by Board staff, to complete a cost of service study to include:
 - a. a review of all rate classes and recommendations for appropriate rates, including a justification for multiple rate classes or recommendations for a simplified rate structure, and a justification for the discrepancy between rates for customers outside the Town's boundaries as opposed to inside or recommendations for one rate structure;
 - b. a review of all tap fees including any recommended modifications; and
 - c. a review of all service fees and connection fees including any recommended modifications.

2. By October 31, 2019, 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 February 28, 2020, the Town shall provide Board staff with the completed cost of service 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 Town.

Mr. Greer explained that Spring City had MTAS complete a rate study. However, Board staff is not comfortable with the completed rate study. MTAS informed Staff that at the request of the Town some rates were altered rather than being based on calculations.

Ms. Stephania Motes, the manager of the Town, addressed the Board. She shared that the new rates the Town instituted contained a clerical error, which resulted in one business, SSM Industries, Inc., being unfairly billed. The Town is crediting that money back to SSM Industries, Inc. Ms. Motes also thanked the Board for the help the Board has given to make the system better.

Mr. Graham moved to adopt Staff's recommendations. Mr. Redwine seconded. The motion passed unanimously.

City of Spring Hill

As mayor of Spring Hill, Mr. Graham recused himself from all discussion and the vote regarding this item.

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The City shall send financial updates to Board staff by March 1st and September 1st annually starting March 1, 2020, until released from Board oversight.

Victor Lay, the city administrator, addressed the Board. He explained that the City has passed all rate recommendations from its previous rate study.

Mr. Goodman moved to adopt Staff's recommendations. Mr. Redwine seconded. The motion passed unanimously.

Town of Rogersville

The Board heard updates from Mr. Greer. Staff recommended the Board order 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 justification for the discrepancy between inside the town rates and outside the town rates, or a new recommended rate structure if no justification is possible;

- b. a justification for dropping Persia Utility District's rate per 1,000 gallons from \$5.61 to \$1.61 and recommending an appropriate rate;
 - c. a justification for the discrepancy between sewer rates and water rates;
 - d. a review of the new customer agreement, including any recommended modifications;
 - e. a review of the capitalization policy, including any recommended modifications; and
 - f. a review of the leak adjustment policy including any recommended modifications.
2. By October 31, 2019, 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, 2019, 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 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
 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.

Mr. Redwine inquired about a possible merger with surrounding communities. Mr. Greer acknowledged a merger as a possibility, but the Town has not made any changes regarding it.

Mr. Graham moved to adopt Staff's recommendations. Mr. Redwine seconded. The motion passed unanimously.

City of Friendship

The Board heard updates from Mr. Greer. Staff recommended the Board order 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 without expressed consent of Board staff until the Board releases the City from its oversight.
3. The City shall not take on any new debt without expressed 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 showing of good cause.

Terence McGhee from USDA provided the Board with information regarding the pilot project that USDA is funding and TAUD is performing.

Mr. Redwine inquired about the scope of the project. Mr. McGee indicated that TAUD and USDA are still finalizing the details so he was unable to provide an exact answer.

Mr. Redwine inquired about what funds the City is attempting to garner to fix its sewage operation. Mr. McGee informed the Board that the City has been presented with its options, but the parties have not yet decided they have not made a decision yet or even know if this funding is necessary.

Ms. Butterworth recommended explicitly adding the phrase “including a new treatment plant and water line” to paragraph 2 of the directives.

Mr. Redwine moved to adopt Staff’s recommendations as amended. Mr. Graham seconded. The motion passed unanimously.

At this point, the Board returned to the agenda and discussed the remaining items in alphabetical order.

Town of Alexandria

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. By October 31, 2019 Alexandria shall hire the TAUD, or a qualified expert as approved by Board staff, to perform a cost of service study that includes the following:
 - a. provide a justification of the varying rate classes if possible, and
 - b. include recommendations for a justifiable and reasonable rate structure.
2. By October 31, 2019, 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 February 28, 2020, the Town shall provide Board staff with the completed cost of service 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 Town.

Mr. Goodman moved to adopt Staff’s recommendations. Mr. Redwine seconded. The motion passed unanimously.

Town of Atwood

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The Town shall send financial updates to Board staff by March 1st and September 1st of each year starting March 1, 2020, until the Board releases the Town from its oversight.

Mr. Redwine moved to adopt Staff's recommendations. Mr. Graham seconded. The motion passed unanimously.

Town of Baileyton

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The Town shall send financial updates to Board staff by March 1st and September 1st of each year, starting March 1, 2020, the Board releases the Town from its oversight.

Mr. Graham moved to adopt Staff's recommendations. Mr. Heidel seconded. The motion passed unanimously.

City of Benton

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The City shall have TAUD or another qualified expert, as approved by Board staff, to perform a rate study that includes the following:
 - i. creating a comprehensive rate and fee policy or ordinance;
 - ii. justifying varying rate classes or creating one rate structure for all customers;
 - iii. reviewing tap and customer fees;
 - iv. creating a capitalization policy;
 - v. creating a water loss policy to address the 59% loss by volume as reported on the City's 2018 AWWA worksheet;
 - vi. creating a meter reading policy to include guidelines on how to adjust errors in readings;
 - vii. creating a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and
 - viii. creating a leak adjustment policy.
2. By October 31, 2019, 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 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.

Mr. Graham moved to adopt Staff's recommendations. Mr. Redwine seconded. The motion passed unanimously.

City of Bethel Springs

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The City shall have TAUD or another qualified expert perform a rate study that includes the following:
 - i. an evaluation of the cost of tapping into the water and sewer system;
 - ii. a review of the capitalization policy, including any recommended modifications;
 - iii. creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and
 - iv. a review of the leak adjustment policy, including any recommended modifications.
2. By October 31, 2019, 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 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.
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 City.

Mr. Goodman moved to adopt Staff's recommendations. Mr. Redwine seconded. The motion passed unanimously.

City of Blaine

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The City shall explore merger possibilities with surrounding utilities.
2. The City shall send Board staff an update on merger possibilities no later than December 31, 2019.

Mr. Graham moved to adopt Staff's recommendations. Mr. Goodman seconded. The motion passed unanimously.

City of Clarksburg

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The City shall have TAUD, or another qualified expert as approved by Board staff, perform a rate study that includes the 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 October 31, 2019, 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, 2019, the City shall ensure that the members of the wastewater system's governing body have met all training requirements pursuant to 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.
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 City.

Mr. Redwine moved to adopt Staff's recommendation. Mr. Graham seconded. The motion passed unanimously.

City of Copperhill

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The City shall have TAUD, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - i. a review of the capitalization policy, including any recommended modifications;
 - ii. creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs; and
 - iii. a review of the leak adjustment policy, including any recommended modifications.
2. By October 31, 2019, the City shall send Board staff a copy of the contract between the City and the qualified expert that is to perform the tasks in paragraph 1.
3. 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.
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 City.

Mr. Redwine recommended striking paragraph four regarding the extension from the recommendations.

Mr. Redwine moved to adopt Staff's recommendations as amended. Mr. Graham seconded. The motion passed unanimously.

City of Dunlap

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The City shall have the TAUD, or another qualified expert as approved by Board staff, perform a rate study that includes the following:

- i. a review of the capitalization policy including any recommended modifications;
 - ii. creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and
 - iii. a review of the leak adjustment policy, including any recommended modifications.
2. By October 31, 2019, 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, 2019, 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. § 7-34-115(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.
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 City.

Mr. Redwine moved to adopt Staff's recommendations. Mr. Graham seconded. The motion passed unanimously.

Town of Gates

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

Mr. Heidel inquired about the possible consolidation of Halls and Gates. Mr. Greer acknowledged this as a possibility, but there have not been any decisions made regarding this possibility.

1. The Town shall have TAUD, or another qualified expert as approved by Board staff, complete the following:
 - i. a review of the capitalization policy, including any recommended modifications;
 - ii. creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and
 - iii. a review of the leak adjustment policy, including any recommended modifications.
2. By October 31, 2019, 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 February 28, 2020, the Town shall provide Board staff with proof of completion of the tasks in paragraph 1, 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 Town.

Mr. Redwine moved to adopt Staff's recommendations. Mr. Goodman seconded. The motion passed unanimously.

City of Graysville

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The City shall have TAUD, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - i. a review of the capitalization policy, including any recommended modifications;
 - ii. creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs;
 - iii. a justification of the discrepancy between inside and outside rates.
2. By October 31, 2019, 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 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.
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 City.

Mr. Redwine moved to adopt Staff's recommendations. Mr. Heidel seconded. The motion passed unanimously.

City of Harriman

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The City shall TAUD, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - i. a review of the capitalization policy; and
 - ii. a review of the current five-year capital asset plan including recommended modifications.
2. By October 31, 2019, the City shall send Board staff a copy of the contract between the City and the qualified expert that is to perform the tasks in paragraph 1.
3. 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.
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 City.

Mr. Goodman moved to adopt Staff's recommendations. Mr. Redwine seconded. The motion passed unanimously.

City of Harrogate

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The City shall send financial updates to Board staff by March 1st and September 1st of each year starting March 1, 2020, until the Board releases the City from its oversight.

Mr. Graham moved to adopt Staff's recommendations. Mr. Heidel seconded. The motion passed unanimously.

Town of Hornbeak

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The Town shall have TAUD, or another qualified expert as approved by Board staff, to perform a rate study that includes the following:
 - i. a justification for Black Oak School's discounted rate or a recommended rate if justification is not possible;
 - ii. a review of the capitalization policy, including any recommended modifications;
 - iii. creation of a delinquent accounts policy; and
 - iv. 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 October 31, 2019, 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. The Town shall consult with counsel regarding the Town's ability and feasibility to stop septic permits from being issued in areas where public sewer is available.
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.
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.

Mr. Redwine moved to adopt Staff's recommendations. Mr. Graham seconded. The motion passed unanimously.

Town of Huntland

The Board heard updates from Mr. Greer. Staff recommended the Board order 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:
 - i. creation of a debt management policy;
 - ii. creation of a capitalization policy; and
 - iii. a review of the leak adjustment policy.
2. By October 31, 2019, 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 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.
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.

Mr. Graham moved to adopt Staff's recommendations. Mr. Redwine seconded. The motion passed unanimously.

Lauderdale County

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The County shall bring in assistance from TAUD or another qualified expert, as approved by Board staff, to complete the following:
 - i. A review of the tap fee and recommendations to cover costs at a minimum;
 - ii. A review of the capitalization policy and recommendations if changes are needed;
 - iii. Creating/Implementing a five-year capital asset budget (to be taken from the current capital asset list and include future anticipated needs);
 - iv. A review of the leak adjustment policy;
2. By October 31, 2019, the County shall send Board staff a copy of the contract between the County and the qualified expert who is to perform the tasks in paragraph 1.
3. 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.
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 County.
5. By December 31, 2019, the County 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).

Mr. Heidel moved to adopt Staff's recommendations. Mr. Graham seconded. The motion passed unanimously.

Town of Michie

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The Town shall send financial updates to Board staff by March 1st and September 1st of each year, starting March 1, 2020, until the Board releases the Town from its oversight.

Mr. Goodman moved to adopt Staff's recommendations. Mr. Graham seconded. The motion passed unanimously.

City of New Johnsonville

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The City shall have TAUD, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - i. a review of the capitalization policy, including any recommended modifications;
 - ii. creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs;
 - iii. a justification for differing rate classes or if no justification is possible, recommendations for an appropriate rate structure;
 - iv. a review of tap fees, including any recommended modifications; and
 - v. a justification for a declining rate structure, or if no justification is possible, recommendations for one flat rate over the minimum bill.
2. By October 31, 2019, 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 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.
4. By December 31, 2019, 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. § 7-34-115(j).

Mr. Redwine moved to adopt Staff's recommendations. Mr. Graham seconded. The motion passed unanimously.

Town of Parrottsville

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The Town shall have TAUD, or another qualified expert as approved by Board staff, assist in completing the financial questionnaire previously sent by Board staff.

2. By October 31, 2019, 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. The Town shall send the completed financial questionnaire and all supporting documentation to Board staff by December 31, 2019.
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.

Mr. Graham moved to adopt Staff's recommendations. Mr. Redwine seconded. The motion passed unanimously.

Town of Petersburg

The Board heard updates from Mr. Greer. Staff recommended the Board order 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:
 - i. a justification of the discrepancy between inside the town and outside the town rates or if no justification is possible, a recommendation involving one rate;
 - ii. creation of a capitalization policy;
 - iii. a review of the financial viability of the Town's personnel costs being paid out of the utility fund, including any recommended modifications;
 - iv. creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs;
 - v. a review of the new customer contract to include recommended modifications if needed; and
 - vi. a plan to reduce non-revenue water.
2. By October 31, 2019, 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, 2019, the Town shall send Board staff proof that all board members have complied with the training requirements set out 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.
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.

Mr. Redwine moved to adopt Staff's recommendations. Mr. Graham seconded. The motion passed unanimously.

City of Pikeville

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The City shall send financial updates to Board staff by March 1st and September 1st of each year, starting March 1, 2020, until the Board releases the City from its oversight.

Mr. Graham moved to adopt Staff's recommendations. Mr. Heidel seconded. The motion passed unanimously.

Roane County

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The County shall send financial updates to Board staff by March 1st and September 1st of each year, starting March 1, 2020, until the Board releases the County from its oversight.

Mr. Graham moved to adopt Staff's recommendations. Mr. Redwine seconded. The motion passed unanimously.

Town of Sharon

The Board heard updates from Mr. Greer. Staff recommended the Board order 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:
 - i. a review of the capitalization policy including any recommended modifications;
 - ii. creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and
 - iii. a review of the leak adjustment policy including any recommended modifications.
2. By October 31, 2019, 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 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.
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.

Mr. Redwine inquired about a possible merger with surrounding communities. Mr. Greer acknowledged a merger as a possibility, but the Town has not made any changes regarding it. Mr. Redwine requested an update for a merger for Sharon at the first meeting in 2020.

Mr. Redwine moved to adopt Staff's recommendations. Mr. Goodman seconded. The motion passed unanimously.

Town of Sneedville

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The Town shall send financial updates to Board staff by March 1st and September 1st of each year, starting March 1, 2020, until the Board releases the Town from its oversight.

Mr. Graham moved to adopt Staff's recommendations. Mr. Heidel seconded. The motion passed unanimously.

City of South Fulton

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The City shall comply with all directives in the Board's April 2, 2019 order.
2. By October 31, 2019, 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 April 2, 2019 order.
3. 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.
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 City.

Mr. Graham moved to adopt Staff's recommendations. Mr. Goodman seconded. The motion passed unanimously.

Town of Stanton

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The Town shall send financial updates to Board staff by March 1st and September 1st of each year, starting March 1, 2020, until the Board releases the Town from its oversight.

Mr. Graham moved to adopt Staff's recommendations. Mr. Heidel seconded. The motion passed unanimously.

City of Sunbright

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The City shall have TAUD, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - i. a review of the capitalization policy including any recommended modifications;
 - ii. creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs;
 - iii. a review of the leak adjustment policy including any recommended modifications; and
 - iv. a review of possible merger partners in the area.
2. By October 31, 2019, 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 board members have complied with the training requirements set out 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.
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 City.

Mr. Redwine inquired about the process if a City does not comply with the order. Ms. Buckley explained that the Board could request the Attorney General file a complaint for enforcement through chancery court. Staff also noted that paragraph three's deadline should be December 31, 2019, rather than December 31, 2020. Staff recommended the Board accept this recommendation.

Mr. Redwine moved to adopt Staff's recommendations as amended. Mr. Goodman seconded. The motion passed unanimously.

Town of Tracy City

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The Town shall have TAUD, or another qualified expert as approved by Board staff, perform a rate study.
2. By October 31, 2019, the Town shall send Board staff a copy of the contract between the Town and the qualified expert who is to perform the rate study.
3. 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.
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.

Mr. Heidel moved to adopt Staff's recommendations. Mr. Graham seconded. The motion passed unanimously.

City of Wartburg

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The City shall have TAUD, or another qualified expert as approved by Board staff, to perform a rate study that includes the following:
 - i. a review of the leak adjustment policy, including any recommended modifications;
 - ii. a review of the capitalization policy, including any recommended modifications; and
 - iii. 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 October 31, 2019, 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 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.
4. By December 31, 2019, the City shall send Board staff proof that all board members have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).
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 City.

Mr. Graham moved to adopt Staff's recommendations. Mr. Goodman seconded. The motion passed unanimously.

City of Watertown

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The City shall have TAUD, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - i. creation of a capitalization policy'
 - ii. creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs; and
 - iii. a review of the leak adjustment policy, including any recommended modifications.
2. By October 31, 2019, 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. 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.
4. By December 31, 2019, 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).
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 City.

Mr. Redwine recommended striking paragraph five from Staff's recommendations. He also recommended adding an additional requirement under paragraph one to include a review of the cost of compliance with environmental issues.

Mr. Redwine moved to adopt Staff's recommendations as amended. Mr. Heidel seconded. The motion passed unanimously.

City of Woodland Mills

The Board heard updates from Mr. Greer. Staff recommended the Board order the following:

1. The City shall have TAUD, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - i. a review of the capitalization policy, including any recommended modifications;
 - ii. a review of the tap fees, including any recommended modifications;
 - iii. a review of the financial viability of the City's personnel costs being paid out of the utility fund, including any recommended modifications;
 - iv. creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs; and
 - v. a review of the leak adjustment policy, including any recommended modifications.
2. By October 31, 2019, 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 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.
4. By December 31, 2019, 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).
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 City.

Mr. Redwine recommended striking paragraph five from the recommendation. He then moved to adopt Staff's recommendations as amended. Mr. Graham seconded. The motion passed unanimously.

Adjournment

Chair Butterworth adjourned the meeting at 12:00 after seeing no more discussion.

Respectfully submitted,
Ann Butterworth
Chair

Financial Distress



Dunlap

Utilities Offered:	Water and Sewer	County:	Sequatchie	Utility Fund:	Water and Sewer
	2016	2017	2018		
Revenues	\$1,843,478.00	\$1,978,924.00	\$2,074,146.00		
Expenses	\$1,936,718.00	\$2,060,797.00	\$1,992,181.00		
Depreciation	\$614,046.00	\$593,171.00	\$592,921.00		
Operating Income	\$(93,240.00)	\$(81,873.00)	\$81,965.00		
Non-Operating Revenues(Expenses)	\$(187,726.00)	\$(165,350.00)	\$(216,041.00)		
Grants, Capital Contributions, Transfers	\$-00	\$-00	\$-00		
GAAP Change in Net Position	\$(280,966.00)	\$(247,223.00)	\$(134,076.00)		
Grants, Capital Contributions, Transfers In	\$-00	\$-00	\$-00		
Change in Net Position (2017 Statute)	\$(280,966.00)	\$(247,223.00)	\$(134,076.00)		
Net Pension and OPEB Asset		\$-00	\$-00		
Net Pension and OPEB Liability		\$239,794.00	\$208,264.00		
Change in Net Position (2018 Statute)			(\$165,606.00)		





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: City of Dunlap

Staff Summary:

On September 30, 2019, the Board ordered the City to comply with the following:

1. The City 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:
 - i. a review of the capitalization policy including any recommended modifications;
 - ii. creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and
 - iii. a review of the leak adjustment policy, including any recommended modifications.
2. By October 31, 2019, 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, 2019, 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. § 7-34-115(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.
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 City.

Mayor Dwain Land expressed to Board staff that the City will not comply with the Board's previous order because the City will potentially be "in the black" for 2019. Staff is unable to confirm this statement because it has not received the City's 2019 audit, which is not due until December 31, 2019. The City shared its unaudited statements, which do indicate that the City will "be in the black" for 2019. Regardless, Staff continues to recommend the directives of the Board's previous order, as the City lost money for fiscal years 2014-2018.

Staff Recommendation:

Due to the City's failure to comply with the Board's previous order and stated unwillingness to come into compliance, order the City to comply with the following:

1. The City 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:
 - i. a review of the capitalization policy, including any recommended modifications;
 - ii. creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and
 - iii. a review of the leak adjustment policy, including any recommended modifications.
2. By December 31, 2019, 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, 2019, 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. § 7-34-115(j).
4. By May 1, 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.
5. If the City fails to comply with any directive of this order, Board staff shall refer this matter to the Attorney General's office for enforcement action through chancery court.

Jellico

Utilities Offered:	Water and Sewer	County:	Campbell	Utility Fund:	Water and Sewer
	2016	2017	2018		
Revenues	\$1,788,078.00	\$1,817,632.00	\$1,787,442.00		
Expenses	\$1,679,559.00	\$1,763,365.00	\$1,795,834.00		
Depreciation	\$399,245.00	\$457,293.00	\$519,637.00		
Operating Income	\$108,519.00	\$54,267.00	\$(8,392.00)		
Non-Operating Revenues(Expenses)	\$(64,657.00)	\$(61,303.00)	\$(56,311.00)		
Grants, Capital Contributions, Transfers	\$544,340.00	\$89,227.00	\$511,880.00		
GAAP Change in Net Position	\$588,202.00	\$82,191.00	\$447,177.00		
Grants, Capital Contributions, Transfers In	\$544,340.00	\$89,227.00	\$511,880.00		
Change in Net Position (2017 Statute)	\$43,862.00	\$(7,036.00)	\$(64,703.00)		
Net Pension and OPEB Asset		\$-00	\$-00		
Net Pension and OPEB Liability		\$157,888.00	\$100,467.00		
Change in Net Position (2018 Statute)			(\$122,124.00)		





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: City of Jellico

Staff Summary:

The City was referred to the Water and Wastewater Financing Board for financial distress for fiscal years 2017 and 2018. The City is in the process of creating a municipal energy authority, to which it will then transfer Jellico Electric. Upon completion of this process, to the City will eventually transfer the water and sewer fund to the energy authority as well.

The City has not increased its water rates since 2015 and its sewer rates since 2012. Its current rates are listed in the following pages. Brown, Jake, & McDaniel, PC. is currently performing a rate study and creating a 10-year capital asset plan for the utility system. The City is also working with TVA on a joint cost study.

Staff Recommendation:

Order the City to comply with the following:

1. By March 1, 2020, the City shall provide Board staff with the completed rate study, joint cost study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
2. The City shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2020, until the Board releases the City from its oversight.
3. Board staff is given the authority to grant one extension of up to six months of the March 1, 2020, deadlines upon a showing of good cause by the City.

WWFB Financial Questionnaire

Utility: City of Jellico Water System

Instructions: Please submit the following information.

1. Five-year history of your rates (all rate classes and types). See attachment [Water & Sewer Rates](#)
2. Five-year history of all utility fees (include records of how you rationalized charges for: tap fees, reconnection fees, etc.). See attachment [Schedule of Rates & Fees](#). Discussed with accounting department, no records exist for the rationalization for the water and wastewater fee charges. These fees have been on record for several years.
3. The current customer contract used for new service accounts. See attachments (1) [Application for \(business - Corp-LLC\) office](#) (2) [Application for \(business-Sole Prop-Partner\) office](#) (3) [Application for \(individual\) office](#).
4. Most current three-months of balance sheet and income statements (accounts must be broken out by water and sewer **if applicable**; you may need to estimate or use percentage for each).
 - a. See attachments listed below:
 - i. [201903 JELICO_WATER_SEWER_FINANCIALS](#)
 - ii. [201904 JELICO_WATER_SEWER_FINANCIALS](#)
 - iii. [201905 JELICO_WATER_SEWER_FINANCIALS](#)
5. A copy of your debt management policy. Currently no debt management policy.
6. A copy of your capitalization policy (by which you decide whether you capitalize versus expense items). Currently no capitalization policy exists. The Utility uses a rule of thumb of capitalizing when the value is \$500 or greater.

Instructions: Please respond to each question below with detailed answers.

1. **Do you have a plan to remedy your financially distressed position?** No current written plan.
 - a. **If so, please provide a detailed copy.**
 - b. **If not, please provide a detailed explanation.** Currently Jellico Water System is in the process of the following:
 - i. Water & Sewer Rate Study with Brown, Jake, & McDaniel, PC. Status: In Progress.
 - ii. 10-Year Capital Asset Plan with McGill & Associates. Status: In Progress.
 - iii. Joint Cost Study with Jellico Water System and TVA. Status: Complete.
2. Who has the authority to set rates and fees? Currently the Board of Mayor and Aldermen. Do you have a board or committee separate from your local legislative body (board of mayor and aldermen, etc.)? No, but Jellico Electric is currently pursuing to become a Municipal Energy Authority, named Jellico Utilities, and an Authority Board has been selected. The next step is to bring the Water & Wastewater System into the Municipal Energy Authority.
3. How many customers do you have currently? Please break out by metered, non-metered, billed and un-billed, and class (residential, commercial, etc.).
Water approximately 1,700 active customers.
Sewer approximately 870 active customers.
 Break customer list by: Data analyzed from August 2019 Billing.
 - i. Metered: Water 1700 Customers and Sewer 870 Customers.
 - ii. Non-Metered: 9 Customers Fire Protection
 - iii. Billed: 1700 Customers
 - iv. Unbilled: 521 Inactive Customers. 1 Active Customer (Jellico Sewer Plant).
 - v. Class
 1. Residential: Water Active Accounts 1,494
 2. Commercial: Active Accounts 206
4. What percentage of your sales do the largest ten (10) customers (by volume and by revenue) represent on a yearly basis? Data was analyzed from September 2018 through August 2019. The top 10 **Water** Customers as a percentage of **revenue** represent approximately **32.07%**. The

WWFB Financial Questionnaire

Utility: City of Jellico Water System

top 10 Sewer Customers as a percentage of revenue represent 47.63%. The top 10 Water Customers as a percentage of volume represent approximately 57.69%. The top 10 Sewer Customers as a percentage of volume represent 46.69%. See attached spreadsheet [Top 10 Customers Revenue Volume](#).

5. Do you have plans for a rate increase or decrease? Yes
 - a. If yes, has your board voted on it? No
 - i. Please attach the relevant minutes that show all discussion and votes.
 1. See attachments
 - a. [Minutes 20120312](#)
 - b. [Minutes 20120612](#)
 - c. [Minutes 20170117](#)
 - d. [Minutes 20180327](#)
 - e. [Minutes 20190430](#)
 - f. [Audit Report 2005-2018](#) (Water & Wastewater System has been operating with a loss (Excluding Grants) for several years dating back to 2005.
 - b. If no, please attach the minutes where the relevant discussion and vote took place to not change the current rate structure.
6. What is the justification for the current structure of your rates? Historical block rates to provide revenues sufficient to support expenses, debt service, and maintenance of the system annually.
7. Do you have written policies for rates and fees (how they are implemented and billed, including adjustments)? No current policy for rates and fees.
 - a. If so, please provide a list of the applicable policies. See [Schedule of Rates & Fees](#), [Jellico Electric Rules & Regulations](#), and [Jellico Electric](#), these policies will apply where applicable to water & wastewater. See policy for Water Leak Adjustment, attachment [Water Leak Policy](#).
 - b. How often do you review these policies? Annually.
8. How do you make customers aware of the rates and fees you have in place? Available on Website www.jellicoutilities.com
9. Do you have a capital asset plan/budget? Yes, Budget. McGill Engineering is currently working on a 10-year Capital Asset Plan for both Water & Sewer.
 - a. If so, how long does it forecast (5-year, 10-year, etc.)? The plan will be for 10 years.
 - b. If you do not have a capital asset plan/budget, please justify why you do not.
10. Do you review your capital asset list? Yes.
 - a. If so, please indicate the frequency it is reviewed (annually, semi-annually, etc.) and who reviews the list. Annually, Jellico Water System Management and Auditors.
 - b. If you do not review your capital asset list, please justify why you do not.
11. Do you have any environmental issues currently or forthcoming that will put a financial burden on the system? Drought conditions or heavy rainfall places burdens on the Water and Wastewater Systems.
12. Do you have a leak adjustment policy? Yes, currently using SERVLIN, an insurance provider, for leak adjustments, therefore Jellico Water System does not give leak adjustments to customers. Servline pays Jellico Water System for qualified leaks. See attachment [Water Leak Policy](#).
 - a. If so, what is the average yearly amount adjusted in gallons, cost to produce (or purchase), and lost revenue?
 - i. Adjustment in Gallons is zero.
 - ii. Cost to produce: See question 16 (a) (i).
 - iii. Lost Revenue due to leak adjustment is zero.
 - b. Please attach a copy of the policy. See attachment [Water Leak Policy](#)

WWFB Financial Questionnaire

Utility: City of Jellico Water System

13. Have you already, or do you plan to incur any new debt during the current fiscal year? No.
- a. If so, please provide a detailed explanation.
14. Have you already, or do you plan to receive any grants or capital contributions during the current fiscal year? Yes.
- a. If so, please provide a detailed explanation.
Currently working on the following Grants:
- i. CDBG \$525,000.00 (Water)
 - ii. ARC \$300,000.00 (Water)
 - iii. AML \$200,000.00 (Water)
15. Have you applied for grants that will be received over the next two years? Yes.
- a. If so, please provide a detailed explanation.
- i. TNECD - Infrastructure Planning Grant (Sewer \$45,000.00).
16. Do you produce or purchase your water supply? Produce.
- a. If you produce your own water,
- i. What is the cost per thousand to produce? See [Treatment Cost per 1K](#).
\$2.56 / thousand (without line loss absorption).
\$4.27 / thousand (with line loss absorption).
- b. If you purchase your water,
- i. What is the cost per thousand? N/A
 - ii. Do you have a long-term purchase contract in place? N/A
17. Do you have any wholesale customers? Yes (Whitley County Water District)
- a. Do you have written contracts with those customers? Yes.
18. What is your current non-revenue water percentage? 49%. See attached spreadsheet [Top 10 Customers Revenue Volume](#) (Tab WaterLossFY2019 and WaterLossFY2020) the percentage falls to approximately 33% when the following is excluded In House Consumption, Fire Dept, Flushing, Adj.
- a. Do you have any plans for improving your non-revenue water percentage? Yes.
- b. If so, please provide a detailed explanation. Improved metering (10-year meter replacement) and obtaining grants to improve distribution lines to reduce water leaks.
19. With respect to your governing board, how frequently do you meet and what is your practice of providing notice of your meetings? Monthly, last Tuesday of the month at 5:30pm. Notice is provided via posting at Municipal Building and Website.
20. Has your governing body met the applicable training requirements? No. In progress.
- a. Please provide a list of Board members and their election/appointment dates.
Currently the governing body for the Water & Wastewater System is the City Council until such time the Water & Wastewater System can be moved into the Municipal Energy Authority.
- List of Current Governing Body:
- i. Mayor Dwight Osborn
 - ii. Vice Mayor Jerry Neal
 - iii. Alderman Stan Marlow
 - iv. Alderman Suzette Davenport
 - v. Alderman Sandy Terry
 - vi. Alderman Sarah McQueen
- b. Please review the training requirements at <https://www.comptroller.tn.gov/WWFB/>

WWFB Financial QuestionnaireUtility: City of Jellico Water System*I hereby certify that the information provided is true and correct to the best of my knowledge.*Signature:  Title: General Manager Date: 10-11-2019

Please mail, e-mail(preferred), or fax copies of any documentation to:

Water & Wastewater Financing Board
ATTN: John Greer
Fourth Floor Cordell Hull Building
425 Fifth Avenue North
Nashville, Tennessee 37243
Phone: (615) 747-5260
Fax: (615) 741-1551
utilities@cot.tn.gov

Kingston

Utilities Offered:	Water and Sewer	County:	Roane	Utility Fund:	Water and Sewer
	2016	2017	2018		
Revenues	\$3,362,551.00	\$3,338,780.00	\$3,333,157.00		
Expenses	\$3,054,263.00	\$3,175,159.00	\$3,175,105.00		
Depreciation	\$637,210.00	\$668,822.00	\$671,333.00		
Operating Income	\$308,288.00	\$163,621.00	\$158,052.00		
Non-Operating Revenues(Expenses)	\$(150,611.00)	\$(175,975.00)	\$(179,906.00)		
Grants, Capital Contributions, Transfers	\$153,065.00	\$576,102.00	\$-00		
GAAP Change in Net Position	\$310,742.00	\$563,748.00	\$(21,854.00)		
Grants, Capital Contributions, Transfers In	\$153,065.00	\$576,102.00	\$-00		
Change in Net Position (2017 Statute)	\$157,677.00	\$(12,354.00)	\$(21,854.00)		
Net Pension and OPEB Asset		\$61,778.00	\$98,266.00		
Net Pension and OPEB Liability		\$-00	\$35,551.00		
Change in Net Position (2018 Statute)			(\$22,791.00)		





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: City of Kingston

Staff Summary:

The City was referred to the Water and Wastewater Financing Board for financial distress for fiscal years 2017 and 2018. The City operates a water and sewer system.

The City has not had a rate study and has no plans to raise rates at this time, but is reviewing and updating all policies and procedures. Staff believes that a payment in lieu of taxes paid by the utility fund to the general fund may be excessive, and an independent party should verify the information. The utility fund is paying a large amount for contract labor in financial administration, and Staff was unable determine who is actually doing the work.

Staff Recommendation:

Order the City to comply with the following:

1. The City 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 current capitalization policy;
 - b. a justification of personnel costs related to financial administration of the water and sewer fund, or if no justification is possible, a recommendation for reducing costs;
 - c. recommendations for updates to the policies and procedures manual;
 - d. a justification for the PILOT made annually to the general fund, or if no justification is possible, a recommendation to reduce or eliminate the PILOT;
 - e. a justification of the discrepancy between rates for customers inside the City as opposed to outside the City, or if no justification is possible, a recommendation involving the consolidation of rate classes; and
 - f. a justification of the discrepancy between fees for customers inside the City as opposed to outside the City, or if no justification is possible, a recommendation involving a uniform fee.
2. By December 31, 2019, 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 January 31, 2020, the City shall send Board staff proof that all its board members have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).
4. By May 1, 2020, the City shall provide Board staff with the completed rate study and all resulting recommendations. After notification of Staff's approval of the resulting recommendations, the City shall implement them within 60 days.

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 City.

WWFB Financial Questionnaire

1. **Five-year history of your rates (all rate classes and types)**

See Appendix A (Five Year Rate/Fee Schedule)

2. **Five-year history of all utility fees (include records of how you rationalized charges for: tap fees, reconnection fees, etc)**

See Appendix A for the Five-Year History of fees. Our fees were met at an amount that the Water Board felt adequately covered the cost we incur, including materials and labor. As our costs continue to increase, management will make recommendations to the Board for any increases deemed to be necessary.

3. **The current customer contract used for new service accounts**

See Appendix B (Customer Contract)

4. **Most current three-months of balance sheets and income statements (accounts must be broken out by water and sewer if applicable; you may need to estimate or use a percentage for each)**

See Attached (Balance Sheets)

5. **A copy of your debt management policy**

See Appendix C (Debt Management Policy)

6. **A copy of your capitalization policy (by which you decide whether you capitalize versus expense items)**

See Appendix D (Capitalization Policy)

1. Do you have a plan to remedy your financially distressed position?
- a. If so, please provide a detailed copy.
 - b. If not, please provide a detailed explanation.

Operationally, our utility is not financially distressed. For FY 18-19, our actual revenues exceeded our expenditures by over \$600,000. However, over the last two years, we have seen small audited losses due to factors such as depreciation. Because of this, management has

advised the Board of the need to increase revenue enough to cover future adjusted losses. Further, management will be recommending that the Board resume making small, incremental increases each year to both cover the increase in normal operational cost and begin to establish the capital funding necessary to support the infrastructure replacement plan that we will soon begin developing.

2. Who has the authority to set rates and fees? Do you have a board or committee separate from your local legislative body (board of mayor and aldermen, etc.)?

The Kingston Water Department rates and fees are set by the Kingston Water Board

3. How many customers do you have currently? Please break out by metered, non-metered, billed and un-billed, and class (residential, commercial, etc.)?

See Attached (Totals by Service By Cust Type)

4. What percentage of your sales do the largest ten (10) customers (by volume and by revenue) represent on a yearly basis?

See Attached (Top 10 Customers)

5. Do you have plans for a rate increase or decrease?

- a. If yes, has your board voted on it?

Please attach the relevant minutes that show all discussion and votes.

- b. If no, please attach the minutes where the relevant discussion and vote took place to not change the current rate structure.

The Kingston Water Board voted not to increase or decrease the rates for this fiscal year. Minutes and Budget attached

6. What is the justification for the current structure of your rates?

Our rates are set at amount necessary to both cover the operational expenses of the utility and maintain an adequate fund balance.

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

- a. If so, please provide a list of the applicable policies.
- b. How often do you review these policies?

We are currently in the process of re-writing our operational policies, which will include topics such as billing procedures. In the interim, our existing policies are attached. Per Board directive, we do not offer adjustments.

8. How do you make customers aware of the rates and fees you have in place?
- a. Is this done at least annually? If not, please explain

Once the annual budget has passed a copy of the minutes including the budget are published on our website (www.kingstontn.gov) including the current water rates. A copy of the rate schedule are available in our office during normal business hours.

9. Do you have a capital asset plan/budget?
- a. If so, how long does it forecast (5-year, 10-year, etc.)?
- b. If you do not have a capital asset plan/budget, please justify why you do not.

We do have a 5-year capital asset plan

10. Do you review your capital asset list?
- a. If so, please indicate the frequency it is reviewed (annually, semi-annually, etc.) and who reviews this list.
- b. If you do not review your capital asset list, please justify why you do not.

We do maintain a capital asset list which is reviewed annually and/or when changes need to be made. This is the responsibility of the Finance Department (Michelle Kelley)

11. Do you have any environmental issues currently or forthcoming that will put a financial burden on the system?

We do not currently have any environmental issues nor do we anticipate any that will put a financial burden on the system.

12. Do you have a leak adjustment policy?
- a. If so, what is the average yearly amount adjusted in gallons, cost to produce (or purchase), and lost revenue?
- b. Please attach a copy of the policy
- See Attached Leak Policy. We currently offer Servline Leak Protection to our residential and a majority of Commercial Accounts. Those not eligible for Servline Leak Insurance would fall under the Kingston Water Department Leak adjustment policy.

13. Have you already, or do you plan to incur any new debt during the current fiscal year?
- a. If so, please provide a detailed explanation.

We have not incurred nor do we plan to incur any new debt during the current fiscal year.

14. Have you already, or do you plan to receive any grants or capital contributions during the current fiscal year?
- a. If so, please provide a detailed explanation.

We have not received nor do we plan to receive any grants or capital contributions during the current fiscal year.

15. Have you applied for grants that will be received over the next two years?

- a. If so, please provide a detailed explanation.

We have not applied for any grants

16. Do you produce or purchase your water supply?

- a. If you produce your own water,
What is the cost per thousand to produce?
- b. If you purchase your water,
What is the cost per thousand?
Do you have a long-term purchase contract in place?

The City of Kingston Produces our water supply. The variable production cost for 1 million gallons is 559.51 (This does not include office personnel) We also take into account that approximately 45% of our water is from a Spring Source which has little to no cost. The cost for one thousand (1,000) gallons is approximately \$1.00.

17. Do you have any wholesale customers?

- a. Do you have written contracts with those customers?

The City of Kingston currently services one (1) Wholesale Customer and there is a written contract in place.

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

- a. Do you have any plans for improving your non-revenue water percentage?
- b. If so, please provide a detailed explanation.

Our current Unaccounted water percentage is 17.201% (2018). We currently do not have any foreseeable remedies to improve this number.

19. With respect to your governing board, how frequently do you meet and what is your practice of providing notice to your meetings?

The City of Kingston Water Board meets Monthly (Work Session on the first Tuesday of the month and the Water Board meeting on the second Tuesday of each month). A list of Monthly meetings are published in our local newspaper (The Roane County News), on our City Website (www.kingstontn.gov) and the agendas are published on the City of Kingston's Social Media Site prior to the meetings

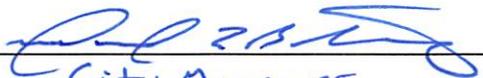
20. Has your governing body met the applicable training requirements?

- a. Please provide a list of Board members and their elections/appointment dates.
- b. Please review the training requirements at <https://www.comptroller.tn.gov/WWFB/>

The Kingston Water Board consists of the following members:

Chairman Tim Neal	appointed	December 1, 2018
Vice-Chairman Tara Stockton	appointed	December 1, 2016
Member Tony Brown	appointed	December 1, 2016
Member Randy Childs	appointed	December 1, 2018
Member Becky Humphreys	appointed	December 1, 2018
Member Stephanie Wright	appointed	December 1, 2016
Member Wiley Brackett	appointed	December 1, 2018

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

Signature: 
 Title: City Manager
 Date: Sept. 11, 2019

Please mail, e-mail (preferred), or fax copies of any documentation to :

Water & Wastewater Financing Board
 ATTN: John Greer
 Fourth Floor Cordell Hull Building
 425 Fifth Avenue North
 Nashville, Tennessee 37243
 Phone: (615) 747-5260
 Fax: (615) 741-1551
 utilities@cot.tn.gov

CITY OF KINGSTON, TENNESSEE WATER AND SEWER DEPARTMENT SCHEDULE OF UTILITY RATES EFFECTIVE BILLING JUNE 30, 2013		
		5% INCREASE
Water Rates Inside		
(Gallons)	2012/2013 Rates	2013/2014 Rates
1000	1000 Gallons	1000 Gallons
First	\$8.99	\$9.44
OVER	\$8.22	\$6.54
1000		
Water Rates Outside		
(Gallons)	New Rates	New Rates
1000	1000 Gallons	1000 Gallons
First	\$14.10	\$14.81
OVER	\$12.44	\$13.07
1000		
EAST ROANE		
PR 1000 GAL.	New Rates	New Rates
	\$1.79	\$1.88
Sewer Rates Inside		
(Gallons)	New Rates	New Rates
1000	1000 Gallons	1000 Gallons
First	\$8.99	\$9.44
OVER	\$8.44	\$8.87
1000		
Sewer Rates Outside		
	New Rates	New Rates
First	\$16.81	\$17.65
Over	\$13.44	\$14.12
1000		
WATER USER FEE		
	New Rates	New Rates
INSIDE RATES/RESIDENTIAL	\$700.00	\$735.00
OUTSIDE RATES/RESIDENTIAL	\$1,400.00	\$1,470.00
IRRIGATION METER SERVICE	\$1,050.00	\$1,100.00
MOBILE HOMES PER UNIT	\$700.00	\$735.00
COMMERCIAL/HOTELS/MOTELS/CAMPGROUNDS/ASSIST.LIVING/NURSING HOMES	\$7,000.00	\$7,350.00
APARTMENT COMPLEX PER METER 3 OR MORE UNITS	\$500 EACH	\$525 EACH
COMMERCIAL/PHYSICIAN OFFICE /CAR WASH	\$1,490.00	\$1,550.00
COMMERCIAL/RESTAURANTS/CHURCHES W/KITCHEN	\$1,490.00	\$1,550.00
FIRE TAP FOR SPRINKLER SYSTEM		\$250.00
SEWER USER FEES		
	New Rates	New Rates
INSIDE RATES/RESIDENTIAL	\$1,000.00	\$1,050.00
OUTSIDE RATES/RESIDENTIAL	\$2,025.00	\$2,125.00
COMMERCIAL/HOTELS/MOTELS/CAMPGROUNDS/ASSIST.LIVING/NURSING HOMES	\$10,050.00	\$10,500.00
COMMERCIAL/RESTAURANTS/CHURCHES W/KITCHEN	\$2,000.00	\$2,100.00
COMMERCIAL/PHYSICIAN OFFICE	\$2,000.00	\$2,100.00
NEW METER SERVICE CHARGE	\$125.00	\$125.00

ACCOUNTING POLICIES**A. Capitalization and Depreciation**

The following items will be capitalized in the General Fixed Assets Account Group:

1. Land	\$	1	Capitalized Only
2. Land Improvements	\$	25,000	
3. Buildings	\$	50,000	
4. Building Improvements	\$	50,000	
5. Roads and Bridges	\$	250,000	
6. Vehicles	\$	5,000	
7. Machinery and Equipment	\$	5,000	
8. Furniture and Fixtures	\$	5,000	
9. Construction in Progress	\$	1	Capitalized Only

B. Tracking and Inventory

The following items will be tracked and inventoried:

1. Land	\$	1
2. Land Improvements	\$	1
3. Buildings	\$	1
4. Building Improvements	\$	1
5. Roads and Bridges	\$	50,000
6. Vehicles	\$	500
7. Machinery and Equipment *	\$	500
8. Furniture and Fixtures*	\$	500
9. Construction in Progress	\$	1

*These items will be subjected to a dollar value test and/or life expectancy test. (See Section E)

Capital Assets of Local Governments- Suggested Useful Lives

<u>Asset Type</u>	<u>Examples</u>	<u>Depreciable Life in Years</u>
Furniture, Office Equipment	Desks, Tables, Chairs	5
Computer Hardware	Monitors, CPU, Printer	5
Telephone Equipment		10
Motor Vehicles		
Cars and Light Trucks		5
Police		3
Fire Trucks		15
Buildings		
HVAC Systems	Air Conditioners, Heating, Ventilation Systems	40
Roofing		20
Carpet Replacement		7
Electrical/Plumbing		30
Kitchen Equipment	Appliances	12
Heavy Construction Equipment	Backhoes, Trucks, Dozers, Front-End Loaders,	5-10
Engineering, Scientific Equipment	Lab Equipment	10
Firefighting Equipment	Ladder, Hoses	10
Police Special Equipment		10
Medical Equipment		5
Traffic Control Equipment	Stoplights	10
Radio, Communications Equipment	Mobile, Portable Radios	10
Recreational, Athletic Equipment	Weight Machines, Mats, Golf Carts, Treadmills	10
	Tackling Sled, Pitching Machines	10
Library Books	Collections	5-7
Outdoor Equipment	Playground Equipment, Scoreboards, Bleachers	20
Custodial Equipment	Floor Scrubbers, Vacuums, Other	12
Grounds Equipment	Mowers, Tractors and Attachments	15
Land Improvements- Structure	Parking Lots, Sidewalks, Bus Ramp, Fencing,	20
	Running Track, Flagpole,	
Land Improvements- Ground Work	Ball Fields, Park Landscaping	30
Land		No Depreciation
Sewerage Treatment Plants		25
Infrastructure		
Easements		No Depreciation
Drainage Systems		25
Water Systems		25
Sewerage Disposal Works System		25
Roads		
Paved		40
Asphalt		20
Non-Paved		50

ORDINANCE No. 19-6-11-3

**AN ORDINANCE OF THE
CITY OF KINGSTON, TENNESSEE
ADOPTING THE ANNUAL BUDGET AND TAX RATE
FOR THE FISCAL YEAR BEGINNING JULY 1, 2019 AND ENDING JUNE 30, 2020**

WHEREAS, Tennessee Code Annotated § 9-1-116 requires that all funds of the State of Tennessee and all its political subdivisions shall first be appropriated before being expended and that only funds that are available shall be appropriated; and

WHEREAS, the Municipal Budget Law of 1982 requires that the governing body of each municipality adopt and operate under an annual budget ordinance presenting a financial plan with at least the information required by that state statute, that no municipality may expend any moneys regardless of the source except in accordance with a budget ordinance and that the governing body shall not make any appropriation in excess of estimated available funds; and

WHEREAS, the Governing Body has published the annual operating budget and budgetary comparisons of the proposed budget with the prior year (actual) and the current year (estimated) in a newspaper of general circulation not less than ten (10) days prior to the meeting where the Board will consider final passage of the budget.

WHEREAS, the Water and Sewer Board of the City of Kingston, Tennessee, is charged with providing pure and safe potable water for its customers; and

NOW THEREFORE BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF KINGSTON, TENNESSEE AS FOLLOWS:

SECTION 1: That the governing body projects anticipated revenues from all sources and appropriates planned expenditures for each department, board, office or other agency of the municipality, herein presented together with the actual annual receipts and expenditures of the last preceding fiscal year and the estimated annual expenditures for the current fiscal year, and from those revenues and unexpended and unencumbered funds as follows for fiscal year 2020, and including the projected ending balances for the budget year, the actual ending balances for the most recent ended fiscal year and the estimated ending balances for the current fiscal years:

Water Sales	1,944,282	2,070,414	2,075,486
Sewer Fees	1,253,441	1,282,748	1,285,270
Tap Fees	20,490	75,045	80,000
Miscellaneous Othe	107,904	132,357	141,500
	<u>3,326,117</u>	<u>3,560,564</u>	<u>3,582,256</u>

		Estimated	
WATER & SEWER FUND	Actual	Actual	Budget
	FY 2018	FY 2019	FY 2020
Cash Receipts			
Water Sales	\$ 1,944,282	\$ 2,070,414	\$ 2,075,486
Sewer Fees	1,253,441	1,282,748	1,285,270
Installation Charges and User Fees	69,881	133,050	140,000
Other Revenue	58,513	74,352	81,500
Total Cash Receipts	\$ 3,326,117	\$ 3,560,564	\$ 3,582,256
Appropriations			
General Government	302,454	402,548	427,193
Capital Improvement	324,364	111,531	135,000
Debt Service	152,415	656,904	588,409
Purification	554,649	590,215	635,457
Transmission and Distribution	659,253	655,118	737,671
Utility Director	61,274	65,911	71,012
Sewer Treatment and Disposal	421,848	463,129	630,452
Transfers Out - to other funds (PILOT)	462,065	485,168	485,170
Total Appropriations	\$ 2,938,322	\$ 3,430,524	\$ 3,710,364
Change in Cash (Receipts - Approp.)	387,795	130,040	(128,108)
Beginning Cash Balance July 1	981,870	1,369,665	1,499,705
Ending Cash Balance June 30	\$ 1,369,665	\$ 1,499,705	\$ 1,371,597
Ending Cash as a % of Total Cash Appr.	46.6%	43.7%	37.0%

Fund 413 Water And Sewer
Statement of Proposed Revenues
Fiscal Year Ending June 30, 2020
Account Number

	2018 Actual	2019 Original Budget	2019 Actual	City Mgr Proposed 2020	Council Approved
36100 Interest Income	7,732	8,000	6,205	8,000	
37110 Metered Water Sales	1,131,806	1,127,140	1,157,003	1,160,828	
37117 Outside Water Sales	812,476	810,000	913,411	914,658	
37191 Penalties	35,340	35,000	31,188	35,000	
37194 Sales Of Materials	8,526	10,000	31,859	30,000	
37195 Installation Charges	49,391	60,000	58,005	60,000	
37196 Water User Fees	12,090	15,000	44,895	50,000	
37199 Miscellaneous	4,466	5,000	2,742	5,000	
37210 Sewer Service Charges	1,253,441	1,248,780	1,282,748	1,285,270	
37296 Sewer User Fees	8,400	8,000	30,150	30,000	
37299 Miscellaneous	2,449	3,500	2,358	3,500	
Total	3,326,117	3,501,616	3,560,564	3,582,256	

Fund 413 Water And Sewer Expenditures
Statement of Proposed Operations
Fiscal Year Ending June 30, 2020
Estimated/Approved/Actual
Account Number

	2018 Actual	2019 Original Budget	2019 Actual	City Mgr Proposed 2020
41500 Financial Administration				
41500-200 Contract Operations	462,065	485,170	485,168	485,170
Total Financial Administration	462,065	485,170	485,168	485,170
41990 General Government				
41990-111 Salaries - Permanent Employee:	0	81,405	80,410	83,891
41990-112 Overtime	0		498	2,500
41990-134 Christmas Bonus	9,046	11,000	9,364	8,500
41990-136 Air E-Vac Insurance	825	940	935	940
41990-141 Oasi (Employer's Share)	3,739	6,885	9,830	10,485
41990-142 Hospital And Health Insurance	7,871	37,962	36,547	28,102
41990-143 Retirement	1,969	4,065	3,984	3,445
41990-146 Workmen's Compensation	49,526	55,000	55,000	55,000
41990-147 Unemployment Insurance	0	2,500	0	1,000
41990-161 Board Members	16,800	16,800	16,800	16,800
41990-239 Tmi, Associations & Dues	12,336	11,000	10,571	12,000
41990-245 Telephones & Pagers	35,219	37,680	18,182	19,500
41990-252 Legal Services	25,801	25,343	25,345	25,343
41990-253 Auditing Services	17,500	17,500	17,500	17,500
41990-255 Data Processing Services	28,519	24,000	24,854	36,000
41990-259 Drug Testing	95	400	0	400
41990-280 Travel	304	4,000	325	5,000
41990-510 Property & Liability Insurance	86,296	87,000	88,481	90,000
41990-516 Insurance Deductible Sewer Ba	3,442	10,000	2,736	9,787
41990-741 Bad Debt Expense	503	1,000	1,186	1,000
41990-932 Engineering Costs	2,663	0	0	0
Total General Government	302,454	434,480	402,548	427,193

43750 Capital Improvements				
43750-262	Equipment Maintenance	57,214	0	0
43750-270	Infiltration Inflow Program	126,292	0	95,000
43750-391	Water Meters	7,117	0	14,000
43750-901	Vehicle T&D	4,730	0	26,000
43750-932	Engineering Costs	0	36,000	48,590
43750-940	Capital Equipment	80,498	40,000	29,380
43750-942	Equipment	48,513	35,000	33,561
	Total Capital Improvements	324,364	111,000	111,531
48000 Debt Service				
49000-540	Depreciation	0	0	0
49000-610	Bond Payments	0	462,909	0
49000-631	Interest	152,415	134,000	183,995
49000-645	Rda Loans Payable	0	0	57,909
49000-690	Tml Loan Principal Payments	0	0	415,000
	Total Debt Service	152,415	596,909	656,904

52113 Purification					
52113-111	Salaries - Permanent Employee:	199,866	181,315	213,621	193,799
52113-112	Overtime	38,692	40,000	38,996	40,000
52113-141	Oasi (Employer's Share)	17,563	16,935	18,545	16,943
52113-142	Hospital And Health Insurance	53,296	55,130	68,970	52,840
52113-143	Retirement	13,423	6,340	8,270	8,045
52113-231	Legal Notices & Ads	1,917	2,000	0	2,000
52113-235	Education	755	3,000	1,306	3,000
52113-241	Electric	85,715	101,215	106,789	108,830
52113-244	Natural Gas	173	800	175	500
52113-262	Equipment Maintenance	39,612	50,000	39,000	50,000
52113-265	Grounds Maintenance	7,942	8,000	2,873	8,000
52113-266	Building Maintenance	1,882	8,000	3,331	8,000
52113-280	Travel	1,119	2,000	2,077	2,200
52113-320	Operating Supplies	7,073	9,000	5,421	7,500
52113-322	Chemicals & Lab Supplies	78,613	81,249	69,699	83,000
52113-326	Uniforms & Safety Boots	5,175	4,000	5,692	4,000
52113-331	Gasoline	1,454	2,500	2,547	3,000
52113-344	Safety Supplies	0	1,500	687	1,500
52113-348	Safety Incentive	379	2,300	2,216	2,300
52113-940	Capital Equipment	0	0	0	40,000
Total Purification		554,649	575,284	590,215	635,457

52114 Transmission And Distribution

52114-111	Salaries - Permanent Employee:	303,060	303,112	297,539	339,485
52114-112	Overtime	43,544	52,000	48,313	52,000
52114-141	Oasi (Employer's Share)	25,619	28,725	25,475	27,448
52114-142	Hospital And Health Insurance	91,695	107,602	102,278	126,103
52114-143	Retirement	20,800	12,300	11,932	13,849
52114-235	Education	6,385	6,250	2,661	6,250
52114-241	Electric	18,352	12,000	5,982	12,000
52114-244	Natural Gas	3,061	2,500	2,567	2,500
52114-262	Equipment Maintenance	18,177	25,000	15,552	28,142
52114-265	Grounds Maintenance	4,391	2,000	1,500	2,000
52114-280	Travel	5,027	5,500	413	5,500
52114-320	Operating Supplies	14,314	25,000	28,128	20,000
52114-326	Uniforms & Safety Boots	3,416	6,000	2,873	6,000
52114-331	Gasoline	18,319	21,000	19,634	21,000
52114-338	Repair Parts For Water Or Sewe	50,939	58,000	67,921	41,394
52114-344	Safety Supplies	1,015	1,500	0	1,500
52114-348	Safety Incentive	1,000	2,500	0	2,500
52114-451	Stone,Patching,Road Cuts	10,139	30,000	22,350	30,000
52114-940	Capital Equipment	20,000	0	0	0
Total Transmission And Distribution		659,283	700,989	655,118	737,671

52117 Utility Director

52117-111	Salaries - Permanent Employee:	45,771	52,330	49,744	52,330
52117-141	Oasi (Employer's Share)	3,476	3,900	3,782	3,900
52117-142	Hospital And Health Insurance	6,140	5,972	6,441	5,972
52117-143	Retirement	2,747	1,810	1,712	1,810
52117-239	Tmi, Associations & Dues	950	2,000	0	2,000
52117-280	Travel	0	2,000	1,772	2,000
52117-331	Gasoline	2,190	3,000	2,460	3,000
Total Utility Director		61,274	71,012	65,811	71,012

52213 Sewer Treatment And Disposal					
52213-111	Salaries - Permanent Employees	135,002	147,091	152,364	217,201
52213-112	Overtime	14,291	20,000	16,069	20,000
52213-141	Oasi (Employer's Share)	11,088	12,785	12,621	13,450
52213-142	Hospital And Health Insurance	36,317	55,126	33,272	53,206
52213-143	Retirement	8,836	5,770	5,811	8,535
52213-235	Education	1,405	5,000	4,611	5,000
52213-241	Electric	95,906	90,000	98,958	90,000
52213-262	Equipment Maintenance	1,512	36,000	27,127	36,000
52213-265	Grounds Maintenance	567	2,000	957	2,000
52213-266	Building Maintenance	785	2,000	41	38,000
52213-280	Travel	2,501	4,000	3,211	4,000
52213-320	Operating Supplies	11,390	20,000	10,388	20,000
52213-322	Chemicals & Lab Supplies	63,295	70,000	59,281	70,000
52213-326	Uniforms & Safety Boots	1,273	3,000	1,520	3,000
52213-331	Gasoline	2,904	6,000	3,703	6,000
52213-344	Safety Supplies	664	1,000	263	1,000
52213-348	Safety Incentive	0	2,000	0	2,000
52213-935	Garbage Disposal (Landfills, Inc)	34,112	45,000	32,932	41,060
Total Sewer Treatment And Disposal		421,848	526,772	463,129	630,452
Total		2,938,322	3,501,616	3,430,524	3,710,364
	Beginning Net Position	15,446,728		15,834,523	15,964,563
	Revenues	3,326,117		3,560,564	3,582,256
	Expenditures	2,938,322		3,430,524	3,710,364
	Excess (Deficit)	387,795		130,040	(128,108)
	Ending Net Position	15,834,523		15,964,563	15,836,455

Fund 122 Drug Fund

Statement of Proposed Operations

Fiscal Year Ending June 30, 2020

Estimated/Appropriated/Actual

Account Number

**2018 Actual 2019 Actual City Mgr
Proposed
2020**

Revenues

35140	Drug Fines	6,682	16,757	16,000
36000	Fund Balance & Other Rev.	0	0	8,000
	Total	6,682	16,757	24,000

Expenditures

42122	Drug Fund			
42122-235	Education	1,220	0	1,000
42122-253	Auditing Services	0	1,000	1,000
42122-260	Contract/Services	0	0	1,000
42122-320	Operating Supplies	8,823	497	3,000
42122-344	Safety Supplies	4,009	0	1,000
42122-390	Other Operating Expendit	0	1,060	1,000
42122-940	Capital Equipment	2,038	6,169	16,000
	Total Drug Fund	16,090	8,726	24,000

Beginning Fund Balance	14,834	5,426	13,457
Revenues	6,682	16,757	24,000
Expenditures	16,090	8,726	24,000
Excess (Deficit)	(9,408)	8,031	0

Ending Fund Balance	5,426	13,457	13,457
----------------------------	--------------	---------------	---------------

Metro Nashville-Davidson County Water and Sewer Department

Utilities Offered:	Water and Sewer	County:	Davidson	Utility Fund:	Water and Sewer
		2016	2017	2018	
Revenues		\$217,358,507.00	\$218,400,714.00	\$223,840,989.00	
Expenses		\$195,050,648.00	\$197,585,938.00	\$193,592,557.00	
Depreciation		\$82,842,872.00	\$84,931,446.00	\$79,734,863.00	
Operating Income		\$22,307,859.00	\$20,814,776.00	\$30,248,432.00	
Non-Operating Revenues(Expenses)		\$(32,979,817.00)	\$(31,245,569.00)	\$(29,322,473.00)	
Grants, Capital Contributions, Transfers		\$10,221,011.00	\$15,266,044.00	\$2,614,274.00	
GAAP Change in Net Position		\$(450,947.00)	\$4,835,251.00	\$3,540,233.00	
Grants, Capital Contributions, Transfers In		\$22,769,848.00	\$27,846,202.00	\$18,527,603.00	
Change in Net Position (2017 Statute)		\$(23,220,795.00)	\$(23,010,951.00)	\$(14,987,370.00)	
Net Pension and OPEB Asset			\$-00	\$-00	
Net Pension and OPEB Liability			\$5,392,431.00	\$7,443,050.00	
Change in Net Position (2018 Statute)				(\$12,936,751.00)	





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: Metro Nashville

Staff Summary:

On April 17, 2018, the Board ordered Metro Nashville – Davidson County (“Metro Nashville”) to comply with the following:

1. Metro Nashville shall provide an update to Water and Wastewater Financing Board staff with the completed Raftelis rate study, and the implemented or proposed plan of action on or before August 31, 2019.
2. Metro Nashville shall provide an interim update to Water and Wastewater Financing Board staff on the Raftelis rate study on or before August 31, 2018.

Metro Nashville has complied with the above directives. The rate ordinance based on the Raftelis rate study has been passed on first reading. The executive summary of the Raftelis rate study is attached, and staff will provide the entire study upon request.

Staff has discovered since April 2018 that Metro Nashville has been using water and sewer funds to pay general fund debt. While this money was repaid in part periodically, the water and sewer department have been forced to cut much-needed maintenance and capital projects.

Staff Recommendation:

Staff recommendation to follow.

LEGISLATIVE TRACKING FORM

Filing for Council Meeting Date: _____ Resolution Ordinance

Contact/Prepared By: J Snyder / JHoneysucker Date Prepared: 10/21/19

Title (Caption): An ordinance amending sections 15.20.30, 15.20.45, 15.20.110, 15.32.010, 15.32.020, 15.36.020, 15.36.030, 15.36.040, 15.44.010, 15.44.020, 15.48.220, 15.48.300, and 15.52.040 of the Metropolitan Code of Laws.

Submitted to Planning Commission? N/A Yes-Date: _____ Proposal No: _____

Proposing Department: Metro Water Services Requested By: Scott Potter

Affected Department(s): _____ Affected Council District(s): County-wide

Legislative Category (check one):

- | | | |
|--|--|--|
| <input type="checkbox"/> Bonds | <input type="checkbox"/> Contract Approval | <input type="checkbox"/> Intergovernmental Agreement |
| <input type="checkbox"/> Budget - Pay Plan | <input type="checkbox"/> Donation | <input type="checkbox"/> Lease |
| <input type="checkbox"/> Budget - 4% | <input type="checkbox"/> Easement Abandonment | <input type="checkbox"/> Maps |
| <input type="checkbox"/> Capital Improvements | <input type="checkbox"/> Easement Accept/Acquisition | <input type="checkbox"/> Master List A&E |
| <input type="checkbox"/> Capital Outlay Notes | <input type="checkbox"/> Grant | <input type="checkbox"/> Settlement of Claims/Lawsuits |
| <input checked="" type="checkbox"/> Code Amendment | <input type="checkbox"/> Grant Application | <input type="checkbox"/> Street/Highway Improvements |
| <input type="checkbox"/> Condemnation | <input type="checkbox"/> Improvement Acc. | <input type="checkbox"/> Other: _____ |

<p>FINANCE Amount +/-: \$ _____</p> <p>Funding Source: Capital Improvement Budget Capital Outlay Notes Departmental/Agency Budget Funds to Metro General Obligation Bonds Grant Increased Revenue Sources</p>	<p>Match: \$ _____</p> <p>Judgments and Losses Local Government Investment Project Revenue Bonds Self-Insured Liability Solid Waste Reserve Unappropriated Fund Balance 4% Fund Other: _____</p>
<p>Approved by OMB: _____</p> <p>Approved by Finance/Accounts: _____</p> <p>Approved by Div Grants Coordination: _____</p>	<p>Date to Finance Director's Office: _____</p> <p>APPROVED BY</p> <p>FINANCE DIRECTOR'S OFFICE: _____</p>

ADMINISTRATION

Council District Member Sponsors: _____

Council Committee Chair Sponsors: _____

Approved by Administration: _____ **Date:** _____

DEPARTMENT OF LAW Date to Dept. of Law: _____ Approved by Department of Law: _____

Settlement Resolution/Memorandum Approved by: _____

Date to Council: _____ For Council Meeting: _____ E-mailed Clerk

All Dept. Signatures Copies Backing Legislative Summary Settlement Memo Clerk Letter Ready to File

ORDINANCE NO. _____

An ordinance amending sections 15.20.30, 15.20.45, 15.20.110, 15.32.010, 15.32.020, 15.36.020, 15.36.030, 15.36.040, 15.44.010, 15.44.020, 15.48.220, 15.48.300, and 15.52.040 of the Metropolitan Code of Laws.

WHEREAS, the Department of Water and Sewerage Services (“Department”) provides to customers, developers and others numerous services to enhance the quality of water and wastewater services available in its service area; and

WHEREAS, the current charges made by the Department do not permit the full recovery of all costs incurred in the provision of such services; and

WHEREAS, the amendments to Title 15 of the Metropolitan Code set forth herein will permit the fair allocation of costs incurred by the Department in the provision of necessary or useful services and therefore are in the best interests of the Metropolitan Government.

NOW, THEREFORE, BE IT ENACTED BY THE COUNCIL OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY:

SECTION 1: Section 15.20.030(A) of the Metropolitan Code of Laws is amended by replacing the table therein in its entirety with the following:

Tap Size (inches)	Fee (\$)
$\frac{5}{8}$	500
$\frac{3}{4}$	525
1	550
2	1,300
3	2,000
4	3,200
6	5,500
8	8,500
10	11,000
12	11,000

SECTION 2: Section 15.20.045(A) of the Metropolitan Code of Laws is amended by replacing the first sentence thereof with the following:

Notwithstanding any other provision of the Metropolitan Code of Laws to the contrary, there is established a capacity charge of one thousand three hundred seventy-five dollars per unit of flow on all new connections to the public water supply system.

SECTION 3: Section 15.20.110 of the Metropolitan Code of Laws is amended by replacing the first sentence thereof with the following:

The department shall develop and implement a schedule of charges to recover the actual costs of services provided in determining water and sewer service availability, reviewing permit applications, reviewing plans submitted by private entities, or similar services for proposed new connections to the public water or sewer systems intended to serve any use other than one single family residence.

SECTION 4: Section 15.32.010 of the Metropolitan Code of Laws is replaced in its entirety with the following:

There shall be two classes of customers for water service. There shall be a residential class, comprising properties with one or two housing units receiving domestic water service through one meter. All other water customers shall be classified as non-residential.

SECTION 5: Section 15.32.020 shall be replaced with the following:

(A) For the years beginning January 1, 2020 through January 1, 2024, every customer receiving water service from the department shall pay a fixed monthly service charge based on meter size as provided in Table 15.32.020(a) and a monthly water usage charge as provided in Table 15.32.020(b).

Table 15.32.020(a) – Meter Charge

Monthly Service Charge (\$)						
	Year	2020	2021	2022	2023	2024
Meter Size (inches)						
5/8		5.09	5.30	5.45	5.62	5.79
3/4		12.12	12.61	12.98	13.37	13.78
1		15.28	15.89	16.36	16.86	17.36
1.5		26.85	27.92	28.76	29.62	30.51
2		37.91	39.42	40.61	41.82	43.08
3		60.58	63.01	64.90	66.84	68.85
4		137.72	143.23	147.53	151.95	156.51
6		171.93	178.81	184.18	189.70	198.39
8 and 10		223.72	232.67	239.65	246.84	254.24

Table 15.32.020(b) – Water Usage Charge

Charge Per CCF (\$)						
Year	2020	2021	2022	2023	2024	
Residential Usage (ccf)						
0-2	-	-	-	-	-	
2-6	3.50	3.64	3.75	3.86	3.98	
6-10	4.20	4.37	4.50	4.64	4.78	
more than 10	5.25	5.46	5.63	5.80	5.97	
Non-Residential Usage (ccf)						
all	2.75	2.86	2.95	3.04	3.13	

(B) The rates provided in Table 15.32.020(a) and 15.32.020(b) shall be adjusted on January 1, 2025 and on January 1 of each succeeding year by the greater of (a) a percentage equal to the percentage change in the CPI Urban Index (CPI-U) over the preceding year and (b) 2%, unless the change in the CPI-U is negative, in which case there shall be no change for that calendar year. Notice of the annual adjustments to begin on January 1, 2025 shall be provided to each member of the Metropolitan Council, published on the Metropolitan Government’s website and made available to the public in the Metropolitan Clerk’s office at least 30 days before an adjustment goes into effect. Not later than the seventh anniversary of the effective date of this ordinance, and at least every seven years thereafter, the department shall engage a qualified consultant to perform a rate study and analysis to confirm the department’s costs in providing services and determine whether the rates then in effect are fair and reasonable. A copy of such studies shall be provided to each member of the Metropolitan Council, published on the Metropolitan Government’s website and made available to the public in the Metropolitan Clerk’s office.

SECTION 6: Section 15.36.020(A) of the Metropolitan Code of Laws is amended by replacing the table therein in its entirety with the following:

Tap Size (inches)	Fee (\$)
4 or 6	360
8	370
10	380
12	390
15	400

SECTION 7: Section 15.36.030(D) of the Metropolitan Code of Laws is replaced in its entirety with the following:

Any person requesting a letter of availability from the director shall pay a nonrefundable review fee at the time the request for the letter of availability is submitted to the director.

SECTION 8: Section 15.36.040(A) of the Metropolitan Code of Laws is amended by replacing the first sentence thereof with the following:

Notwithstanding any other provision of the Metropolitan Code of Laws to the contrary, there is established a capacity charge of two thousand three hundred dollars per unit of flow on all new connections to the public sewer system.

SECTION 9: Section 15.44.010 of the Metropolitan Code of Laws is replaced with the following:

There shall be two classes of customers for sewer service. There shall be a residential class, comprising properties with one or two housing units receiving domestic water service through one meter. All other sewer customers shall be classified as non-residential.

SECTION 10: Section 15.44.020 of the Metropolitan Code of Laws is replaced with the following:

(A) For the years beginning January 1, 2020 through January 1, 2024, every customer receiving sewer service from the department shall pay a fixed monthly service charge based on water meter size as provided in Table 15.44.020(a) and a monthly sewer usage charge as provided in Table 15.44.020(b).

Table 15.44.020(a) Sewer Service Charge

Monthly Service Charge (\$)						
	Year	2020	2021	2022	2023	2024
Water Meter Size (inches)						
5/8		8.14	8.46	8.72	8.98	9.25
3/4		36.00	37.44	38.56	39.72	40.91
1		46.58	48.44	49.90	51.39	52.94
1.5		90.67	94.30	97.13	100.04	103.04
2		127.38	132.48	136.45	140.55	144.76
3		158.59	164.93	169.88	174.98	180.22
4		449.98	467.97	482.01	496.47	511.37
6		536.44	557.89	574.63	591.87	609.63
8 and 10		686.89	714.36	735.79	757.87	780.60

Table 15.44.020(b) – Sewer Usage Charge

Charge Per CCF (\$)						
Year	2020	2021	2022	2023	2024	
Residential Usage (ccf)						
all	5.85	6.08	6.26	6.45	6.64	
Non-Residential Usage (ccf)						
all	5.85	6.08	6.26	6.45	6.64	

(C) The rates provided in Table 15.44.020(a) and 15.44.020(b) shall be adjusted on January 1, 2025 and on January 1 of each succeeding year by the greater of (a) a percentage equal to the percentage change in the CPI Urban Index (CPI-U) over the preceding year and (b) 2%, unless the change in the CPI-U is negative, in which case there shall be no change. Notice of annual adjustments to begin on January 1, 2025 shall be provided to each member of the Metropolitan Council, published on the Metropolitan Government's website and made available to the public in the Metropolitan Clerk's office at least 30 days before an adjustment goes into effect. Not later than the seventh anniversary of the effective date of this ordinance, and at least every seven years thereafter, the department shall engage a qualified consultant to perform a rate study and analysis to confirm the department's costs in providing service and determine whether the rates then in effect are fair and reasonable. A copy of such studies shall be provided to each member of the Metropolitan Council, published on the Metropolitan Government's website and made available to the public in the Metropolitan Clerk's office.

SECTION 11: There shall be a new section 15.48.035 of the Metropolitan Code of Laws, reading as follows:

A ten percent surcharge shall be added to both the water and the sewer portion of each customer's bill each month, with amounts collected from such surcharge authorized for use in funding water and sewer, capital improvements, and debt obligations related to improvements, alterations, and extensions of the water and sewerage systems.

SECTION 12: Section 15.48.220(B) of the Metropolitan Code of Laws is amended by replacing the first sentence thereof with the following:

Any customer whose water service is disconnected for failing to pay for water or sewer service rendered by the department or failing to follow the requirements of this chapter or the department's rules and regulations must pay a reconnection charge in the amount of sixty dollars.

SECTION 13: Metropolitan Code of Laws § 15.48.300 shall be replaced in its entirety with the following:

The department shall bill and collect a charge of seventy-five dollars from the customer for performing an inspection of each water meter installed under the provisions of the Metropolitan Code of Laws in connection with initiation of water service for a property not previously served by the department.

The department shall develop a schedule of charges for services performed in connection with inspection, maintenance and repair of meters for commercial customers. The schedule of charges shall not exceed the department's actual costs incurred in providing such services. The department shall bill and collect in accordance with the schedule of charges, which may be amended from time to time to reflect changes in the department's actual costs of providing the services contemplated herein. A copy of the schedule of charges, and any change thereto, shall be filed with the Metropolitan Clerk, furnished to each member of the Metropolitan Council and made available upon request to any citizen of Davidson County. Charges under this subsection may be waived pursuant to a written departmental policy encouraging water conservation, environmental stewardship and other practices that benefit the Metropolitan Government.

SECTION 14: Metropolitan Code of Laws § 15.52.040 shall be amended by adding a new subsection C, reading as follows:

The department shall develop a schedule of charges for services performed in connection with private sewer extensions. The schedule of charges shall not exceed the department's actual costs incurred in providing such services. The department shall bill and collect in accordance with the schedule of charges, which may be amended from time to time to reflect changes in the department's actual costs of providing the services contemplated herein. A copy of the schedule of charges, and any change thereto, shall be filed with the Metropolitan Clerk, furnished to each member of the Metropolitan Council and made available upon request to any citizen of Davidson County. Charges under this subsection may be waived pursuant to a written departmental policy encouraging water conservation, environmental stewardship and other practices that benefit the Metropolitan Government.

SECTION 15: This ordinance shall take effect from and after its final passage, the welfare of The Metropolitan Government of Nashville and Davidson County requiring it.

RECOMMENDED BY:



Scott Potter, Director
Department of Water
and Sewerage Services

INTRODUCED BY:

Member(s) of Council

APPROVED AS TO FORM AND
LEGALITY:

Kevin Crumbo, Director
Department of Finance

Metropolitan Attorney

METROPOLITAN COUNTY COUNCIL

Bill No. _____

An ordinance amending sections 15.20.30, 15.20.45, 15.20.110, 15.32.010, 15.32.020, 15.36.020, 15.36.030, 15.36.040, 15.44.010, 15.44.020, 15.48.220, 15.48.300, and 15.52.040 of the Metropolitan Code of Laws.

Introduced _____

Passed First Reading _____

Amended _____

Passed Second Reading _____

Passed Third Reading _____

Approved _____

By _____
Metropolitan Mayor

Advertised _____

Effective Date _____

DAVID BRILEY
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEPARTMENT OF WATER AND SEWERAGE SERVICES
1600 SECOND AVENUE, NORTH
NASHVILLE, TENNESSEE 37208-2206
WWW.NASHVILLE.GOV/WATER

August 27, 2019

Chairwoman Ann Butterworth
Water & Wastewater Financing Board
Cordell Hull Building
425 Fifth Ave. North
Nashville, TN 37243

Dear Ms. Butterworth and Members of the Water & Wastewater Financing Board:

In response to the Order dated April 17, 2018, Metro Water Services is pleased to provide the enclosed Financial Planning and Cost of Service Study. This comprehensive analysis results in recommendations for rate adjustments that will maintain the financial health of the utility well into the future. Metro Water Services intends to accept these recommendations as presented and submit them to Metro Council for approval to be effective January 1, 2020.

Highlights of the recommendations include:

- An updated rate structure based on the cost of service analysis that incorporates needed rate increases for FY 2020 and into the future;
- Multi-period adjustments that ensure we meet out bond coverage commitments and can continue to address our Consent Decree-driven obligations;
- A Water Infrastructure Replacement fee and Sewer Infrastructure Replacement fee that will provide dedicated funding sources for the continual replacement of aging water distribution and sewer collection infrastructure;
- And a perpetual, annual rate increase based on the Consumer Price Index for All Urban Consumers (CPI-U).

Metro Water Services believes these changes will best position the utility to effectively supply, treat, and manage our water resources to the benefit of all who live in our community. Should you have any questions or concerns, please contact Amanda Deaton-Moyer at 615-862-4782 or amanda.deaton-moyer@nashville.gov.

Sincerely,

Scott A. Potter, P.E.
Director, Metro Water Services

Enclosures

cc: The Honorable Mayor David Briley



If you need assistance or an accommodation, please contact Metro Water Services, 1600 Second Avenue North, Nashville, Tennessee 37208 or 615-862-4862.

Metro Water Services of
**NASHVILLE AND
DAVIDSON COUNTY**

**Water and Sewer Financial Planning and
Cost of Service Study**

Revised Executive Summary and Appendix /
October 15, 2019





October 15, 2019

Mr. Scott Potter
Utility Director
MWS Services
Nashville and Davidson County
1600 2nd Avenue North
Nashville, TN 37208

Subject: REVISED Executive Summary and Appendices for the Water and Sewer Financial Plan and Cost of Service Study Report

Dear Mr. Potter,

Raftelis Financial Consultants, Inc. (Raftelis) is pleased to provide this Revised Executive Summary and Appendix for the Water and Sewer Financial Plan and Cost of Service Study for the Nashville and Davidson County Metro Water Services (MWS).

The Water and Sewer Financial Plan and Cost of Service Study Report results dated August 27, 2019 were based on MWS' fiscal year budget cycle of July to June. The original COS analysis assumed a fiscal year implementation of retail rates starting July 1, 2019 for FY2020. Based on the delayed timing of the implementation of rate adjustments to January 1, 2020, larger rate increases are needed than those that are shown in the original report. Given that the rates will only be in place for half the year, and the resulting deficit that would be created by having the revised rates in place for less time, the initial rate increase was revised to match the recommended FY 2021 rates proposed in the original report. Additionally, future rate increases in the original report assumed July 1 (fiscal year) implementation. The rates shown in this Revised Executive Summary reflect the adjustments from fiscal year to calendar year annual increases.

The information and results presented in the Water and Sewer Financial Plan and Cost of Service Study Report have not changed, however, the recommendations from the Report have been updated to reflect MWS's rate implementation timing.

It has been a pleasure working with you, and we thank you and MWS staff for the support provided during the course of this study.

Sincerely,

A handwritten signature in black ink that reads 'Melissa Levin'.

Melissa Levin
Senior Manager

This page intentionally left blank to facilitate two-sided printing.

Executive Summary

Metro Water Services of Nashville and Davidson County (MWS) engaged Raftelis to perform a water and sewer financial planning and cost of service evaluation (Study) to support water and sewer rate recommendations according to commonly-accepted industry practices. The goals and objectives of the Study, as identified by MWS Staff, include developing a thorough understanding of the following items:

- The costs of providing water and sewer service to different customer classes
- Alignment of revenues under the existing rates with the costs of providing service
- Options for implementing tiered residential rates and the impacts of doing so
- Maintaining affordability of service for customers
- Multi-year water and sewer rate projections that support long-term financial needs.

At approximately the same time as MWS' engagement of Raftelis to perform the Study, the Tennessee Comptroller of the Treasury referred MWS to the Water and Wastewater Financing Board (WWFB). The WWFB found MWS' water and sewer fund to be "financially distressed" and directed MWS to provide a completed rate study and the implemented or proposed plan of action to address noted financial deficiencies on or before August 31, 2019.

BACKGROUND

For the past 20 years, MWS' water and sewer rates have been among the lowest for large metropolitan areas in the United States. Prior to the implementation of a three-year programmatic rate increase in 2009, the last time a water rate increase had been proposed and approved was in 1995, with a sewer rate increase in 1996. Water rates were subsequently reduced by 25% for residential customers and a lesser amount for commercial customers in 1999. Since 2011, water and sewer rates have not been adjusted.

MWS has relied on its system growth to provide sufficient revenue to fund utility operations and capital improvement costs, however, the sustained population and service area growth Nashville has experienced over the last two decades, along with increasing regulatory considerations, has required MWS to make substantial and costly infrastructure upgrades. In addition, in March 2009, the Metropolitan Government of Nashville and Davidson County entered a Consent Decree that requires an estimated \$1.5 billion in investment to bring the system into compliance with EPA's CSO Control Policy and minimize System Sewer Overflows.

MWS has reached the point where its capital and operational needs far exceed its expected revenue generation; its existing water and sewer rates no longer suffice.

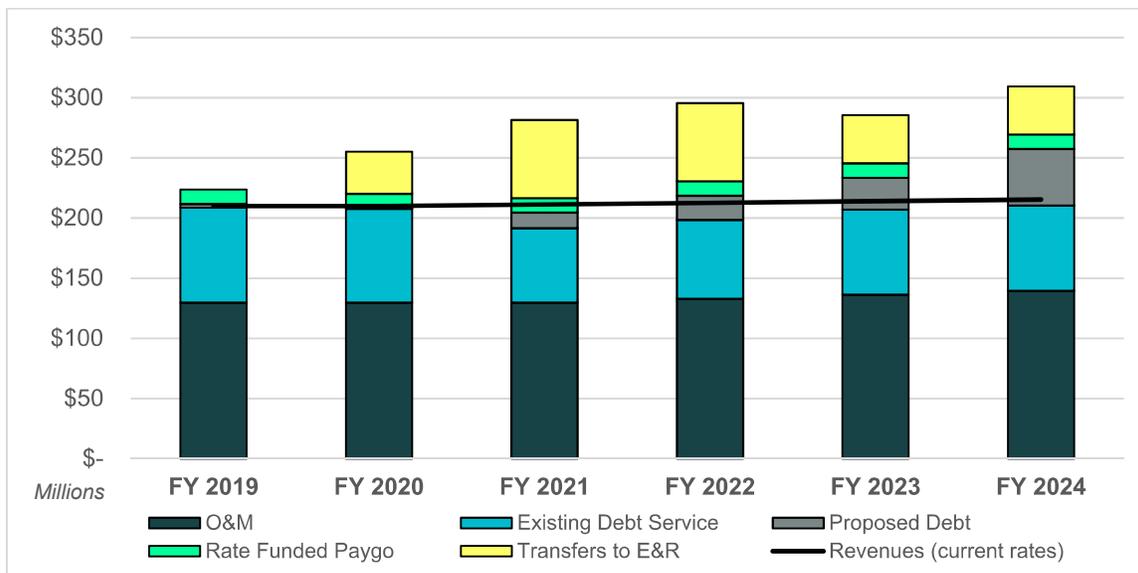
STUDY FINDINGS AND RECOMMENDATIONS

Revenue Sufficiency Under Existing Rates

Raftelis developed a financial plan for MWS that summarizes anticipated revenues and system expenditures for a five-year forecast period (FY 2020 through FY 2024). The financial plan identifies a baseline by calculating potential revenue shortfalls under MWS' existing rates and provides an indication of the additional revenues necessary to support the financial health of the utility.

Based on the financial plan, the level of revenues projected to be generated from MWS' existing rates are insufficient. The figure below shows projected water and sewer operating expenses, debt service, and capital funding in relation to projected revenues under current rates. If FY 2019 rates are held through FY 2024, annual net revenues will be nearly \$45 million short in FY 2020 and will increase to an over \$94 million shortfall in FY 2024.

Figure ES-1: Projected Revenue Sufficiency with No Rate Increases



While annual revenues exceed annual operating expenses (O&M) and existing debt service obligations, MWS will not be able to make needed capital improvements and will be at risk of defaulting on existing bond covenants without future rate increases.

MWS' legal debt covenants that are part of the bond indenture require MWS to maintain revenue at a level sufficient to repay all obligations. These ratios reflect the ability of the utility to repay debt, with higher values demonstrating a greater availability of net revenues being available to pay for debt service. As shown in the following table, Prior Second Lien debt, which includes revenue bonds used in refunding commercial paper, has a legal limit of 1.20x. Subordinate debt, including subordinate lien refunding bonds, requires a lower 1.10x coverage ratio. In addition to the rate covenant ratios, MWS is also required to conduct a two-part additional bonds test based on maximum annual debt service with 1.20x and 1.10x coverage targets in order to issue new debt. In all four cases, MWS is projected to fall short of the targeted coverage levels required within the forecast period.

Table ES-1: Rate Covenant Ratios and Additional Bonds Test

	FY 2019 <i>Estimated*</i>	FY 2020 <i>Projected</i>	FY 2021 <i>Projected</i>	FY 2022 <i>Projected</i>	FY 2023 <i>Projected</i>	FY 2024 <i>Projected</i>
Rate Covenant Ratios						
Prior Second Lien (1.20x Required)	1.67x	1.68x	1.91x	1.48x	1.18x	0.95x
Subordinate (1.10x Required)	1.21x	1.23x	1.37x	1.15x	0.96x	0.80x
Additional Bonds Test						
Part I (1.20x Required)	1.74x	1.36x	1.36x	1.10x	0.90x	0.89x
Part II (1.10x Required)	1.26x	1.08x	1.08x	0.92x	0.77x	0.76x

*Estimated values, FY2019 was unaudited at time of report

Rate increases are required to address the projected shortfall in revenues over for the five-year forecast period. Given the need for the rate adjustments and MWS' objective of determining the costs of providing water and sewer service to different customer classes, Raftelis performed a cost of service evaluation.

Cost of Service Analysis

The basic principle in the establishment of cost of service rates is to achieve equity in the recovery of costs from various classes of customers. The approach used in this Study is based on the principles endorsed by the AWWA and WEF, which allows the MWS to demonstrate rates have not been set in an arbitrary manner and one class of customer is not subsidizing another to an unjustifiable extent, or in a manner that is not approved and supported by MWS. Costs have been allocated between customer classes based on their estimated demand requirements and recognizing the different costs associated with serving different customer classes.

The results of the cost of service evaluation indicate that if MWS' existing rates were uniformly adjusted to recover the system expenditures identified for FY 2020, the revenue from water charges and sewer charges would not appropriately address the associated costs to deliver the respective services. Essentially, for FY 2020, the sewer revenues are subsidizing water expenses. Additionally, the cost of service evaluation indicates that non-residential customer classes are subsidizing the residential class for both water and sewer services.

Alternative Rate Structures

Raftelis considered MWS' programmatic goals and pricing objectives and developed alternative rate structures that are cost of service based, encourage wise water use/conservation, and provide for affordable water for essential residential use. Three rate design scenarios were developed for consideration. Each scenario began with common fixed charges for all classes but differed in the way volume charges were developed. The following table outlines the basic differences between rate scenarios.

Table ES-2: Rate Alternative Scenarios

	Scenario 1	Scenario 2	Scenario 3
Water			
Usage in base charge	0 ccf	2 ccf	2 ccf
Residential volume rate	3 Tiers	3 Tiers	3 Tiers
Non-residential volume rate	Uniform	Uniform	Uniform
Water Infrastructure Replacement Fee	0%	0%	10%
Sewer			
Usage in base charge	0 ccf	2 ccf	2 ccf
Residential volume rate	Uniform	Uniform	Uniform
Non-residential volume rate	Uniform	Uniform	Uniform
Sewer Infrastructure Replacement Fee	10%	10%	10%

Summary of Recommendations

The results of the Study indicate that MWS is in need of significant rate adjustments in the current fiscal year (FY 2020) and future years to meet required operating and capital needs. In addition, the existing rate structure is atypical and does not equitably recover costs from existing customer classes. A rate structure change is needed to address cost of service-related issues.

Based on the results of the Study, three recommendations are proposed.

1. A rate structure change based on the cost of service analysis that incorporates the needed rate increases for FY 2020.¹ The Alternative Rate Structures section of the Final Report details three rate scenarios, of which Scenario 3 is recommended. The following information summarizes the recommended structure.
 - The fixed meter charges are uniform across all customer classes and are cost justified, providing for more equitable cost recovery when compared to the existing fixed charges. This also removes the “small,” “medium,” and “large” designations so that all commercial customers are included in one class.
 - The first two ccf of water remains included in the fixed charges, allowing for an essential use water allowance for all customers at minimal costs.
 - The residential volumetric rate includes a tiered approach encouraging wise water use by charging more for discretionary water use.
 - A 10% Water Infrastructure Replacement (WIR) fee and 10% Sewer Infrastructure Replacement (SIR) fee is included. Both fees will provide for dedicated funding sources for the continual replacement of MWS’s aging water distribution and sewer collection infrastructure.

Table ES-3: Proposed Rates – Scenario 3

Scenario 3			
Fixed Charges		Water	Wastewater
5/8-Inch		\$5.09	\$8.14
3/4-Inch		12.12	36.00
1-Inch		15.28	46.58
1.5-Inch		26.85	90.67
2-Inch		37.91	127.38
3-Inch		60.58	158.59
4-Inch		137.72	449.98
6-Inch		171.93	536.44
8 & 10-Inch		223.72	686.89
Residential Rate	Thresholds	Water	Wastewater
Base Usage	0-2	\$-	\$-
Tier 1	2-6	3.50	5.85
Tier 2	6-10	4.20	5.85
Tier 3	>10	5.25	5.85
Non-Residential Rate		Water	Wastewater
All Usage		\$2.75	\$5.85

2. Future rate increases for the calendar years (CY) 2021-2024 of the forecast period. The Financial Plan section of the Final Report details increasing operating and capital requirements that cannot be addressed in a one-year rate adjustment, they must be addressed over multiple years. These operating and capital requirements have been segregated between water and sewer for each year of the forecast period to eliminate any future subsidies between the two utilities. The projected rate increases for the five-year forecast period are shown below.

¹ The original cost of service analysis assumed a fiscal year implementation of rates July 1, 2019 for FY2020. Based on the delayed timing of the implementation of rate adjustments (January 1, 2020), larger rate increases are needed compared to those that are shown in the original report. Given the half-year implementation and the resulting deficit, the initial rate increase was revised to match the recommended FY 2021 cost of service rates from the original report. Additionally, rate increases in the original report assumed July 1 (fiscal year) implementation. The rates shown in this Executive Summary reflect the adjustments to calendar year increases.

Table ES-4: Future Rate Increases

	FY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
Water						
Fixed Charges	0.0%	COS	4.0%	3.0%	3.0%	3.0%
Volume Charges	0.0%		4.0%	3.0%	3.0%	3.0%
Wastewater		Alignment				
Fixed Charges	0.0%		4.0%	3.0%	3.0%	3.0%
Volume Charges	0.0%		4.0%	3.0%	3.0%	3.0%

The percentages shown above are anticipated to be applied to both the fixed and variable components of the water and sewer rate structures, respectively. Based on these percentage rate increases, the recommended rates are shown below for both water and sewer.

Table ES-5: Proposed Rates – Water, Recommended Scenario

	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
Fixed Charges					
5/8-Inch	\$5.09	\$5.30	\$5.45	\$5.62	\$5.79
3/4-Inch	12.12	12.61	12.98	13.37	13.78
1-Inch	15.28	15.89	16.36	16.86	17.36
1.5-Inch	26.85	27.92	28.76	29.62	30.51
2-Inch	37.91	39.42	40.61	41.82	43.08
3-Inch	60.58	63.01	64.90	66.84	68.85
4-Inch	137.72	143.23	147.53	151.95	156.51
6-Inch	171.93	178.81	184.18	189.70	195.39
8 & 10-Inch	223.72	232.67	239.65	246.84	254.24
Residential Rate					
Tier 1 (0-2 ccf)	\$-	\$-	\$-	\$-	\$-
Tier 2 (2-6 ccf)	3.50	3.64	3.75	3.86	3.98
Tier 3 (6-10 ccf)	4.20	4.37	4.50	4.64	4.78
Tier 4 (>10 ccf)	5.25	5.46	5.63	5.80	5.97
Non-Residential Rate					
All Usage	\$2.75	\$2.86	\$2.95	\$3.04	\$3.13

Table ES-6: Proposed Rates - Sewer, Recommended Scenario

	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
Fixed Charges					
5/8-Inch	\$8.14	\$8.46	\$8.72	\$8.98	\$9.25
3/4-Inch	36.00	37.44	38.56	39.72	40.91
1-Inch	46.58	48.44	49.90	51.39	52.94
1.5-Inch	90.67	94.30	97.13	100.04	103.04
2-Inch	127.38	132.48	136.45	140.55	144.76
3-Inch	158.59	164.93	169.88	174.98	180.22
4-Inch	449.98	467.97	482.01	496.47	511.37
6-Inch	536.44	557.89	574.63	591.87	609.63
8 & 10-Inch	686.89	714.36	735.79	757.87	780.60
Residential Rate					
All Usage	\$5.85	\$6.08	\$6.26	\$6.45	\$6.64
Non-Residential Rate					
All Usage	\$5.85	\$6.08	\$6.26	\$6.45	\$6.64

- Beginning in 2025, small, regular rate increases based on the Consumer Price Index for All Urban Consumers (CPI-U) are proposed annually and in perpetuity. This will help to adjust for continually increasing operating and capital costs and to maintain MWS' debt service coverage requirements and Extension and Replacement fund balance requirements.

APPENDIX A:
REVISED
SELECT SCHEDULES FROM
COST OF SERVICE MODEL

Table A-1: Sample Water and Sewer Bills – Residential Customers

Residential – 5/8-Inch Meter		
CCF	Current Rates	Recommended Scenario
0	\$11.80	\$15.02
1	11.80	15.02
2	11.80	15.02
3	19.56	25.63
4	27.32	36.24
5	35.08	46.85
6	42.84	57.46
7	50.60	68.90
8	58.36	80.35
9	66.12	91.79
10	73.88	103.23
11	81.64	115.93
12	89.40	128.62
13	97.16	141.32
14	104.92	154.02
15	112.68	166.71
16	120.43	179.41
17	128.19	192.10
18	135.95	204.80
19	143.71	217.49
20	151.47	230.19
25	190.27	293.67
30	229.07	357.15
35	267.87	420.62
40	306.66	484.10
45	345.46	547.58
50	384.26	611.06
60	461.85	738.01
70	539.45	864.97
80	617.04	991.93
90	694.64	1,118.88
100	772.23	1,245.84
125	966.22	1,563.23
150	1,160.21	1,880.62
175	1,354.20	2,198.01
200	1,548.19	2,515.40
250	1,936.16	3,150.18

Note: projected bills include all applicable taxes and fees

Table A-2: Sample Water and Sewer Bills – Small Commercial Customers

Small Commercial - 3-Inch Meter		
CCF	Current Rates	Recommended Scenario
0	\$122.73	\$246.69
1	122.73	246.69
2	122.73	246.69
3	131.27	256.41
4	139.81	266.12
5	148.35	275.83
6	156.89	285.55
7	165.43	295.26
8	173.97	304.98
9	182.51	314.69
10	191.05	324.41
100	959.60	1,198.70
400	3,521.42	4,113.01
500	4,375.36	5,084.45
1500	12,914.76	14,798.82
2500	21,454.16	24,513.20
2600	22,308.10	25,484.64
2700	23,162.04	26,456.07
2800	24,015.98	27,427.51
2900	24,869.92	28,398.95
3000	25,723.86	29,370.39
3100	26,577.80	30,341.82
3200	27,431.74	31,313.26
3300	28,285.68	32,284.70
3400	29,139.62	33,256.14
3500	29,993.56	34,227.57
3600	30,847.50	35,199.01
3700	31,701.44	36,170.45
3800	32,555.38	37,141.89
3900	33,409.32	38,113.32
4000	34,263.26	39,084.76
4100	35,117.20	40,056.20
4200	35,971.14	41,027.64
4300	36,825.08	41,999.07
4400	37,679.02	42,970.51
4500	38,532.96	43,941.95
5000	42,802.66	48,799.14

Note: projected bills include all applicable taxes and fees

Table A-3: Sample Water and Sewer Bills – Intermediate Commercial Customers

Intermediate Commercial - 6-Inch Meter		
CCF	Current Rates	Recommended Scenario
0	\$330.20	795.11
1	330.20	795.11
2	330.20	795.11
3	337.29	804.82
4	344.38	814.54
5	351.47	824.25
6	358.56	833.97
7	365.65	843.68
8	372.74	853.40
9	379.83	863.11
10	386.92	872.83
100	1,025.01	1,747.12
400	3,152.00	4,661.43
500	3,860.99	5,632.87
1500	10,950.94	15,347.24
2500	18,040.89	25,061.62
2600	18,749.89	26,033.06
2700	19,458.88	27,004.49
2800	20,167.88	27,975.93
2900	20,876.87	28,947.37
3000	21,585.87	29,918.81
3100	22,294.86	30,890.24
3200	23,003.86	31,861.68
3300	23,712.85	32,833.12
3400	24,421.85	33,804.56
3500	25,130.84	34,775.99
3600	25,839.84	35,747.43
3700	26,548.83	36,718.87
3800	27,257.83	37,690.31
3900	27,966.82	38,661.74
4000	28,675.82	39,633.18
4100	29,384.81	40,604.62
4200	30,093.81	41,576.06
4300	30,802.80	42,547.49
4400	31,511.80	43,518.93
4500	32,220.79	44,490.37
5000	35,765.77	49,347.56

Note: projected bills include all applicable taxes and fees

Table A-4: Sample Water and Sewer Bills – Large Commercial Customers

Large Commercial - 6-Inch Meter		
CCF	Current Rates	Recommended Scenario
0	\$2,121.61	\$795.11
1	2,121.61	795.11
2	2,121.61	795.11
3	2,127.17	804.82
4	2,132.74	814.54
5	2,138.30	824.25
6	2,143.86	833.97
7	2,149.43	843.68
8	2,154.99	853.40
9	2,160.55	863.11
10	2,166.12	872.83
100	2,666.82	1,747.12
400	4,335.85	4,661.43
500	4,892.19	5,632.87
1500	10,455.62	15,347.24
2500	16,019.04	25,061.62
2600	16,575.39	26,033.06
2700	17,131.73	27,004.49
2800	17,688.07	27,975.93
2900	18,244.41	28,947.37
3000	18,800.76	29,918.81
3100	19,357.10	30,890.24
3200	19,913.44	31,861.68
3300	20,469.78	32,833.12
3400	21,026.13	33,804.56
3500	21,582.47	34,775.99
3600	22,138.81	35,747.43
3700	22,695.15	36,718.87
3800	23,251.50	37,690.31
3900	23,807.84	38,661.74
4000	24,364.18	39,633.18
4100	24,920.52	40,604.62
4200	25,476.87	41,576.06
4300	26,033.21	42,547.49
4400	26,589.55	43,518.93
4500	27,145.89	44,490.37
5000	29,927.61	49,347.81

Note: projected bills include all applicable taxes and fees

Table A-5: Total Water and Sewer Bills, Residential Class – 5/8-Inch Meter

CCF	Current Rates		Recommended Rates			
	2019	2020	2021	2022	2023	2024
Residential - 5/8" Meter						
2	\$11.80	\$15.02	\$15.63	\$16.09	\$16.58	\$17.08
4	27.32	36.24	37.68	38.81	39.98	41.13
6	42.84	57.46	59.74	61.52	63.37	65.18
8	58.36	80.35	83.54	86.03	88.63	91.19
10	73.88	103.23	107.34	110.53	113.88	117.20

Table A-6: Customer Accounts

	FY 2019 <i>Estimated</i>	FY 2020 <i>Projected</i>	FY 2021 <i>Projected</i>	FY 2022 <i>Projected</i>	FY 2023 <i>Projected</i>	FY 2024 <i>Projected</i>
Water Accounts						
Residential	164,614	164,614	166,258	167,918	169,595	171,290
Small Commercial	9,780	9,780	9,874	9,969	10,065	10,163
Intermediate Commercial	5,870	5,870	5,925	5,980	6,035	6,092
Large Commercial	80	80	80	80	80	80
Total Water	180,344	180,344	182,137	183,947	185,775	187,625
% Change		0.0%	1.0%	1.0%	1.0%	1.0%
Sewer Accounts						
Residential	178,130	178,130	179,909	181,706	183,521	185,355
Small Commercial	9,677	9,677	9,771	9,865	9,961	10,058
Intermediate Commercial	5,113	5,113	5,161	5,209	5,257	5,306
Large Commercial	68	68	68	68	68	68
Total Sewer	192,988	192,988	194,909	196,848	198,807	200,787
% Change		0.0%	1.0%	1.0%	1.0%	1.0%

Table A-7: Customer Usage

	FY 2019 <i>Estimated</i>	FY 2020 <i>Projected</i>	FY 2021 <i>Projected</i>	FY 2022 <i>Projected</i>	FY 2023 <i>Projected</i>	FY 2024 <i>Projected</i>
Water Usage (ccf)						
Residential	12,655,439	12,655,439	12,781,977	12,909,782	13,038,861	13,169,232
Small Commercial	1,105,442	1,105,442	1,116,483	1,127,632	1,138,893	1,150,268
Intermediate Commercial	12,281,165	12,281,165	12,403,959	12,527,982	12,653,250	12,779,766
Large Commercial	4,622,998	4,622,998	4,669,214	4,715,890	4,763,035	4,810,651
Total Water Usage	30,665,044	30,665,044	30,971,633	31,281,286	31,594,039	31,909,917
% Change		0.0%	1.0%	1.0%	1.0%	1.0%
Sewer Usage (ccf)						
Residential	10,460,037	10,460,036	10,512,335	10,564,896	10,617,719	10,670,807
Small Commercial	890,979	890,977	895,431	899,907	904,405	908,926
Intermediate Commercial	11,236,539	11,236,538	11,292,719	11,349,182	11,405,927	11,462,955
Large Commercial	2,913,700	2,913,699	2,928,267	2,942,907	2,957,620	2,972,407
Total Sewer Usage	25,501,255	25,501,250	25,628,752	25,756,892	25,885,671	26,015,095
% Change		0.0%	0.5%	0.5%	0.5%	0.5%

Table A-8: Operating Expenses

	2019	2020	2021	2022	2023	2024
Administration	\$ 11,272,600	\$ 11,272,600	\$ 11,272,600	\$ 11,554,415	\$ 11,843,275	\$ 12,139,357
Human Resources	1,106,100	1,106,100	1,106,100	1,133,753	1,162,096	1,191,149
Stores	336,300	336,300	336,300	344,708	353,325	362,158
Accounting	3,038,000	3,038,000	3,038,000	3,113,950	3,191,799	3,271,594
Information Services	4,361,000	4,361,000	4,361,000	4,470,025	4,581,776	4,696,320
Customer Service	9,121,100	9,121,100	9,121,100	9,349,128	9,582,856	9,822,427
Engineering	1,556,600	1,556,600	1,556,600	1,595,515	1,635,403	1,676,288
System Services	29,007,200	29,007,200	29,007,200	29,732,380	30,475,690	31,237,582
Operations	69,778,300	69,778,300	69,778,300	71,522,758	73,310,826	75,143,597
Total MWS Operating Budget	\$ 129,577,200	\$ 129,577,200	\$ 129,577,200	\$ 132,816,630	\$ 136,137,046	\$ 139,540,472
<i>Percent Change</i>		0.00%	0.00%	2.50%	2.50%	2.50%

Table A-9: Capital Program Budget

	FY 2019 <i>Projected*</i>	FY 2020 <i>Projected</i>	FY 2021 <i>Projected</i>	FY 2022 <i>Projected</i>	FY 2023 <i>Projected</i>	FY 2024 <i>Projected</i>	FY19-FY24 <i>Total</i>
Original Capital Budget							
General Construction	\$ 69,720,000	\$ 95,295,000	\$ 57,970,000	\$ 83,370,000	\$ 87,875,000	\$ 63,561,440	\$ 457,791,440
Engineering	19,550,000	39,750,000	65,450,000	49,800,000	33,300,000	27,055,000	234,905,000
Clean Water Nashville	45,195,155	60,466,125	247,125,340	176,407,390	114,082,250	167,465,443	810,741,703
Other	18,800,000	19,000,000	24,000,000	24,900,000	30,500,000	22,350,000	139,550,000
Original Capital Budget	\$ 153,265,155	\$ 214,511,125	\$ 394,545,340	\$ 334,477,390	\$ 265,757,250	\$ 280,431,883	\$ 1,642,988,143
Adjusted Capital Budget							
Water-related Projects	\$ 30,936,893	\$ 51,055,698	\$ 56,204,212	\$ 57,057,791	\$ 62,403,165	\$ 54,797,000	\$ 54,797,000
Sewer-related Projects	31,063,107	38,944,302	33,795,788	32,942,209	37,596,835	45,203,000	45,203,000
Clean Water Nashville	33,595,155	60,466,125	247,125,340	176,407,390	114,082,250	167,465,443	266,315,854
Adjusted Capital Budget	\$ 95,595,155	\$ 150,466,125	\$ 337,125,340	\$ 266,407,390	\$ 214,082,250	\$ 267,465,443	\$ 366,315,854

*Estimated values, FY2019 was unaudited at time of report.

Table A-10: Capital Program Funding Plan

	FY 2019 <i>Projected*</i>	FY 2020 <i>Projected</i>	FY 2021 <i>Projected</i>	FY 2022 <i>Projected</i>	FY 2023 <i>Projected</i>	FY 2024 <i>Projected</i>	FY19-FY24 <i>Total</i>
General CIP Project Funding							
Rate Funded PayGo	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 72,000,000
Commercial Paper	50,000,000	74,646,374	68,124,226	67,627,305	77,210,166	76,776,231	414,384,302
Clean Water Nashville Funding							
WIR & SIR Funded PayGo	-	15,020,414	25,401,183	26,613,598	27,615,800	28,655,895	123,306,889
E&R Fund PayGo	-	-	75,000,000	50,000,000	50,000,000	50,000,000	225,000,000
Commercial Paper	33,595,155	48,799,338	156,599,931	110,166,487	47,256,285	100,033,318	496,450,512
Total Capital Budget	\$ 95,595,155	\$ 150,466,125	\$ 337,125,340	\$ 266,407,390	\$ 214,082,250	\$ 267,465,443	\$ 1,331,141,703

*Estimated values, FY2019 was unaudited at time of report.

Table A-11: Projected Debt Service

	FY 2019 <i>Estimated*</i>	FY 2020 <i>Projected</i>	FY 2021 <i>Projected</i>	FY 2022 <i>Projected</i>	FY 2023 <i>Projected</i>	FY 2024 <i>Projected</i>
Existing Debt Service	\$ 79,024,583	\$ 78,008,692	\$ 62,048,555	\$ 65,603,405	\$ 70,887,655	\$ 70,886,080
Proposed Revenue Bonds	-	-	8,804,633	17,609,265	26,413,898	35,218,530
Commercial Paper Interest	3,128,927	480,613	3,851,475	2,018,382	3,885,379	2,037,522
Total Debt Service	\$ 82,153,510	\$ 78,489,305	\$ 74,704,663	\$ 85,231,052	\$ 101,186,931	\$ 108,142,132
<i>% Change</i>		-4.5%	-4.8%	14.1%	18.7%	6.9%

*Estimated values, FY2019 was unaudited at time of report.

Table A-12: Miscellaneous Revenues

	FY 2019 <i>Estimated*</i>	FY 2020 <i>Projected</i>	FY 2021 <i>Projected</i>	FY 2022 <i>Projected</i>	FY 2023 <i>Projected</i>	FY 2024 <i>Projected</i>
Miscellaneous Revenues						
WIR and SIR Fees	\$ -	\$ 15,020,414	\$ 25,401,183	\$ 26,613,598	\$ 27,615,800	\$ 28,655,895
Surcharges	15,700,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000
Wholesale Revenues	14,085,310	14,085,310	14,085,310	14,085,310	14,085,310	14,085,310
Customer Related	4,069,500	4,069,500	4,069,500	4,069,500	4,069,500	4,069,500
Maintenance and Testing Fees	2,930,000	2,930,000	2,930,000	2,930,000	2,930,000	2,930,000
Fire Protection	995,140	995,140	995,140	995,140	995,140	995,140
Wind Turbine	899	899	899	899	899	899
Total System Revenues	\$ 37,780,849	\$ 41,201,262	\$ 51,582,032	\$ 52,794,447	\$ 53,796,648	\$ 54,836,743
% Change		9.1%	25.2%	2.4%	1.9%	1.9%

*Estimated values, FY2019 was unaudited at time of report.

Table A-13: Rate Revenues by Service and Class

	FY 2019 <i>Estimated*</i>	FY 2020 <i>Projected</i>	FY 2021 <i>Projected</i>	FY 2022 <i>Projected</i>	FY 2023 <i>Projected</i>	FY 2024 <i>Projected</i>
Water Revenue						
Residential	\$ 26,511,871	\$ 34,545,272	\$ 47,020,223	\$ 49,187,005	\$ 51,168,602	\$ 53,230,249
Small Commercial	3,259,949	3,491,670	3,916,271	4,094,448	4,257,413	4,427,029
Intermediate Commercial	28,277,548	31,607,627	37,239,414	38,952,011	40,517,438	42,146,233
Large Commercial	9,023,157	10,630,129	13,223,833	13,831,653	14,387,290	14,965,265
Subtotal Water Revenue	\$ 67,072,526	\$ 80,274,698	\$ 101,399,741	\$ 106,065,117	\$ 110,330,743	\$ 114,768,775
% Change		19.7%	26.3%	4.6%	4.0%	4.0%
Sewer Revenue						
Residential	\$ 48,117,153	\$ 51,830,638	\$ 58,361,762	\$ 60,845,747	\$ 63,084,295	\$ 65,406,079
Small Commercial	5,807,349	6,493,573	7,628,547	7,953,090	8,245,975	8,549,503
Intermediate Commercial	52,217,348	61,002,074	74,927,680	78,026,929	80,803,651	83,680,287
Large Commercial	10,526,021	13,419,174	17,847,252	18,575,109	19,225,563	19,898,809
Subtotal Sewer Revenue	\$ 116,667,872	\$ 132,745,459	\$ 158,765,242	\$ 165,400,874	\$ 171,359,483	\$ 177,534,679
% Change		13.8%	19.6%	4.2%	3.6%	3.6%
Total User Charge Revenue	\$ 183,740,399	\$ 213,020,157	\$ 260,164,983	\$ 271,465,991	\$ 281,690,226	\$ 292,303,454
% Change		15.9%	22.1%	4.3%	3.8%	3.8%

*Estimated values, FY2019 was unaudited at time of report.

Table A-14: Summary of Projected Cashflows

	2019	2020	2021	2022	2023	2024
	<i>Estimated*</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
System Revenues						
Water Revenues	\$ 67,072,526	\$ 80,274,698	\$ 101,399,741	\$ 106,065,117	\$ 110,330,743	\$ 114,768,775
Sewer Revenues	116,667,872	132,745,459	158,765,242	165,400,874	171,359,483	177,534,679
Subtotal: User Revenues	183,740,399	213,020,157	260,164,983	271,465,991	281,690,226	292,303,454
WIR and SIR Revenues	0	15,020,414	25,401,183	26,613,598	27,615,800	28,655,895
Miscellaneous Revenues	37,780,849	26,180,849	26,180,849	26,180,849	26,180,849	26,180,849
Total System Revenues	\$ 221,521,247	\$ 254,221,420	\$ 311,747,015	\$ 324,260,438	\$ 335,486,874	\$ 347,140,198
Revenue Requirements						
Operating Expenses	\$ 129,577,200	\$ 129,577,200	\$ 129,577,200	\$ 132,816,630	\$ 136,137,046	\$ 139,540,472
<u>Debt Service</u>						
Existing Debt	79,024,583	78,008,692	62,048,555	65,603,405	70,887,655	70,886,080
Proposed Debt	3,128,927	480,613	12,656,108	19,627,647	30,299,277	37,256,053
Subtotal: Debt Service	82,153,510	78,489,305	74,704,663	85,231,052	101,186,931	108,142,132
<u>Other Expenditures</u>						
Cash Funded Capital	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
WIR and SIR Funded Capital	0	15,020,414	25,401,183	26,613,598	27,615,800	28,655,895
Transfers to R&E	0	19,000,000	65,000,000	65,000,000	40,000,000	40,000,000
Total Revenue Requirements	\$ 223,730,710	\$ 254,086,919	\$ 306,683,046	\$ 321,661,280	\$ 316,939,777	\$ 328,338,499
System Surplus/(Deficit)	(2,209,463)	134,501	5,063,969	2,599,158	18,547,097	18,801,699

*Estimated values, FY2019 was unaudited at time of report.

Millersville

Utilities Offered:	Sewer	County:	Sumner	Utility Fund:	Sewer
		2016	2017	2018	
Revenues		\$908,668.00	\$975,472.00	\$1,017,720.00	
Expenses		\$791,657.00	\$995,366.00	\$1,062,481.00	
Depreciation		\$178,484.00	\$228,709.00	\$246,189.00	
Operating Income		\$117,011.00	\$(19,894.00)	\$(44,761.00)	
Non-Operating Revenues(Expenses)		\$3,325.00	\$8,258.00	\$8,288.00	
Grants, Capital Contributions, Transfers		\$120,336.00	\$1,430.00	\$21,350.00	
GAAP Change in Net Position		\$240,672.00	\$(10,206.00)	\$(15,123.00)	
Grants, Capital Contributions, Transfers In		\$120,336.00	\$25,925.00	\$21,350.00	
Change in Net Position (2017 Statute)		\$120,336.00	\$(36,131.00)	\$(36,473.00)	
Net Pension and OPEB Asset			\$21,443.00	\$32,793.00	
Net Pension and OPEB Liability			\$-00	\$-00	
Change in Net Position (2018 Statute)				(\$47,823.00)	





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: City of Millersville

Staff Summary:

The City was referred to the Water and Wastewater Financing Board for financial distress for Fiscal Years 2017 and 2018. The City operates a sewer-only system; the customers purchase their water from White House Utility District. The City has implemented the following rate increases:

Sewer Rates			
	FY 2017	FY 2018	FY 2019
Residential (1757 Customers)			
Minimum Bill (1,500 Gallons)	\$ 14.54	\$ 14.98	\$ 15.98
In Excess per Thousand	\$ 6.02	\$ 6.20	\$ 7.32
Commercial (89 Customers)			
Minimum Bill (1,500 Gallons)	\$ 14.54	\$ 14.98	\$ 16.48
In Excess per Thousand	\$ 6.02	\$ 6.20	\$ 7.82
Household on Well (2 Customers)			
Flat Rate	\$ 31.68	\$ 31.68	\$ 32.68
Motels, Hotels, and Campgrounds			
Per Thousand Rate	\$ 9.55	\$ 9.84	\$ 11.04
Mandatory Increases of 2% every July 1			

Upon review of the financial questionnaire, Board staff is unable to determine whether the rate increases will sufficiently remedy the City's financially distressed status. The previous city manager started a 5-year capital asset plan, but never finished it. The City has reached out to the vendor that prints its utility bills to see if the rates can be printed on the bills to increase customer awareness of charges.

Staff Recommendation:

Order the City to comply with the following:

1. The City 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; and
 - b. a review of the City's leak adjustment policy, including any recommended modifications.

2. By January 10, 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 January 31, 2020, the City shall send Board staff proof that all its board members have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).
4. By May 1, 2020, the City shall provide Board staff with the following:
 - a. the completed rate study and all resulting recommendations; and
 - b. an update regarding the City's printing vendor's ability to print the City's customer rates on each customer bill.
5. After notification of Staff's approval of the rate study's resulting recommendations, the City shall implement them within 60 days.
6. 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 City.



WWFB Financial Questionnaire

Utility: Sewer

Instructions: Please submit the following information

1. Five-year history of your rates (all rate classes and types)

Please see Exhibit 2 attached

2. Five-year history of all utility fees (include records of how you rationalized charges for: tap fees, reconnection fees, etc.)

Please see Exhibit 3 attached

3. The current customer contract used for new service accounts

Please see Exhibit 4 attached

4. Most current three-months of balance sheets and income statements (accounts must be broken out by water and sewer if applicable; you may need to estimate or use a percentage for each)

Please see Exhibit 5 attached

5. A copy of your debt management policy

Please see Exhibit 6 attached

6. A copy of your capitalization policy (by which you decide whether you capitalize versus expense items)

We changed the amount to \$5,000 several years ago. I believe it was changed by ordinance but I cannot locate the document. I will continue to research this.

Instructions: Please respond to each question below with detailed answers

1. Do you have a plan to remedy your financially distressed position?
 - a. If so, please provide a detailed copy
 - b. If not, please provide a detailed explanation.

Yes, the plan was implemented with the adoption of Ordinance 18-698 (amended by Ordinance 18-714), both attached as Exhibit 7.

2. Who has the authority to set rates and fees? Do you have a board or committee separate from your legislative body (board of mayor and aldermen, etc.)?

The Millersville Board of Commissioners sets the rates and fees.

3. How many customers do you have currently? Please break out by metered, non-metered, billed and un-billed, and class (residential, commercial, etc.).

Please see Exhibit 8 attached

4. What percentage of your sales do the largest ten (10) customers (by volume and by revenue) represent on a yearly basis?

15%, see Exhibit 9 attached

5. Do you have plans for a rate increase or decrease?
 - a. If yes, has your board voted on it?
 - i. Please attached relevant minutes that show all discussions and votes.
 - b. If no, please attached the minutes where the relevant discussion and vote took place to not change the current rate structure.

a. The Board of Commissioners voted to increase rates including an automatic 2% increase to the annual base rate with the approval of Ordinance 18-698 (amended by Ordinance 18-714) See Exhibit 7
i. Meeting minutes attached as Exhibit 10

6. What is the justification for the current structure of your rates?

Please see Sec. 82-205(e) of the Millersville Code of Ordinances, attached as Exhibit 11

7. Do you have written policies for rates and fees (how they are implemented and billed, including adjustments)?
- If so, please provide a list of the applicable policies.
 - How often do you review these policies?

No other written policies except those outlined in Sec. 82-205 & 82-206. See Exhibit 11 attached

8. How do you make customers aware of the rates and fees you have in place?
- Is this done at least annually? If not, please explain.

We currently do not post rates and fees. We are checking with our print vendor to have the rates printed on our bills as soon as possible.

9. Do you have a capital asset plan/budget?
- If so, how long does it forecast (5-year, 10-year, etc.)?
 - If you do not have a capital asset plan/budget, please justify why you do not.

Our previous city manager started a 5 year capital plan/budget but it was not completed.

10. Do you review your capital asset list?
- If so, please indicate the frequency it is reviewed (annually, semi-annually, etc.) and who reviews this list?
 - If you do not review your capital asset list, please justify why you do not.

Yes, our Office Manager reviews it annually during audit preparation.

11. Do you have any environmental issues currently or forthcoming that will put a financial burden on the system?

The City does not have any environmental issues currently or forthcoming that will put a financial burden on the system.

12. Do you have a leak adjustment policy?
- If so, what is the average yearly amount in gallons, cost to produce (or purchase), and lost revenue?
 - Please attach a copy of the policy.

The City has a leak adjustment policy for wastewater only as outlined in Section 82-206(c) attached as Exhibit 11. There is no cost to produce (or purchase).

13. Have you already, or do you plan to incur any new debt during the current fiscal year?

a. If so, please provide a detailed explanation.

No, the City has not nor plans to incur any new debt this fiscal year.

14. Have you already, or do you plan to receive any grants or capital contributions during the current fiscal year?

a. If so, please provide a detailed explanation.

No, the City has not nor plans to receive any grants or capital contributions during the current fiscal year.

15. Have you applied for grants that will be received over the next two years?

a. If so, please provide a detailed explanation.

The City has not applied for any grants to be received over the next two years.

16. Do you produce or purchase your water supply?

a. If you produce your own water,

i. What is the cost per thousand to produce?

b. If you purchase your water,

i. What is the cost per thousand?

ii. Do you have a long term purchase contract in place?

The City does not produce or purchase water. White House utility District is the provider of water in the City.

17. Do you have any wholesale customers?

a. Do you have written contracts with those customers?

No, the city does not have any wholesale customers.

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

a. Do you have any plans for improving your non-revenue water percentage?

b. If so, please provide a detailed explanation.

n/a

19. With respect to your governing board, how frequently do you meet and what is your practice of providing notice of your meetings?

The Board of Commissioners meets regularly once per month for actionable items and once per month for a Work Session. Other meetings are held as needed. Notice of meetings is provided by posting on the door of City Hall and on the city's website. Additionally, action items (Ordinances) are publically noticed as needed in a newspaper of regional circulation.

20. Has your governing body met the applicable training requirements?
- a. Please provide a list of board members and their election/appointment dates.
 - b. Please review the training requirements at <https://www.comptroller.tn.gov/WWFB/>

We were not aware of the applicable training therefore our 5-member Board of Commissioners has not met the requirements. We are aware of it now and have set a deadline of November 21, 2019 for them to complete the training online. To date, three of the five members have completed the required training.

- a. A list of Board members and their election/appointment dates is attached as Exhibit 12

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

Signature: Shelly L. Murphy Title: City Manager / Recorder
 Date: 10/29/19



October 29, 2019

Water & Wastewater Financing Board
ATTN: Mr. John Greer
Fourth Floor Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243
utilities@cot.tn.gov

RE: Millersville Sewer System

Dear Mr. Greer:

Enclosed is the completed questionnaire with supporting documentation, which I answered to the best of my ability.

Be advised that I have served as City Recorder for Millersville for the past 23 years. I was appointed Interim City Manager in March 2018 when our former city manager resigned, and then in July of 2019, I was appointed the full-time City Manager in addition to my role as City Recorder.

With regard to our sewer system, we operate a wastewater collection system that does not include a treatment facility. Our collected wastewater is metered as it leaves Millersville and goes to Goodlettsville, TN, who then transports it to Metro Water Services who treats it. Millersville pays Goodlettsville a transport fee and Metro Water Services for treatment.

As I may have mentioned before, when we realized we may have a potential loss or a negative change in net assets in our Sewer Fund, we immediately addressed the rates by adopting Ordinance 18-698 (later amended by Ordinance 18-714) in July 2018.

Some of the issues that contributed to the loss included higher than anticipated expenses totaling \$112,582.00 related to depreciation, bad debt expense, and the transport and treatment costs by Goodlettsville and Metro.

Another contributing factor was the City's adoption of Ordinance 16-654 in January of 2017, which changed the maintenance and ownership of the grinder pumps from the city to the property owner. (See Exhibit 1 attached). At that time the City was still purchasing sewer pumps for resale to property owners/developers but after this Ordinance was adopted, we realized we had to treat these pumps as an expense and no longer depreciable assets since we do not own them, which was not anticipated at that time.

We apologize for the circumstances that led us to be reported to the Water and Wastewater Financing Board. I hope you consider our prompt actions sufficient and I assure you that we will continue to monitor our rates and keep the financial health of our system one of our highest priorities.

If you have any questions or need additional information, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Holly L. Murphy". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

Holly L. Murphy
City Manager/Recorder



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: Town of Oakdale

Staff Summary:

The Town was referred to the Water and Wastewater Financing Board for financial distress for Fiscal Years 2016 and 2017. The Town operates a sewer-only system for less than 10 total customers.

On November 28, 2018, the Board ordered the Town to comply with the following:

1. The Town shall increase rates 30% effective January 1, 2019.
2. The Town shall increase rates by an additional 25%, effective January 1, 2020.
3. Beginning January 1, 2021, the Town shall increase rate annually by no less than 1%, effective January 1 of each year.
4. The Town shall send financial updates to Board staff by March 1 and September 1 of each year, beginning March 1, 2019, until the Board releases the Town from its oversight.

The Town has complied with the order and plans to raise rates 25% effective January 1, 2020. The rate increases outlined in the above order were recommended from an MTAS rate study. After consulting with MTAS in October 2019, Board staff determined that the rate study was not taken from data that was current at the time of calculation, and the 25% increase in 2020 is not necessary for the financial success of the system.

Staff has spoken to Harriman about a potential merger between Oakdale's sewer system and Harriman Utility Board. Harriman is willing to explore the merger since Oakdale is debt free and has upgraded the entire sewer system. The Mayor of Oakdale has expressed to Harriman that he is not interested in a merger.

Staff Recommendation:

Commence consolidation negotiations between the Town and Harriman pursuant to Tenn. Code Ann. § 68-221-1011(a).

Order the Town to comply with the following:

1. Paragraph 2 of the Board's November 28, 2018, order is hereby revoked. The Town shall not increase rates by an additional 25%, effective January 1, 2020. All other directives of the Board's November 28, 2018, order shall remain effective.
2. Staff shall facilitate and participate in negotiations for the consolidation of the Town with Harriman, including obtaining the assistance of a mediator if necessary.

Rocky Top

Utilities Offered:	Water and Sewer	County:	Anderson	Utility Fund:	Water and Sewer
	2016	2017	2018		
Revenues	\$933,123.00	\$1,000,271.00	\$1,094,843.00		
Expenses	\$1,098,608.00	\$1,186,055.00	\$1,110,634.00		
Depreciation	\$299,397.00	\$309,062.00	\$308,671.00		
Operating Income	\$(165,485.00)	\$(185,784.00)	\$(15,791.00)		
Non-Operating Revenues(Expenses)	\$(12,707.00)	\$(3,677.00)	\$(20,336.00)		
Grants, Capital Contributions, Transfers	\$259,076.00	\$43,228.00	\$454,040.00		
GAAP Change in Net Position	\$80,884.00	\$(146,233.00)	\$417,913.00		
Grants, Capital Contributions, Transfers In	\$259,076.00	\$43,228.00	\$454,040.00		
Change in Net Position (2017 Statute)	\$(178,192.00)	\$(189,461.00)	\$(36,127.00)		
Net Pension and OPEB Asset		\$-00	\$3,069.00		
Net Pension and OPEB Liability		\$42,546.00	\$-00		
Change in Net Position (2018 Statute)			(\$81,742.00)		





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: City of Rocky Top

Staff Summary:

On March 10, 2016, the Board ordered the city to comply with the following:

1. The City will increase its rates by 15% by July 1, 2016;
2. The City will increase its rates again by 15% by July 1, 2017;
3. The City will increase its rates again by 15% by July 1, 2018;
4. The City will increase its rates again by at least 1% by July 1, 2019 and annually thereafter; and
5. The City shall update the WWFB's staff on its progress quarterly until formally released from WWFB oversight.

While the City has complied with the Board's directives thus far, it is not ready to be released from Board oversight. The City has seen improvements with the financial status of its utility, but it has not seen complete solvency. Until this is reached, the City should be put on the typical update cycle that other entities are on.

The City is not on the typical update cycle as other entities.

Staff Recommendation:

Order the City to comply with the following:

1. The City shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2020, until the Board releases the City from its oversight.

Troy

Utilities Offered:	Water and Sewer	County:	Obion	Utility Fund:	Water
		2016	2017	2018	
Revenues		\$316,474.00	\$326,048.00		
Expenses		\$320,987.00	\$417,754.00		
Depreciation		\$80,547.00	\$132,535.00		
Operating Income		\$(4,513.00)	\$(91,706.00)		
Non-Operating Revenues(Expenses)		\$1,120.00	\$(9,593.00)		
Grants, Capital Contributions, Transfers		\$589,731.00	\$519,144.00		
GAAP Change in Net Position		\$586,338.00	\$417,845.00		
Grants, Capital Contributions, Transfers In		\$589,731.00	\$519,144.00		
Change in Net Position (2017 Statute)		\$(3,393.00)	\$(101,299.00)		
Net Pension and OPEB Asset			\$-00		
Net Pension and OPEB Liability			\$-00		
Change in Net Position (2018 Statute)					





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: Town of Troy

Staff Summary:

The Town was referred to the Water and Wastewater Financing Board for financial distress for Fiscal Years 2017 and 2018. The Town operates a water and sewer system with separates funds. The Town has been referred for only its water fund; its sewer fund is financially stable.

Water Rates		
Residential and Small Commercial Inside	FY 2016	FY 2017 to Current
Minimum Bill (1,500 Gallons)	\$ 12.25	\$ 15.21
In Excess per Thousand	\$ 4.09	\$ 5.08
Residential and Small Commercial Outside		
Minimum Bill (1,500 Gallons)	\$ 18.36	\$ 22.79
In Excess per Thousand	\$ 6.13	\$ 7.61
Large Commercial		
Minimum Bill (30,000 Gallons)	\$ 125.15	\$ 155.36
In Excess per Thousand	\$ 4.09	\$ 5.08

When the Town was referred, the Town contracted with MTAS to complete a rate study. When the rate study was given to Board staff for review upon completion in November 2019, Staff noticed a 50% discrepancy between inside and outside rates, which the Town was unable to justify. MTAS and Town officials have agreed to revisit the rate study in an attempt to establish a uniform rate.

Staff Recommendation:

Order the Town to comply with the following:

1. The Town shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, assist in 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. the creation of a capitalization policy; and
 - c. the creation of a leak adjustment policy.
2. By January 10, 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 paragraph 1.
3. By December 31, 2019, the Town shall send Board staff proof that all its board members have complied with the training requirements set out in Tenn. Code Ann. § 7-34-115(j).

4. By January 31, 2020, the Town shall provide Board staff with the updated MTAS rate study and all resulting recommendations. After notification of Staff's approval of the resulting recommendations, the Town shall implement them within 60 days.
5. By May 1, 2020, the Town shall provide Board staff with the completed items from paragraph 1 of this order, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
6. 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.

WWFB FINANCIAL QUESTIONNAIRE

1. Do you have a plan to remedy your financially distressed position?
 - A. Yes, the Town of Troy has decided to do a rate study and adjust the rates according to the outcome of the study. The person doing the rate study is John Chlarson, P.E. with MTAS. He works in the Jackson office at 605 Airways Boulevard, Suite 109 Jackson, TN 38301. His phone number is (731)423-3710 and his email address is john.chlarson@tennessee.edu. The Town of Troy Board accepted to do the rate study with a unanimous decision. The minutes from May 6, 2019 at 5:00PM are attached.
2. Who has the authority to set rates and fees?
 - A. The Mayor and Board of Aldermen who are voted in by the citizens of the Town of Troy.

Do you have a board or committee separate from your local legislative body (board of mayor and aldermen, etc.)?

 - A. The Town of Troy only has the Board of Aldermen and the Mayor who are responsible to set the rates.
3. How many customers do you have currently?
 - A. Metered Residential = 839
 - B. Metered Commercial = 48
4. What percentage of your sales do the largest ten customers by volume and by revenue represent on a yearly basis?
 - A. Top 5 customers by revenue equals \$13,879.54 which is 3.93% of total water sales revenue (\$353,585.42) for the 2018-2019 fiscal year.
 - B. Top 5 customers by volume equals 2,173,100 gallons which is 5.74% of the total volume of water sold (37,862,700 gallons) in the 2018-2019 fiscal year.
5. Do you have plans for a rate increase or decrease?
 - A. This was answered in question #1 up above.
6. What is the justification for the current structure of your rates?
 - A. SRF loaned the Town of Troy funds in order to upgrade the infrastructure over most of the town. In order to receive the funding from SRF, the Town had to raise rates enough to pay back the loan and have enough for repairs along the way. This is why the rates are set where they are currently.

7. Do you have written policies for rates and fees?
 - A. The Town has Ordinances the Board votes on in order to set rates and also to set fees which occur if someone does not pay their bill.
8. How do you make customers aware of the rates and fees you have in place?
 - A. The rates and fees are placed in the local paper after an Ordinance to change the rates has passed. They are also on the bill received by the customer every month.
9. Do you have a capital asset plan/budget?
 - A. We do not have a capital asset plan/budget. The Town of Troy does pass a yearly budget with capital asset purchases figured into it. The Town does not have a committee to study the capital assets we currently have in order to create a forecast and a budget to replace assets.
10. Do you review your capital asset list?
 - A. The capital asset list is reviewed annually by the City Recorder, the Public Works Supervisor, and the insurance company.
11. Do you have any environmental issues currently or forthcoming that will put a financial burden on the system?
 - A. The Town of Troy does not have any forthcoming or current environmental issues that will place a financial burden on the system.
12. Do you have a leak adjustment policy?
13. Have you already, or do you plan to incur any new debt during the current fiscal year?
 - A. The Town of Troy has not incurred any new debt nor does it plan on taking on any new debt in the current fiscal year.
14. Have you already, or do you plan to receive any grants or capital contributions during the current fiscal year?
 - A. The town of Troy has not and does not plan on receiving any grants or capital contributions during the current fiscal year.
15. Have you applied for grants that will be received over the next two years?
 - A. There have been no grants applied for that will be received over the next two years.

MAY 6, 2019

REGULAR BOARD MEETING

5:00PM

PRESENT: Mayor Deanna Chappell, Ralph Wheatley, Jesse Whitesides, Bryant Cruce, and City Recorder Johnny McTurner

ABSENT: Daniel Pardue and Lana Carson

GUEST: Lynn Jones, Police Chief Sammy Snead, Stanley Mitchell, Phillip Green, Bill King EMR Director, Mark Watson, Suzanne Hopper, Derek Parker with Court Ware Solutions attorney Allen Nohsey, and Donna Ryder with the UC Daily Messenger.

ITEM: Mayor Chappell called the meeting to order and asked Jesse Whitesides to lead the prayer. Mayor Chappell led the Pledge of Allegiance.

ITEM: Mayor Chappell asked for a motion to approve the minutes. Jesse Whitesides made a motion to approve the minutes as written. Bryant Cruce seconded the motion. All voted yes and the motion carried.

ITEM: Mayor Chappell asked for a motion to approve the bills from last month. Ralph Wheatley made a motion to approve the bills from last month. Bryant Cruce seconded the motion. All voted yes and the motion carried.

ITEM: Mayor Chappell asked Police Chief Sammy Snead to give the police report for the month. Chief Snead gave the report and there were no questions.

ITEM: Mayor Chappell asked the EMR Director, Bill King, to give the EMR report. Bill King introduced himself and let everyone know how he got into this field of business. He also said the Medical Director, Dr. Holly, is reviewing our contract and supposed to sign and get it back to us in the next few days in order for the Town to get the State license to operate. Mr. King also stated we have 5 people who want to be first responders. He stated they are willing to take the class and already have the class set up. So it will be about 10 people starting out to respond to EMR calls in Troy. He also stated this program will give a great piece of mind for the citizens here in the Town of Troy.

ITEM: Mayor Chappell asked for a motion to accept Ethan Rudd's resignation as EMR Director effective April 9, 2019. Jesse Whitesides made a motion to accept Ethan Rudd's resignation. Bryant Cruce seconded the motion. All voted yes and the motion carried.

- ITEM: Mayor Chappell asked for a motion to hire Bill King as the EMR Director to take Ethan Rudd's position. Jesse Whitesides made a motion to hire Bill King as EMR Director. Bryant Cruce seconded the motion. All voted yes and the motion carried.
- ITEM: Mayor Chappell asked Chief Snead to introduce Derrick Parker of Courtware Government Solutions to inform the Board about the software needed to start writing E-citations. After the introduction, Mr. Parker informed the Board about the type of hardware and software needed to begin writing E-citations. Mr. Parker stated the cost will be about 4 cents per citation to write the citation. Chief Snead stated the town is currently giving \$1.19 per citation when a book of citations is purchased. Mr. Parker also stated Courtware gets paid \$20.00 per paid citation, so if the offender does not pay the citation then there is no payment to the company and no money out of the budget. After some discussion Bryant Cruce made a motion to proceed to acquire with the Courtware software and hardware system for the E-citations. Jesse Whitesides seconded the motion. All voted yes and the motion carried.
- ITEM: Mayor Chappell entertained a motion to set the property tax for the fiscal year at \$1.692 per \$100 of assessed value. Ralph Wheatley made a motion to set the property tax at \$1.692 per \$100 of assessed value. Jesse Whitesides seconded the motion. All voted yes and the motion carried.
- ITEM: Mayor Chappell asked for a motion to accept the 1st reading of Ordinance 14-C which is the 2019-2020 budget. Ralph Wheatley made a motion to accept Ordinance 14-C the 2019-2020 budget. Jesse Whitesides seconded the motion. All voted yes and the motion carried.
- ITEM: Mayor Chappell asked for a motion to keep waste pick up prices set at \$13.00 for residents and \$12.00 for senior residents after Republic increased their rates 2%. Bryant Cruce made a motion to set waste pick up at \$13.00 for residents and \$12.00 for senior residents. Ralph Wheatley seconded the motion. All voted yes and the motion carried.
- ITEM: Mayor Chappell moved on to the next item on the agenda which is the second reading of Ordinance #28C (19-52). After several minutes of discussion on the court cost and local litigation tax. Bryant Cruce made a motion to accept the 2nd reading of Ordinance #28C (19-52) to increase court costs \$25.00 and set a local litigation tax of \$13.75. Ralph Wheatley seconded the motion. A roll call vote was taken and went as follows: Bryant Cruce-yes, Ralph Wheatley-yes, and Jesse Whitesides-no. The motion carried 2 to 1.

ITEM: Mayor Chappell asked Johnny McTurner to explain why the Town needs a rate study. Mr. McTurner explained the reasons the rate study is needed. Jesse Whitesides made a motion to enter into a rate study agreement with MTAS. Bryant Cruce seconded the motion. All voted yes and the motion carried.

ITEM: After all business was conducted. Mayor Chappell entertained a motion to adjourn. Bryant Cruce made a motion to adjourn. Jesse Whitesides seconded the motion. All voted yes and the motion carried. The meeting adjourned at 5:41PM

Mayor, Deanna Chappell

Date

City Recorder, Johnny McTurner

Date

Training Referrals



City of Harriman





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

October 21, 2019

Mr. Lonnie Wright
Harriman Utility Board
P.O. Box 434
Harriman, TN 37748

Dear Mr. Wright:

Thank you for submitting your request for an extension to receive your utility training, which is required by Tenn. Code Ann. § 7-34-115(j). The statute requires that such an extension can only “be granted upon a reasonable showing of substantial compliance” with the training requirements. Tenn. Code Ann. § 7-34-115(j)(6). You have completed zero out of twelve required training hours. Because the foregoing does not amount to “a reasonable showing of substantial compliance” as required by law, we cannot grant your request for an extension of time to obtain training.

As such, you have not met the training and continuing education requirements before the end of the continuing education period. Therefore, please be aware that pursuant to Tenn. Code Ann. § 7-34-115(k), the Water and Wastewater Financing Board “shall have full discretion to order reasonable sanctions against the municipality, including, but not limited to, the municipality being ineligible to receive assistance from the Tennessee local development authority under § 68-221-1206(a)(3).”

Please be aware that our Office offers fourteen hours of free online training for municipalities on our website at <https://comptroller.tn.gov/boards/utilities/water-wastewater-financing-board/ot/training.html>. Should you have further questions, please do not hesitate to contact John Greer or me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rachel E. Buckley".

Rachel E. Buckley
Assistant General Counsel



UTILITY MANAGEMENT REVIEW BOARD/
WATER & WASTEWATER FINANCING BOARD

Request for Training/Continuing Education Extension¹

Name of Utility Board Member Seeking Extension: Lonnie Wright

Name of Utility: Harriman Utility Board

End Date of Current Training/Continuing Education Period: 10/03/2019

Length of Extension Requested (NOT to exceed 6 months): 6 months

Number of Hours Currently Completed: 0

Please explain the circumstances that lead to your filing of an extension request with the UMRB or WWFB:

I was signed up to take a course last year but had to cancel for health reasons. I am now registered for a TAUD class November 20-21 in Cookeville to complete my 12 hours.

Lonnie H. Wright
Signature of Board Member Requesting Extension

9-30-19
Date

Edgar R. Bowers
Signature of Board Chair

9/30/19
Date

UMRB/WWFB STAFF ONLY

Approved

Denied

Name of Staff Member:

Rachel Buckley
[Signature]
Signature

10-21-19
Date

If you are having trouble submitting this form, please email a copy to utilities@cot.tn.gov

Submit Form

¹ Tenn. Code Ann. § 7-34-115 (j)(6), Tenn. Code Ann. § 7-82-308(f)(3), Tenn. Code Ann. § 68-221-605(f)(5), Tenn. Code Ann. § 68-221-1305(f)(5)

Miscellaneous





BEFORE THE TENNESSEE WATER AND WASTEWATER FINANCING BOARD

IN RE:

CALENDAR YEAR 2020 REGULAR MEETING SCHEDULE

RESOLUTION

The Tennessee Water and Wastewater Financing Board (“WWFB”) met on November 21, 2019, and formally endorsed the following regular meeting schedule for calendar year 2020, with all meetings to begin at 10:00am CT:

April 23

August 27

November 19

Entered this __ day of November, 2019.

Ann Butterworth, Chair
Water and Wastewater Financing Board