

Budgeting for Utilities

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TENNESSEE COMPTROLLER OF THE TREASURY



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New Requirements

I. Training

- I. As of 2017, any personnel “that supervises, controls, or operates” a governmental utility **must abide by the training requirements** outlined in TCA § 7-34-115(j) and § 7-82-308(f).

II. Annual Training Statement

- I. Pursuant to TCA § 7-34-115(j)(8) and TCA § 7-82-308(f)(4) **all governing body members and utility district commissioners** are required to file an Annual Training Statement by January 31, each year regardless of hours attended.

Penalties for Training Non-Compliance

- Revoke Eligibility for
 - Bonds
 - Loans
 - Grants
- “Reasonable Sanctions”
- Utility Districts
 - “While suspended, an indicted commissioner shall be ineligible to receive any payments or benefits...a finding or verdict of guilty on any of the charges...then the suspension shall be made permanent” TCA 7-82-307

The Annual Information Report

- **Prescribed by the General Assembly in 2020.**
 - a. Reformatted last year and is now available online.
- **Frequently Asked Questions**
 - I. What if my Utility does not have a Website?
 - II. When should I file the AIR?
 - III. Why can't I change the Current Fiscal Year End Date?
 - IV. How should I format my gallons produced and sold?
 - V. How should I calculate my Average Customer Bill?

Water Loss Referrals

- Now reported as part of the Annual Information Report.
- Non-Revenue Water of more than 40%
 - $\text{Water Produced} - \text{Water Sold} = \text{Non-Revenue Water}$
 - $\text{Non-Revenue Water} \div \text{Water Produced} = \text{Water Loss Percentage}$
- Entity will be asked to fill out the AWWA v6.0 Worksheet.
- What about Flushing and Non-Revenue Water?
- What about a Validity Score?

Budget Structure

- I. Mimic your Audit Income Statement.
- II. Budget for Depreciation
- III. “Zero Budgeting”

Budget Structure

- I. **Begin with the Income Statement from the most recent audit.**
- II. **Add a column for current fiscal year estimations.**
- III. **Add a final column for the current budget based on the prior two.**
 - I. **Account for any new expenses.**
 - II. **Make sure to plan for inflation.**



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Why is Depreciation Important?

Rate Breakdown - No Depreciation

✓ Recurring	\$1,500,000
✓ Interest Expense	\$66,000
✓ Capital Purchases	\$6,000,000
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Total Cost:	\$7,566,000
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Customers:	3,753
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Revenue Requirement	\$167/month

Rate Breakdown - With Depreciation

✓ Recurring	\$1,500,000
✓ Interest Expense	\$66,000
✓ Depreciation	\$650,000
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Total Cost:	\$2,216,000
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Customers:	3,753
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Revenue Requirement	\$50/month

- Which town will experience growth?

What about next year?

Rate Breakdown - No Depreciation

- ✓ Recurring \$1,500,000
- ✓ Interest Expense \$66,000
- ✓ Capital Purchases \$200,000

Total Cost: \$1,766,000

Customers: 3,700

Revenue Requirement **\$40/month**

Rate Breakdown - With Depreciation

- ✓ Recurring \$1,650,000
- ✓ Interest Expense \$66,000
- ✓ Depreciation \$670,000

Total Cost: \$2,386,000

Customers: 3,800

Revenue Requirement **\$52/month**

- Which town will be financially stable?

Problematic Budgeting

I. “Zero Budgeting”

- I. Planning to utilize all revenues available to the Utility.
- II. Does not accurately represent a Utilities future.

II. Budgeting for a decrease in net position

- I. Will be given a conditional approval.
- II. Utilities must be responsible for future growth.

Fiscal Year End Checklist

- Has my Utility filed its' most recent audit **on time**?
- Has my Utility submitted a **complete budget** to the Comptroller's Office?
- Has my Utility complied with **all** Board Directives?
- Has my Utility completed the Annual Information Report?
- Did my Utility board members and commissioners filed their Annual Training Statement (**due Jan 31st each year**)
- Are there any concerns that the Comptroller's Office should be aware of?

Questions?



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