

Appendix E. Fiscal Note for Proposed Legislation

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 600 - SB 735

March 11, 2013

SUMMARY OF ORIGINAL BILL: Prohibits the Johnson City waterworks or sewerage system from charging water rates, to customers located outside the corporate limits of the city, in excess of 50 percent of the rate charged to customers located within the corporate limits.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease Local Revenue - \$450,800/Johnson City

SUMMARY OF AMENDMENT (004265): Deletes all language after the enacting clause. Prohibits the Johnson City waterworks or sewerage system from charging water or sewer rates, to customers located outside the corporate limits of the city, in excess of 50 percent of the rates charged to customers located within the corporate limits.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease Local Revenue - \$560,300/Johnson City

Assumptions for the bill as amended:

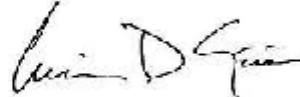
- According to Johnson City, the average customer living outside the corporate limits of the city uses on average 5,000 gallons of water monthly.
- Based on water rates currently charged to customers within the corporate limits, customers using an average of 5,000 gallons of water pay \$20.18 monthly. Customers located outside the corporate limits of the city using an average of 5,000 gallons of water pay \$40.36 monthly.
- Applying the maximum rate allowed by the bill, customers outside the corporate limits would pay no more than \$30.27 ($\$20.18 \times 150\%$) for every 5,000 gallons of water, a rate difference of \$10.09 ($\$30.37 - \20.18).

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- According to Johnson City, there are 3,723 customers served outside the corporate limits of the city.
- Setting the maximum rate allowable for water service will result in a recurring decrease in local revenue to Johnson City estimated to be \$450,781 (\$10.09 rate difference x 3,723 customers x 12 months).
- According to Johnson City, the average sewer customer living outside the corporate limits of the city utilizes 5,000 gallons of water per monthly.
- Based on sewer rates currently charged to customers within the corporate limits, customers using an average of 5,000 gallons of water for sewer services pay \$28.60 monthly. Customers located outside the corporate limits of the city using an average of 5,000 gallons of water for sewer services pay \$57.20 monthly.
- Applying the maximum rate allowed by the bill, customers outside the corporate limits would pay no more than \$42.90 (\$28.60 x 150%) for every 5,000 gallons of water used for sewer service, a rate difference of \$14.30 (\$57.20 - \$42.90).
- According to Johnson City, there are 638 sewer customers outside the corporate limits of the city.
- Setting the maximum rate allowable for sewer service will result in a recurring decrease in local revenue to Johnson City estimated to be \$109,481 (\$14.30 rate difference x 638 customers x 12 months).
- The total recurring decrease in local revenue for Johnson City will be \$560,262 (\$450,781 water service + \$109,481 sewer service).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/jrh