



Board of Mayor and Aldermen
Meeting Notice

Town Hall
334 Atoka-Munford Avenue
Tuesday, July 26, 2022
6:00 p.m.

The Board of Mayor and Aldermen of the Town of Atoka, Tennessee will hold a special called meeting on Tuesday, July 26, 2022, at 6:00 p.m.

Immediately following the special called meeting the Board of Mayor and Aldermen, the Atoka Planning Commission and Tipton County Executive Jeff Huffman will hold a work session meeting for Wastewater Discussion

The meeting will be held at Town Hall - 334 Atoka-Munford Avenue.

The public is encouraged to attend.

Meeting Agenda

- I. Call to Order & Roll Call**
- II. Old Business - None**
- III. New Business –**
 - a. Ordinance – Amending Water and Sewer Service Rates Exhibit A
- IV. Adjourn**

Agenda is subject to change up to meeting time

Posted: July 13, 2022



Office of the Town Administrator

MEMORANDUM

To: Honorable Mayor Daryl Walker and Board of Aldermen

From: Marc Woerner, Town Administrator

Date: July 14, 2022

RE: Water and Sewer Rates – Water and Wastewater Financing Board Order

Introduction:

The Town of Atoka's water and wastewater systems were considered to be in financial distress due to two consecutive years of negative revenue. When a utility has two consecutive years of negative revenue it is referred to the Tennessee Water and Wastewater Financing Board (WWFB) for oversight. Tennessee Code Annotated 68-221-1010 – Financial Distress is referenced on the WWFB Order dated December 3, 2020. The Order outlines five major items that were required of the town. The town has complied with all of the requirements of the Order, including providing supplemental information throughout the entire process to date.

The Order required the town to engage with a qualified expert to perform a rate study. The Tennessee Association of Utility Districts (TAUD) was identified as a qualified expert by the WWFB, and the town engaged them to perform the rate study. There have been delays in completing the rate study, due in part to the COVID-19 pandemic, as well as new questions from TAUD that required additional information be provided from the town.

Background:

The Town of Atoka purchases water from both the City of Munford and the Poplar Grove Utility District. Understandably, over the years, the cost of Atoka's water acquisition from both the City of Munford and Poplar Grove Utility District (PGUD) have increased almost annually. Atoka has not kept pace with water acquisition costs through necessary rate adjustments to its customers causing a reduction in positive revenues over time, which ultimately created negative revenues in both funds.

Around early 2020, the town requested that its MTAS Utility Consultant perform a water and sewer review, with and without a town owned water treatment plant. The review was delivered to the town on or about February 10, 2020 and the Board of Mayor and Aldermen held a work session on February 17, 2020 to discuss the study review. Although the MTAS study provided a recommendation to increase *both* water

and sewer rates including cost of living increases each year following the proposed increases, the Board decided to adjust *only* the sewer rates and *not* the water rates based on the recommendation of a previous Public Works Director. An additional recommendation of the study was to separate the water and sewer expenses into separate funds. The final ordinance for adjusting the sewer rates occurred in May 2020 making the rates effective July 1, 2020.

Additional investigation and research into the water and sewer revenues revealed that our billing and collections partner (PGUD) had not been informed by previous town staff of the May 2020 sewer rate increase. The billing methodology was also found to be inconsistent with how the town billed for its own water and sewer. Therefore, the anticipated additional sewer revenues were not collected or realized in the monthly billing cycles from July 2020 to February 2022. The unrealized sewer revenue and correct billing methodology for this period is estimated to be approximately \$168,000. It is unknown at this point if the WWFB will require the town to recover these funds. As soon as it was discovered and communicated to our billing partner that they were not using the correct billing methodology and rates, they corrected them immediately in the very next billing cycle. Additionally, they (PGUD) have been extremely helpful and have provided any and all information requested of them in a very timely manner.

The water and sewer funds were segregated in the 2022 fiscal year budget. The financials for both water and sewer funds have been monitored, reported, and communicated to the Board of Mayor and Aldermen and TAUD regularly throughout FY 22. Segregating the water and sewer funds has provided detailed information relating to the appropriate expenses for each fund. Previously, when the funds were co-mingled, expenses regarding water and sewer were not as easily identified.

The City of Munford is increasing Atoka's water acquisition cost from \$2.31 per thousand gallons to \$2.44 per thousand gallons with the July 2022 billing. PGUD is not increasing rates this year.

Conclusion:

The town should be proactive, and it *must* create positive revenue in both the water and sewer funds. After numerous discussions with TAUD staff and several reviews of FY22 financials throughout the year, TAUD has proposed water and sewer rate increases beginning July 2022 with continued monitoring and a review at 6 months. The proposed TAUD rates do not include the increase from City of Munford and will need to be adjusted to include said increase. If the town does not create the projected revenues in both funds, the WWFB will impose whatever rates they deem appropriate.

Our new Public Works Director started work with us on June 20, 2022 and has proven to be extremely knowledgeable on utilities, revenue generation and expense controls. Control of future expenses will be critical, and I am confident that his new perspective and experience will produce the proverbial fruit in both the water and sewer fund.

Another matter that needs to be addressed is that the sewer fund has been pumping out business grease traps at an annual cost of over \$20,000, further contributing to additional lost revenues that should

be retained by the sewer fund. This expense should be the responsibility of business owners. We are working on obtaining a grease trap pumping ordinance to eliminate this expense on the sewer fund.

Staff has drafted an ordinance on water and sewer service rates for the Board’s consideration. The draft includes the proposed TAUD water and sewer rates, adjustments for service connections, new installs, and replacement of damage or destroyed equipment.

The proposed TAUD water and sewer rate adjustment is estimated to create the following:

<u>Water Fund</u>	<u>GL Line</u>	<u>FY22 Collections</u>	<u>Est. Collections</u>	<u>FY 22 Deficit</u>	<u>Projected Revenue</u>
Current Water Collections Revenue	411-37110	\$ 1,019,684		\$ (171,427)	\$ 46,988
Proposed TAUD Water Rate			\$ 1,238,099		
\$ 10.25 min, \$ 4.38 per thousand	194,156,000 gals				
FY 22 consumption	191,531,900 gals				

<u>Sewer Fund</u>	<u>GL Line</u>	<u>FY22 Collections</u>	<u>Est. Collections</u>	<u>FY 22 Deficit</u>	<u>Projected Revenue</u>
Current Sewer Collections Revenue	412-37110	\$ 1,189,449.51		\$ (306,165.00)	\$ (138,893.23)
Proposed TAUD Sewer Rate					\$ 67,000.00
\$ 7.00 Min., \$ 5.25 per thousand	204,927,100 gals		\$ 1,356,721.28		\$ (71,893.23)
FY 22 consumption	205,388,500 gals				

ORDINANCE NUMBER _____

Exhibit A

AN ORDINANCE TO AMEND TITLE 18 CHAPTER 4 SECTION 403 AND 404 OF THE ATOKA MUNICIPAL CODE RELATED TO WATER AND SEWER SERVICE RATES.

WHEREAS, the Title 18 Chapter 4 Section 403 of the Atoka Municipal Code of Ordinances sets the various fees for water and sewer service provided by the Town of Atoka, and

WHEREAS, the Town seeks to charge fair and reasonable fees for water and sewer services provided by the Town; and

WHEREAS, the Town must, from time to time, evaluate its water and sewer rate structure to maintain the financial integrity of the system.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF MAYOR AND ALDERMEN OF THE TOWN OF ATOKA, THAT:

SECTION 1. Title 18 Chapter 4 Section 403 (1) of the Atoka Municipal Code is amended to read as follows.

(1) Water Rates. The following rates and fees shall be charged to water customers:

	<u>Meter Size</u>	
Minimum	5/8 to 3/4 inch	\$ 10.25
Minimum	1 inch	\$ 12.25
Minimum	1-1/2 inch	\$ 20.50
Minimum	2 inch	\$ 26.25
Minimum	3 inch	\$ 42.25
Each one thousand gallons		\$ 4.38

SECTION 2. Title 18 Chapter 4 Section 403 (2) of the Atoka Municipal Code is amended to read as follows.

(2) Sewer Rates. The following rates and fees shall be charged to sewer customers:

	<u>Meter Size</u>	
Minimum	5/8 to 3/4 inch	\$ 7.00
Minimum	1 inch	\$ 9.00
Minimum	1-1/2 inch	\$ 17.25
Minimum	2 inch	\$ 23.00
Minimum	3 inch	\$ 37.00
Each one thousand gallons		\$ 5.25
Grease tank pumping		\$ 125.00

SECTION 3. Title 18 Chapter 4 Section 403 (3) of the Atoka Municipal Code is amended to read as follows.

(3) Connection / Tap fees. The following fees shall be charged to customers for tapping onto the Town's water or sewer lines. These fees shall include all materials and labor for the Town to complete the connection.

Primary Water Connection	\$ 700.00
Sewer Connection - ALL	\$ 1,000.00

Auxiliary Water Connection	\$ 700.00
Grinder/Sewer Pump Installation	\$ 3,500.00
Water Service Relocation using Existing Meter	\$ 400.00

SECTION 4. Title 18 Chapter 4 Section 403 (4) of the Atoka Municipal Code is amended to read as follows.

(4) Account Activation/Relocation fee. The following fees shall be charged to customers requesting a new service, a name change on an existing service, or a relocation of service:

Water Connection – ALL	\$ 85.00
Sewer Connection – ALL	\$ 85.00

SECTION 5. Title 18 Chapter 4 Section 403 (5) of the Atoka Municipal Code is amended to read as follows.

(5) Penalties and Service fees. The following fees shall be charged to customers as defined:

Late payment penalty	10% of bill due
Fee to restore service during business hours	\$ 25.00
Fee to activate service after business hours	\$ 40.00
Fee to restore service after business hours	\$ 85.00
Returned check fee	\$ 30.00

SECTION 6. Title 18 Chapter 4 Section 403 (6) of the Atoka Municipal Code is amended to read as follows.

(6) Damaged or Destroyed equipment fees. The following replacement fees shall be charged to customers who destroy, disable or otherwise damage town equipment. *At least one-half hour minimum labor rate shall apply and be added to all part replacements listed in this section. Labor rates above one-half hour will be charged for actual time to perform replacement of parts.*

Water meter box lock	\$ 50.00 plus \$90.00/hour - labor and truck
Concrete meter box lid	\$ 85.00 plus \$90.00/hour - labor and truck

Concrete meter box	\$ 135.00 plus \$90.00/hour - labor and truck
Sewer tank riser	\$ 275.00 plus \$90.00/hour - labor and truck
Sewer tank lid	\$ 140.00 plus \$90.00/hour - labor and truck
Water meter	\$ 400.00 plus \$90.00/hour - labor and truck

SECTION 7. Title 18 Chapter 4 Section 404 of the Atoka Municipal Code is amended to read as follows.

18-404. Non-refundable Water and Sewer Connection fees. The following non-refundable connection fees shall apply:

- (1) Water Service. Each prospective water customer within the corporate limits shall pay a (\$85.00) non-refundable connection fee to secure water service to his or her residence or business.
- (2) Sewer Service. Each prospective sewer customer within the corporate limits shall pay a (\$85.00) non-refundable connection fee to secure sewer service to his or her residence or business.

SECTION 8. This Ordinance shall become effective immediately upon its adoption, the public welfare requiring it.

PASSED at the First Reading by the Board of Mayor and Aldermen of the Town of Atoka, Tennessee on the 14th day of July 2022.

PASSED at the Second Reading by the Board of Mayor and Aldermen of the Town of Atoka, Tennessee on the 26th day of July 2022.

W. Daryl Walker, Mayor

ATTEST:

Town Recorder

Town of Atoka
Statement of Business Type Activities*

Drafted - July 14, 2022

*Audited numbers unless otherwise noted, net of insurance recoveries, investment earnings, grants, etc.

Water-Sewer System

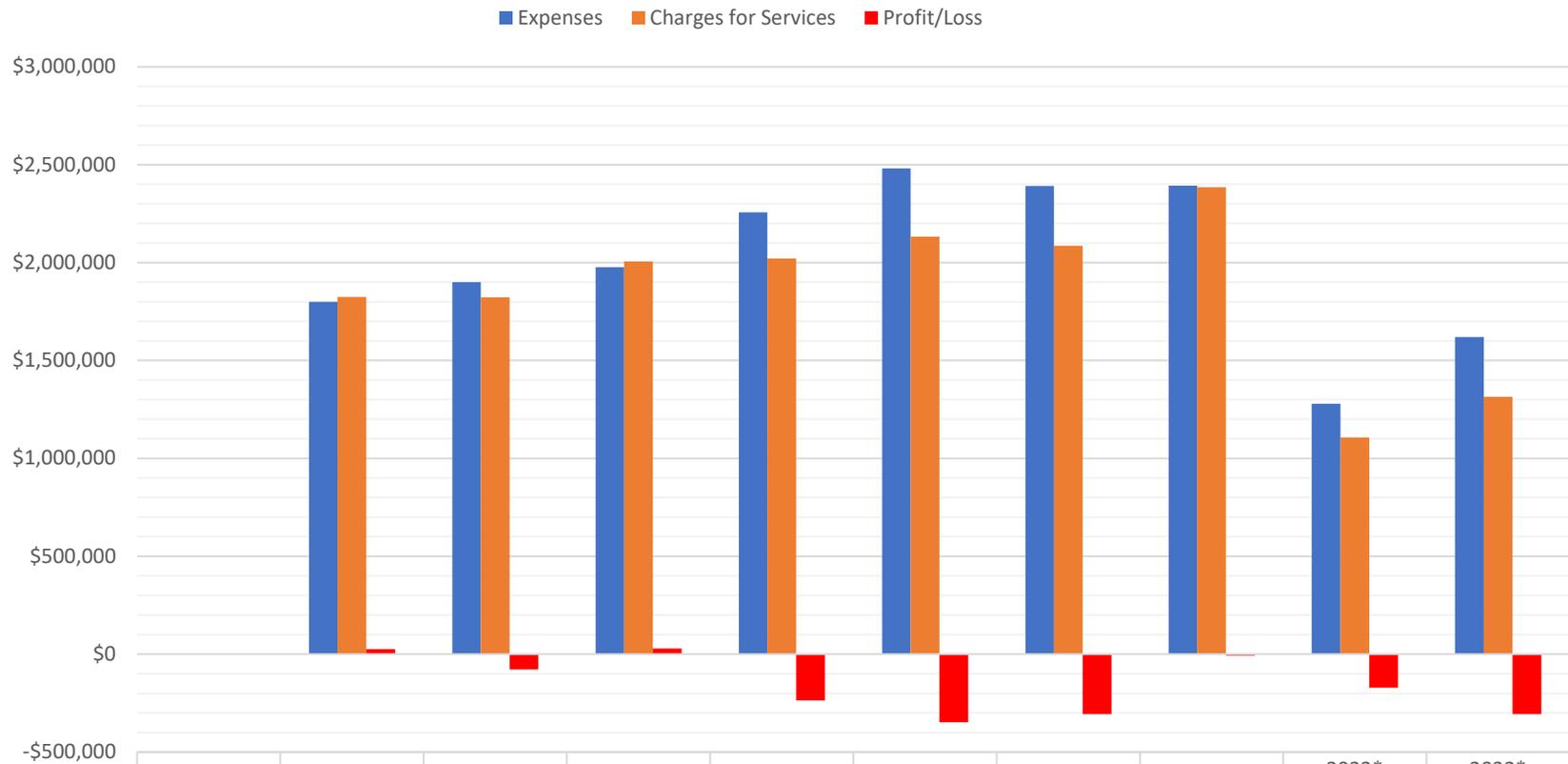
Years Ending - June 30	Expenses	Charges for Services	Profit/Loss
2015	\$ 1,799,811	\$ 1,824,902	\$ 25,091
2016	\$ 1,900,852	\$ 1,822,482	\$ (78,370)
2017	\$ 1,975,905	\$ 2,005,220	\$ 29,315
2018	\$ 2,257,238	\$ 2,020,305	\$ (236,933)
2019	\$ 2,481,312	\$ 2,133,231	\$ (348,081)
2020	\$ 2,391,891	\$ 2,085,917	\$ (305,974)
2021	\$ 2,392,099	\$ 2,384,758	\$ (7,341)
2022* Unaudited Water Fund	\$ 1,278,918	\$ 1,107,491	\$ (171,427)
2022* Unaudited Sewer Fund	\$ 1,620,240	\$ 1,314,075	\$ (306,165)

Town of Atoka

Statement of Business Type Activities*

Water-Sewer System

*Audited numbers unless otherwise noted, net of insurance recoveries, investment earnings, grants, etc.



	2015	2016	2017	2018	2019	2020	2021	2022* Unaudited Water Fund	2022* Unaudited Sewer Fund
■ Expenses	\$1,799,811	\$1,900,852	\$1,975,905	\$2,257,238	\$2,481,312	\$2,391,891	\$2,392,099	\$1,278,918	\$1,620,240
■ Charges for Services	\$1,824,902	\$1,822,482	\$2,005,220	\$2,020,305	\$2,133,231	\$2,085,917	\$2,384,758	\$1,107,491	\$1,314,075
■ Profit/Loss	\$25,091	\$(78,370)	\$29,315	\$(236,933)	\$(348,081)	\$(305,974)	\$(7,341)	\$(171,427)	\$(306,165)