



**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**

January 31, 2008

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

Dear Governor Bredesen:

The Water and Wastewater Financing Board (Board) is submitting to you its annual report for 2007.

On behalf of each member of the Board, I would like to extend our appreciation to the ladies and gentlemen of the Comptroller of the Treasury, the Tennessee Department of Environment and Conservation, and the Tennessee Association of Utility Districts for their valuable contributions to the Board this year. Without their assistance, the Board would not have been successful.

The goal of the Board is to follow our legislative mandates and to extend our services to the citizens of the State of Tennessee. We appreciate your continued confidence in and support of the Board. If I, or any member of the Board, can be of further assistance to you and your staff, please feel free to contact me at (615)401-7910.

Sincerely,

Ann Butterworth
Chairperson

Attachments

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

**ANNUAL REPORT
OF THE
WATER AND WASTEWATER FINANCING
BOARD**

January 2007 through December 2007

Prepared by

The Water and Wastewater Financing Board
and
The Comptroller of the Treasury
January 2008

ANNUAL REPORT FOR 2007

The 95th General Assembly created the Wastewater Financing Board (Board) in 1987. The Board was empowered to effect reasonable user rate increases or system improvements through negotiated consolidation of certain wastewater facilities. In July 1997, public water systems were also placed under the jurisdiction of this board; two members were added and the name was changed to Water and Wastewater Financing Board. The Board promulgated its rules and regulations and held its first meeting in April 1988. On May 3, 2007, Public Chapter 86 was signed transferring the administrative responsibility of the Board to the Comptroller of the Treasury. The Board is currently in the process of rulemaking.

The State of Tennessee currently has 348 incorporated municipalities and approximately 185 utility districts. Municipalities operate approximately 225 water and 227 wastewater systems. Utility districts operate approximately 182 water and 18 wastewater systems. There are eleven county operated water and wastewater systems and four water-only systems.

The Division of Municipal Audit, Comptroller of the Treasury, refers local governments operating financially distressed water and wastewater systems to the Board. Financially distressed municipal systems are defined as having a deficit total net assets in any one year, having a negative change in net assets for a period of three consecutive years, or are currently in default on any debt instruments. Financially distressed utility districts are defined as having a deficit total net assets in any one year, having a net operating loss for a period of three consecutive years, or are currently in default on any debt instruments.

Staff to the Board in the Office of the Comptroller of the Treasury reviews the referred cases and prepares presentations to the Board. Staff, assisted by the Municipal Technical Advisory Service, works with the municipal utility systems to develop strategies to comply with state law.

During the one meeting held in 2007, four case studies, one status report, and four compliance reports were presented to the Board.

The Board monitors all cases previously presented to determine if the approved recommended compliance plans are working as proposed. If not, the Board requires the system to meet with the Board to explain what steps need to be taken to solve their financial distress.

The Board has addressed the financially distressed condition of 178 entities in its twenty year history. Currently there are seven (7) entities under the jurisdiction of the Board. This reflects a 96% compliance rate.

During the 2007 session, legislation was passed which required the Board to determine an acceptable percentage for unaccounted for water loss, requiring a rulemaking process. Under the Uniform Administrative Procedures Act, the rulemaking hearing was held on December 5, 2007. The process is continuing during 2008.

On September 18, 2007, the Board participated in a Sunset public hearing before the joint subcommittee on Agriculture and Natural Resources. That subcommittee voted to continue the Board for six years. Legislation will be addressed during 2008 to adopt that vote.

**CASES PRESENTED
TO THE
WATER AND WASTEWATER FINANCING BOARD
DURING 2007**

Entity

County

Case Studies

City of Dyersburg
City of Kenton
City of Whitwell
City of Hohenwald

Dyer
Gibson/Obion
Marion
Lewis

Status Reports

Town of Dover

Stewart

Compliance Reports

City of Sneedville
Town of LaGrange
City of Clifton
City of Savannah

Hancock
Fayette
Wayne
Hardin

**LOCAL GOVERNMENTS
CURRENTLY UNDER THE JURISDICTION OF THE
WATER AND WASTEWATER FINANCING BOARD**

Entity

Duck River Utility Commission
City of Dyersburg
City of Hohenwald
City of Jellico
City of Kenton
Town of Petersburg
City of Whitwell

County

Coffee
Dyer
Lewis
Campbell
Gibson/Obion
Lincoln
Marion

**CURRENT MEMBERS
OF THE
WATER AND WASTEWATER FINANCING BOARD**

Ms. Ann Butterworth, Chairman
Office of the Comptroller of the Treasury

Mr. Ken Pointer
Tennessee Department of Environment and Conservation

Mr. Benjamin Bolton
Representing Manufacturing Interests
Davidson County

Mr. Grey Scott, General Manager
Gibson County Municipal Water District
Gibson County

Ms. Daisy Madison, City of Chattanooga Finance Director
Representing Minority Interests/Government Finance
Hamilton County

Mr. Richard Phillips, General Manager
Northeast Knox Utility District
Knox County

Mr. Joseph Prochaska
Representing Environmental Interests
Davidson County

Ms. Shirley Fox Rogers, Mayor of LaFollette
Representing Municipalities
Campbell County

Mr. Kenneth D. Wiggins, General Manager, Alcoa Utilities
Representing Municipal Water Utility
Blount County

**COMPTROLLER OF THE TREASURY
STAFF TO THE
WATER AND WASTEWATER FINANCING BOARD**

Mr. David Bowling
Director, Division of Local Finance

Ms. Joyce Welborn
Board Coordinator

Mr. Bobby Lee
General Counsel to the Comptroller

Mr. Dennis Dycus
Director, Division of Municipal Audit

Mr. Bill Case
Manager, Division of Municipal Audit