



City of Bradford

Water and Sewer Rate

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Municipal Technical Advisory Service
INSTITUTE *for* PUBLIC SERVICE



The City of Bradford contracted with MTAS for a water/sewer rate review. The purpose of the report is to revise the water and sewer rates. The 2022 audit for Bradford has not been completed at this time. The change in net position of the water/sewer department for years 2019 through 2021 are:

FY 2019	(38,307)
FY 2020	(5,529)
FY 2021	23,262

Items that have a positive effect on net position are:

- Positive income from operations
- Positive nonoperating revenue (interest earnings)
- Grants
- Contributions

Items that have a negative effect on net position are:

- Negative income from operations
- Nonoperating expenses (interest payments)
- Transfers out

State Requirements for the Financial Operation of Public Utilities

The State of Tennessee requires that municipal utility systems be financially self-supporting. To provide oversight and support to ensure that municipal water and sewer enterprises are financially sustainable, the State has created the Water and Wastewater Financing Board (WWFB). This Board oversees the financially distressed water and wastewater systems. Per State law, TCA 68-221-1010, a system would be considered in a financial distress if it meets any of the following conditions:

- Has a deficit total net position in any one year.
- Has a negative statutory change in net position for the two consecutive years.
- Is in default on any of its debt instruments.

Statutory change in net position is defined as the following:

Change in Net Position (GAAP Basis)	
Less:	Grants-Capital
	Grants-Operating
	Capital Contributions
	Interfund Transfers from Other Funds

Equals: Statutory Change in Net Position

Attachment A:

This is a spreadsheet with no proposed rate increases through year ending June 30, 2027. Water and Sewer finances are separate, to show the revenue and expenses separately. It appears that sewer will not provide enough revenue to fund the sewer expenses. Water will fund itself but will not produce enough income to have a positive change in net position for the combined department.

Attachment B:

This spreadsheet shows a change in the rate structure and a rate increase effective July 1, 2024, which produces a positive change in net position through 2027.

The example (proposed) new rate structure with an increase is based upon 520 water customers who are billed at least 19,597,394 gallons in a year. The number of sewer customers are 494 who are billed 17,703,024 gallons in a year.

Below is the proposed rate structure for Bradford. Both water and sewer would have a monthly base fee with no volumes included. There would be a uniform cost per 1,000 gallons. There would be no difference between inside city limits and outside the city limits in this rate schedule.

Bradford Water and Sewer Rates

Water monthly base with no volumes included	\$26.00
Water per 1,000 gallons	\$3.50
Sewer monthly base with no volumes included	\$27.00
Sewer per 1,000 gallons	\$3.90

Conclusion:

Bradford will require additional rate increases to meet increases in operations and fund new depreciation due to anticipated capital projects. Bradford could continue with their existing rate structure or adopt the MTAS suggested rate structure.

Bradford should also consider adopting an annual Cost of Living increase for all rates effective July 1 of each year.

Bradford Review

no change in rates

A

	year ending June 30,		2023		2024		2025		2026		2027	
Revenue	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer
metered sales	201,650	136,841	206,800	142,800	210,936	145,656	215,155	148,569	219,458	151,541		
penalties	3,230	5,475	3,250	5,400	3,315	5,508	3,381	5,618	3,449	5,731		
reconnection fees	1,686	1,387	1,700	1,400	1,734	1,428	1,769	1,457	1,804	1,486		
connect fees			3,100									
returned check fee	0	120			0	0	0	0	0	0		
taps	150	150	1,000	1,000	1,020	1,020	1,040	1,040	1,061	1,061		
misc.	1,561	11,104	1,000		1,020	0	1,040	0	1,061	0		
Total operating revenues	208,277	155,077	216,850	150,600	218,025	153,612	222,386	156,684	226,833	159,818		
Operational Expenses												
salaries	42,221	42,221	43,910	43,910	45,666	45,666	47,493	47,493	49,392	49,392		
overtime	2,576	2,576	2,679	2,679	2,786	2,786	2,898	2,898	3,014	3,014		
FICA	3,453	3,453	3,591	3,591	3,734	3,734	3,884	3,884	4,039	4,039		
Unemployment insurance	0	0	0	0	0	0	0	0	0	0		
state retirement	2,229	2,229	2,318	2,318	2,411	2,411	2,507	2,507	2,607	2,607		
licenses, fees, permits	720	674	749	701	779	729	810	758	843	788		
training	2,333	857	2,426	891	2,523	926	2,624	963	2,729	1,002		
utilities	16,175	21,621	16,822	22,486	17,495	23,385	18,195	24,320	18,923	25,293		
telephone	1,266	1,093	1,317	1,137	1,369	1,183	1,424	1,230	1,481	1,279		
supplies,repairs main&facilities	8,266	11,011	8,596	11,452	8,940	11,910	9,298	12,386	9,670	12,882		
repairs equipment vehicles pumps	4,610	6,731	4,794	7,000	4,986	7,280	5,185	7,571	5,393	7,874		
office supplies postage	1,913	866	1,989	901	2,069	937	2,152	974	2,238	1,013		
publications software	492	0	512	0	532	0	554	0	576	0		
chemicals	3,466	6,438	3,605	6,696	3,749	6,964	3,899	7,242	4,055	7,532		
gas and oil	1,865	1,120	1,939	1,164	2,017	1,211	2,098	1,259	2,182	1,310		
testing	121	2,712	125	2,820	130	2,933	136	3,050	141	3,172		
hydrant testing	1,218	0	1,267	0	1,318	0	1,371	0	1,425	0		
TML insurance	24,788	12,621	25,779	13,126	26,811	13,651	27,883	14,197	28,998	14,765		
health insurance	11,788	11,788	12,260	12,260	12,750	12,750	13,260	13,260	13,790	13,790		
equipment depreciation	6,512	6,512	6,772	6,772	7,043	7,043	7,325	7,325	7,618	7,618		
plant and lines depreciation	66,145	49,038	66,145	49,038	66,145	49,038	66,145	49,038	66,145	49,038		
new sewer depreciation ARPA \$873,414						21,835		21,835		21,835		
new water depreciation CDBG \$297,910					7,448		7,448		7,448			
Total operational expenses	202,157	183,559	207,598	188,940	220,704	216,372	226,588	222,192	232,708	228,244		
Non-operating Revenue (Expenses)												
Interest expense	1,004	1,004	1,024	1,024	1,044	1,044	1,065	1,065	1,086	1,086		
sale of material												
transfer for SW	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400		
Total Non-operating Revenues (Expenses)	3,404	3,404	3,424	3,424	3,444	3,444	3,465	3,465	3,486	3,486		
Change in Net Position (without Grant or CC)	9,523	(25,079)	12,676	(34,917)	765	(59,316)	(738)	(62,042)	(2,388)	(64,940)		

Bradford Review

with change in rates July 1 2024

B

	2023		2024		2025		2026		2027	
	year ending June 30,									
Revenue	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer
metered sales	201,650	136,841	206,800	142,800						
base bill					162,240	160,056	165,485	163,257	168,794	166,522
volume sales					68,591	69,042	69,963	70,423	71,362	71,831
penalties	3,230	5,475	3,250	5,400	3,315	5,508	3,381	5,618	3,449	5,731
reconnection fees	1,686	1,387	1,700	1,400	1,734	1,428	1,769	1,457	1,804	1,486
connect fees			3,100							
returned check fee	0	120			0	0	0	0	0	0
taps	150	150	1,000	1,000	1,020	1,020	1,040	1,040	1,061	1,061
misc.	1,561	11,104	1,000		1,020	0	1,040	0	1,061	0
Total operating revenues	208,277	155,077	216,850	150,600	237,920	237,054	242,678	241,795	247,532	246,631
Operational Expenses										
salaries	42,221	42,221	43,910	43,910	45,666	45,666	47,493	47,493	49,392	49,392
overtime	2,576	2,576	2,679	2,679	2,786	2,786	2,898	2,898	3,014	3,014
FICA	3,453	3,453	3,591	3,591	3,734	3,734	3,884	3,884	4,039	4,039
Unemployment insurance	0	0	0	0	0	0	0	0	0	0
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