

Appendix A. 2008 Comptroller of the Treasury Letter to the Governor



STATE OF TENNESSEE COMPTROLLER OF THE TREASURY

Division of Local Finance

Water and Wastewater Financing Board

Suite 1700 James K. Polk State Office Building

505 Deaderick Street Nashville, Tennessee 37243-0274
Phone (615) 401-7976 Fax (615) 532-5232

December 30, 2008

The Honorable Phil Bredesen
Governor of Tennessee
State Capitol, First Floor
Nashville, TN 37243

And

The Honorable Ron Ramsey
Lt. Governor of Tennessee
Legislative Plaza, Room 1
Nashville, TN 37243

And

The Honorable Jimmy Naifeh
Speaker of the Tennessee House of Representatives
Legislative Plaza, Room 19
Nashville, TN 37243

Dear Sirs:

During the 2008 Legislative Session, Public Chapter 779 was passed which required the Water and Wastewater Financing Board (Board) to conduct a study of all water and sewer rates and tap fees of municipalities providing service to customers both inside and outside the municipal boundaries. The Act also required the Board to file a report with the Governor and Speakers of each house with recommendations as to whether the rates should be altered or modified for those utilities having outside rates and/or fees over 100% higher than the same for inside city customers.

The rate study was conducted for the Board by the University of Tennessee Municipal Technical Advisory Service during the summer of 2008. All of the 280 municipal water and sewer systems in the State of Tennessee did not respond to the survey, so the information gathered was not complete. The final survey information was received by the Board electronically on October 31, 2008. After the Board meeting on November 13, 2008, letters were mailed to the 27 municipal systems identified as meeting the criteria established by the Public Chapter to request justification of their rates and/or tap fees. The letters were mailed on November 17, 2008 with a request for information no later than December 1, 2008. (A copy of the MTAS survey and the letter requesting information from the systems is included in the attached information.)

During its meeting on December 18, 2008, the Board reviewed the responses submitted by each municipality to determine whether the difference in the rates was reasonable and justified. The Board considered statutory references relating to rates and fees of water and/or sewer systems. The references include such directives as: "user service fees...will create a minimum excess," "fee...sufficient to provided funds," "reasonable and justified," and "self-supporting." A copy of those statutory references is attached to this report.

Of the general comments made by the Board, a few are included for your consideration:

1. Customers outside the municipal boundary of the city should not be charged a higher rate simply because the debt is backed additionally by the "full faith and credit" of the taxpayers of the municipality. A utility system should be a self supporting entity paid for by its users.

2. All fees and charges – whether for inside or outside customers - should be studied to determine that they are defensible, equitable and reasonable.
3. Tap fees are for a one time service provided and should be judged differently from the minimum bill or the per thousand gallon rate which are based on the operational costs of the system.

Of the twenty seven cases reviewed by the Board only one received a recommendation for modification or alteration of rates. There were eighteen (18) systems for which no modification or alteration was recommended. The remaining eight (8) systems have no recommendation at this time (those systems are shaded on the attached spreadsheet.) Additional information will be requested from those eight systems, which the Board will review at its March 2009 meeting. An addendum to this report will be made at that time.

On behalf of the Board, it is my pleasure to submit this report to you. Attached with the report and recommendations of the Board are a copy of the complete rate study, as well as a copy of Public Chapter 779.

If I, or any member of this Board, can be of further assistance to you or your staff, please contact me at (615) 401-7910 or Ms. Joyce Welborn, Board Coordinator, at (615) 401-7864.

Sincerely,

Ann V. Butterworth

Chairperson

Attachments

Cc: Honorable John G. Morgan, Comptroller of the Treasury