



City of Mt. Juliet

Wastewater Rate Study FY 2026

March 26, 2026

Prepared By:



Water | Wastewater

The City of Mount Juliet

2026 Wastewater Rate Study

Executive Summary

Purpose

The purpose of this report is to present a comprehensive rate study for the City of Mount Juliet (City) concerning the City's plans to:

- Provide adequate revenue to cover all expenses, including depreciation.
- Provide sufficient funds to support the City's Wastewater Five-Year Capital Improvement Plan.
- Ensure compliance with TCA § 7-82-403 (included at the end of this report).

Significant Events and Factors

- The City has experienced sustained year-over-year population and economic growth, and current projections indicate that trend will continue through the next five years.
- The City has not had a wastewater rate increase since July 2022.
- Metro, which handles the City's wastewater, is expected to raise its rates when the contract next renews in 2029.
- The City's Five-Year Capital Improvement Plan (CIP) for the wastewater system totals \$49,747,922. Developers are expected to contribute \$37,851,620 to the wastewater system through contributions in aid of construction.
- Capital improvements over the next five years will add new depreciation expense each year, reaching \$2,186,835 by FY 2030.

Methodology

The methodology used by RateStudies is based on the American Water Works Association (AWWA) M54 Manual – “Developing Rates for Small Systems”. Although rate studies are not an exact science, the financial models in this report can be helpful tools for making informed financial decisions and setting wastewater rates. Considerations are made to simplify the rate study process so it is understandable to authority officials, managers, staff, and customers.

This report offers a comprehensive financial review of the City's Wastewater systems, including a five-year historical overview and forecasts of customer growth, revenue, and expenses for the upcoming five years. The Authority's Five-Year Capital Improvement Plan (CIP) and its effect on depreciation are also included. The City's Chief Municipal Financial Officer (CMFO), Director of Engineering, and Utility Director contributed to gathering historical data, developing the Capital Improvement Plan, and providing growth estimates and financial projections.

This study uses a Cash Flow Analysis and a Change in Net Position Analysis to evaluate the need for future rate increases. Both methods provide insights into the financial condition of the City’s Wastewater systems. The data are organized in Excel spreadsheets that function as digital financial models. Graphs and charts are employed to visually display the analyses.

The Cash Flow Analysis includes income, expenses, capital improvements, and financing for the Authority’s CIP. The Change in Net Position Analysis covers similar data but also considers depreciation as an expense and excludes the Authority’s CIP. The Change in Net Position Analysis usually determines whether a rate increase is necessary and, if so, by how much.

Recommendation

Rate Increases

The following recommended rate increases aim to: (1) generate revenue to cover all Wastewater operating expenses, including depreciation; (2) produce sufficient cash flow to fund the City’s Wastewater Capital Improvement Plan; and (3) ensure compliance with the Tennessee Comptroller’s requirements regarding Change in Net Position. The proposed rate increases for the next three fiscal years are shown in **Figure 1**. The City should regularly monitor the projections in this report, respond to unexpected financial changes, and make adjustments as needed.

Recommended Rate Increases for FY 2027 - 2030				
	2027	2028	2029	2030
To be implemented on:	7/1/26	7/1/27	7/1/28	7/1/29
Wastewater	5%	5%	5%	5%

Figure 1

Other Considerations

Price elasticity measures how buyers respond to changes in the price of a good or service. Generally, when the price of a product increases, buyers tend to purchase less of that product. The City may experience price elasticity among some of its customers. Since wastewater bills are based on water usage, some customers might request separate water meters for their irrigation systems to lower their wastewater bills. This report includes neither a price elasticity analysis nor anticipates customers requesting meters for irrigation purposes.

Customer Growth and Revenue Projections

Overview

The City depends on customer revenue to cover the Wastewater department's operating costs, maintenance, depreciation, and new capital projects. Forecasting revenue for the next five years is essential for assessing if current rates are sufficient and whether future rate increases are needed. Analyzing the records from the past five years (FY 2021 to 2025) offers a strong basis for estimating customer growth and revenue over the upcoming five years (FY 2026 to 2030).

Methodology

There are four customer classes: Residential Inside the City, Residential Outside the City, Commercial Inside the City, and Commercial Outside the City. A work session was held with the City's Director of Public Works and Engineering and other staff to develop projections for each customer class. The total number of customers and the resulting revenue are projected to grow by 2.8% to 4.8% annually over the next five years.

Although the number of Inside City Residential and Commercial customers appears to be consistently increasing, revenue may vary due to weather conditions from one year to the next, customers implementing water conservation measures, or commercial customers changing their business practices by adding or removing features that affect water use.

Total Customers and Revenue

The total number of customers and revenue with no future rate increases are presented in **Figure 2**.

Total Customers and Revenue with No Future Rate Increases										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Customers	12,029	13,316	13,629	13,912	14,173	14,563	15,053	15,643	16,333	17,123
New Customers	141	1,287	311	283	261	390	490	590	690	790
Percent Change	1.2%	10.7%	2.4%	2.1%	1.9%	2.8%	3.4%	3.9%	4.4%	4.8%
Usage (MGY)	924	1,010	1,130	1,100	1,159	1,190	1,231	1,279	1,335	1,400
Percent Change	5.4%	9.3%	11.9%	-2.6%	5.3%	2.8%	3.4%	3.9%	4.4%	4.8%
Revenue	\$7,448,399	\$7,978,814	\$8,525,094	\$7,844,905	\$9,431,919	\$9,691,458	\$10,017,546	\$10,410,182	\$10,869,367	\$11,395,100
Percent Change	10.0%	7.1%	6.8%	-8.0%	20.2%	2.8%	3.4%	3.9%	4.4%	4.8%

Figure 2

Figures 2a-e display the graphical projections of customers and revenue.

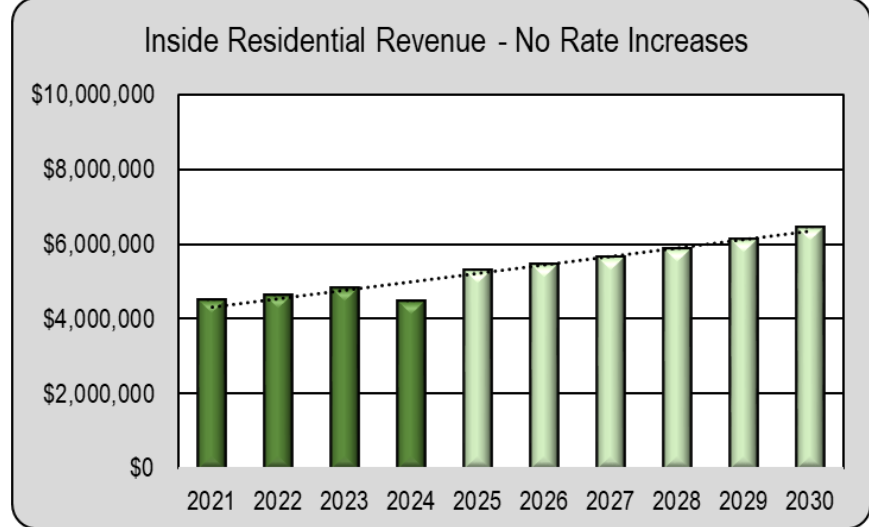
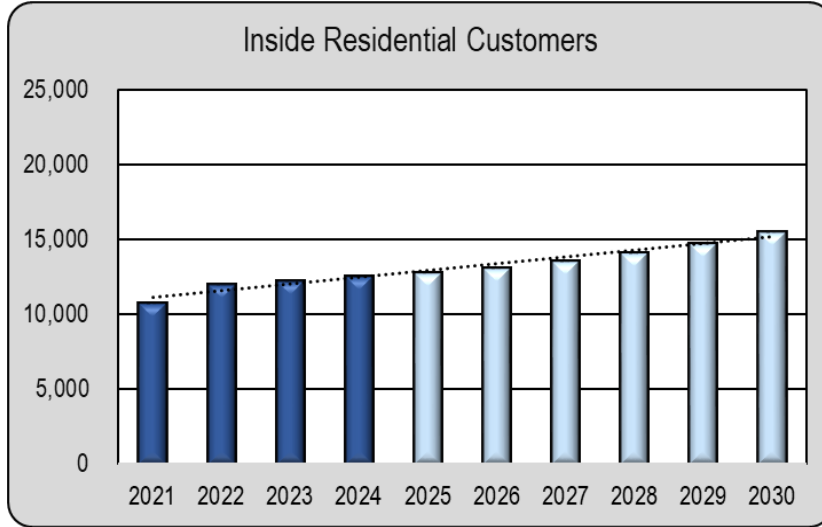


Figure 2a

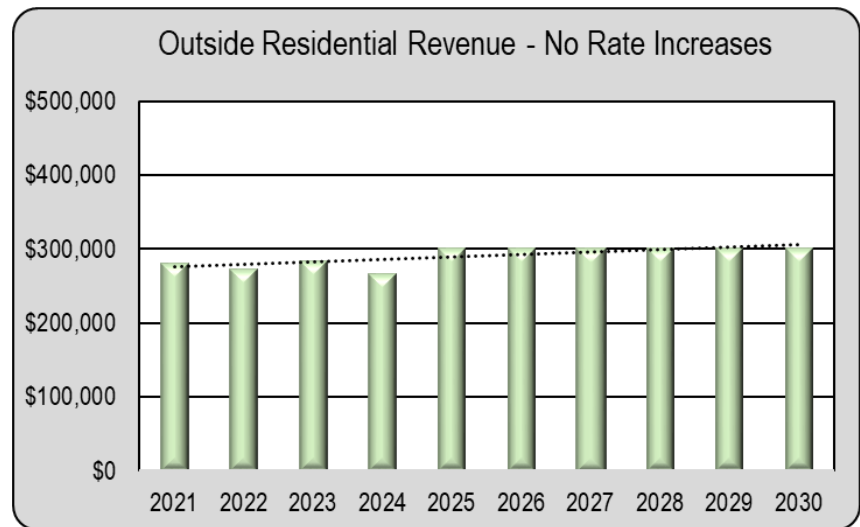
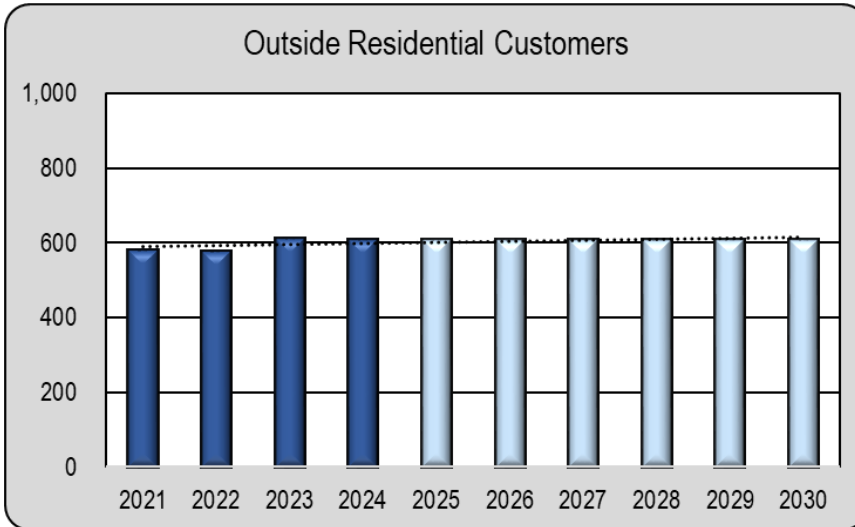


Figure 2b

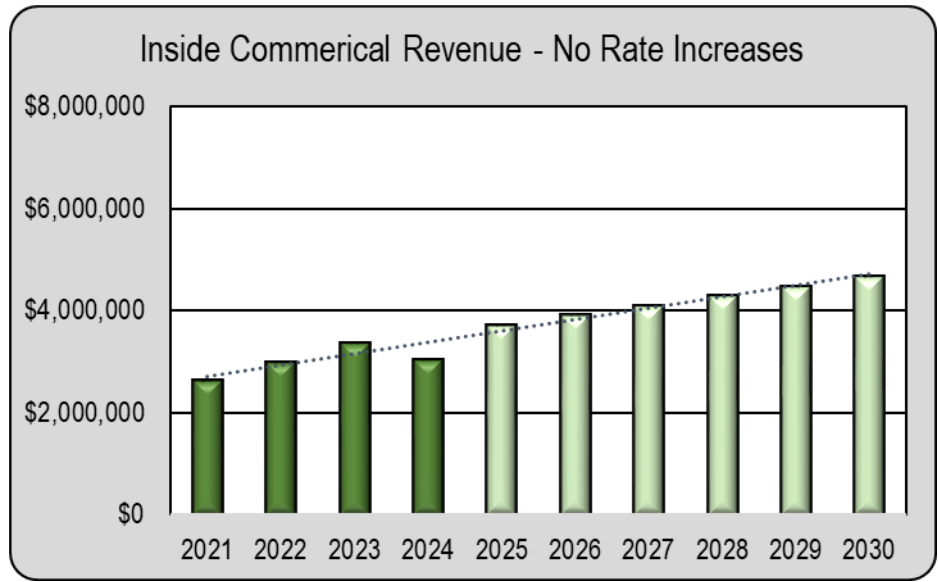
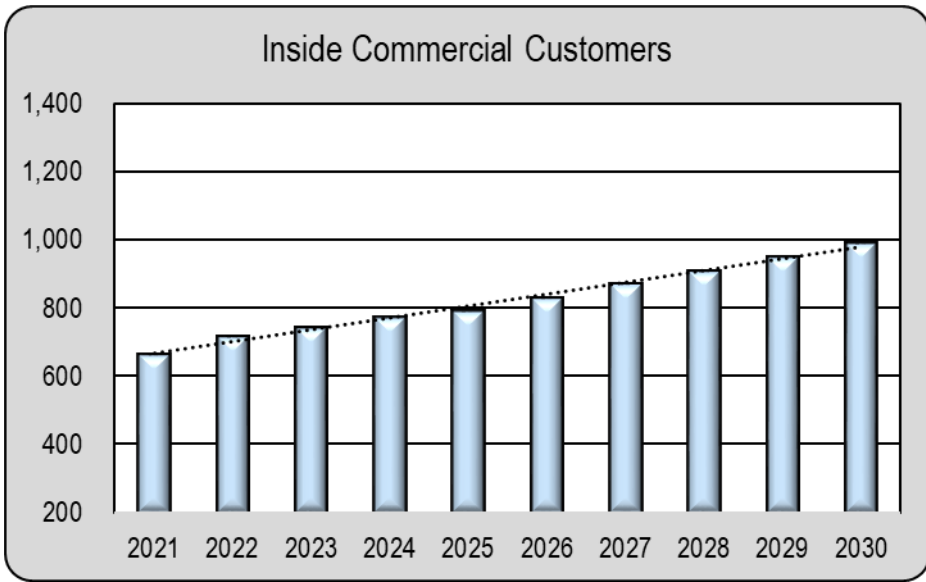


Figure 2c

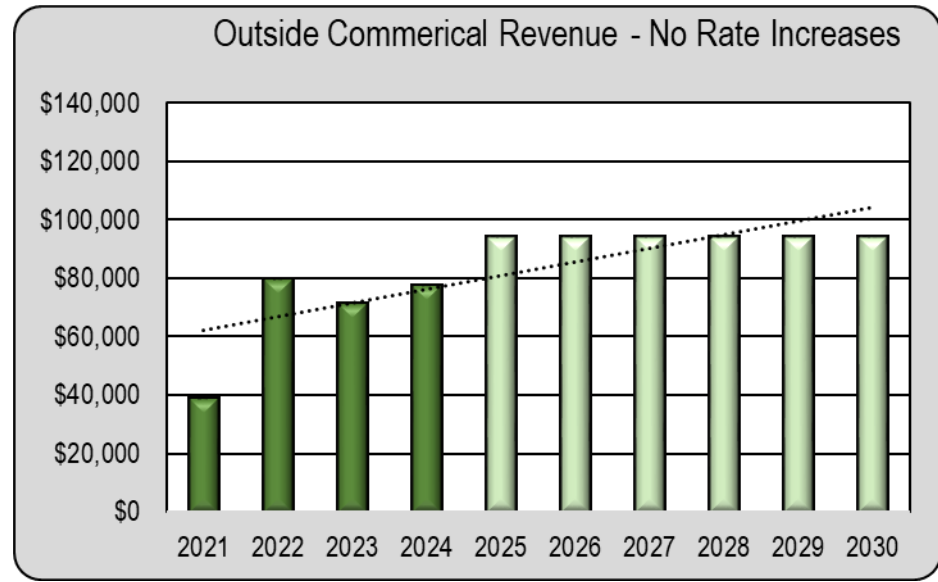
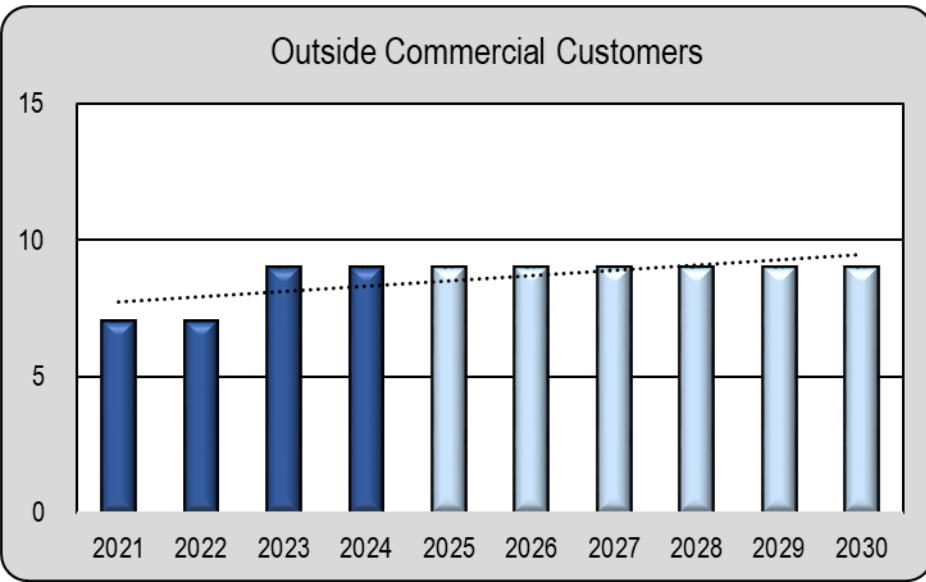


Figure 2d

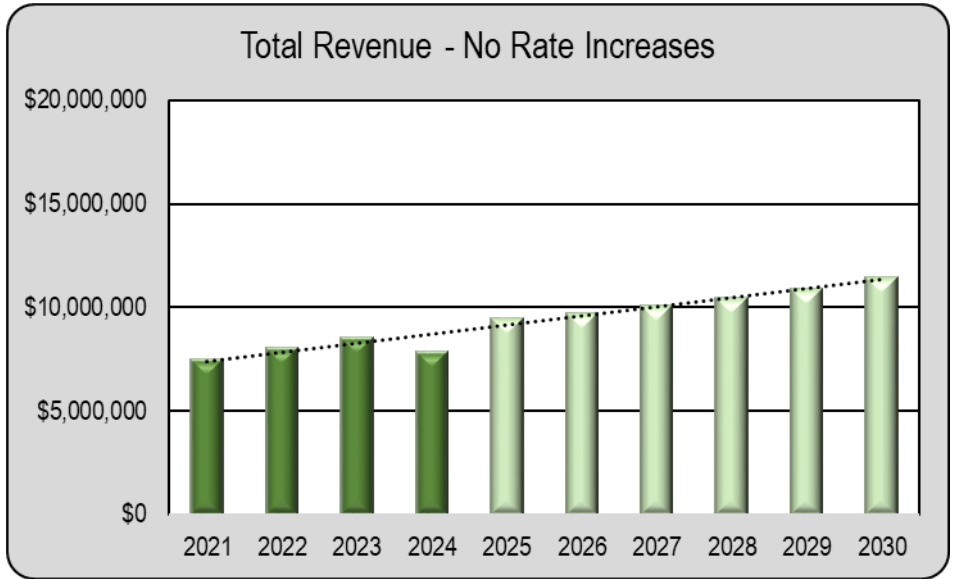
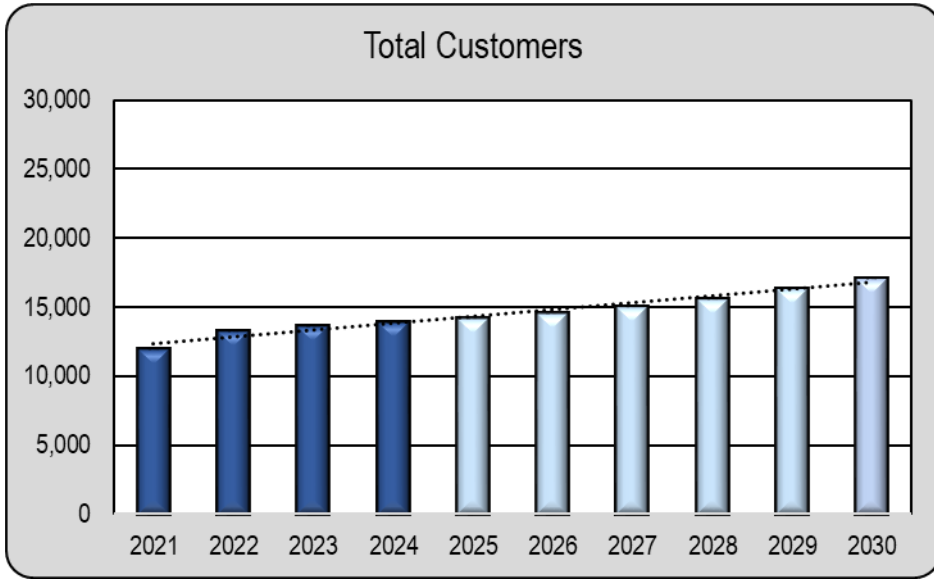


Figure 2e

Other Operating Revenues

In addition to charges for wastewater services, the City also receives operating revenues from inspections, administration, penalties and other operating revenues, as well as collection of uncollectible accounts and private grants. **Figure 3** displays these amounts from FY 2021 to 2025, along with projections for the next five years. The significant increases in FY 2024 and 2025 were due to sewer development fees. The total of other operating revenues is projected to grow about 3% annually.

Other Operating Revenues										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Other Operating Revenues	906,178	572,234	603,701	1,549,115	2,430,705	2,503,626	2,578,735	2,656,097	2,735,780	2,817,853
Uncollectible Accounts	6,848	(2,965)		(29,387)	17,388					
Operating private grant	15,463	2,520								
Total Other Operating Revenues	928,489	571,789	603,701	1,519,728	2,448,093	2,503,626	2,578,735	2,656,097	2,735,780	2,817,853

Figure 3

Figure 3a shows a graph of other operating revenues.

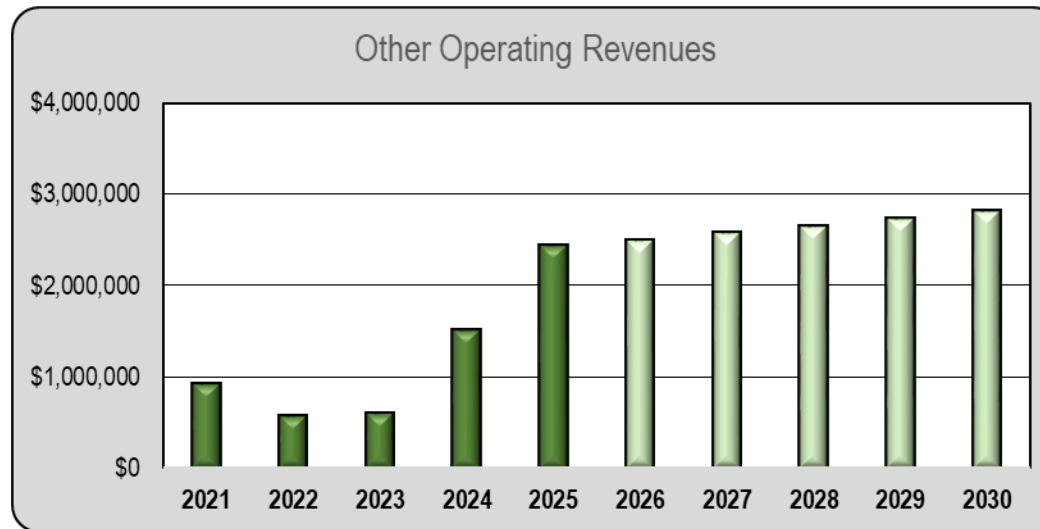


Figure 3a

Capital Improvement Plan

Overview

A Capital Improvement Plan (CIP) is a strategic roadmap that outlines the City's investments in long-term infrastructure—such as pump stations, force mains, basins, rehab of existing infrastructure, vehicles, and other assets. Typically spanning 5 years, a CIP details which projects are necessary, when they should be completed, and how much they will cost. This plan is vital because it helps the City proactively manage aging assets, prepare for future growth, and ensure reliable service. Without a CIP, the City risks unexpected breakdowns, costly emergency repairs, and financial instability. Planning ahead allows the City to prioritize projects, manage costs over time, and coordinate upgrades with community needs and regulations. Ultimately, a well-developed CIP ensures that the City remains resilient, efficient, and financially responsible.

Capital assets are defined by the City as assets with an initial individual cost of \$3,000 or more and a useful life of more than two years. Infrastructure capital assets are defined by the City as assets with an individual cost of \$10,000 or more and a useful life of more than two years. The City records these assets at either historical cost or estimated historical cost. Significant additions and improvements are capitalized, while costs for maintenance and repairs that do not add value or significantly extend the asset's useful life are expensed as they are incurred.

Developer-contributed projects are also included in the CIP. Although developers donate infrastructure to the City, each project is valued at its estimated fair market value. As the owner of the contributed infrastructure, the City must then operate, maintain, and account for the depreciation of that infrastructure.

Anticipated Projects

Figure 4 displays the estimated cost and expected year(s) of planned capital improvements.

Capital Improvement Plan (CIP) for Wastewater							
Project	Est Total Cost	Financed via:	Cost Incurred by Year				
		Cash	2026	2027	2028	2029	2030
Benders Ferry/GBG Pump Station and Force Main	10,668,000	10,668,000	5,168,000	5,500,000			
EQ Basin	11,594,922	11,594,922	11,594,922				
Creekside Drive Interceptor	4,040,000	4,040,000		4,040,000			
Stoners Creek Interceptor Sewer Upsizing	10,620,000	10,620,000		500,000	6,060,000	4,060,000	
Annual Pump Station Rehab	2,510,000	2,510,000	500,000	500,000	500,000	510,000	500,000
Flow Metering	900,000	900,000	200,000	200,000			500,000
Annual Collection System Rehab	3,615,000	3,615,000	500,000	500,000	500,000	1,015,000	1,100,000
Wynfield Pump Station Rehab	250,000	250,000	250,000				
Nonaville Force Main Upgrade	3,250,000	3,250,000			250,000	1,500,000	1,500,000
Vehicles & Equipment	1,925,000	1,925,000	385,000	385,000	385,000	385,000	385,000
Miscellaneous	375,000	375,000	75,000	75,000	75,000	75,000	75,000
Developer-contributed Projects	37,851,620		6,200,000	6,820,000	7,502,000	8,252,200	9,077,420
Total CIP	87,599,542	49,747,922	24,872,922	18,520,000	15,272,000	15,797,200	13,137,420
Total City-funded Capital Improvements	49,747,922		18,672,922	11,700,000	7,770,000	7,545,000	4,060,000

Figure 4

Other Considerations

The CIP can function as a planning document that is reviewed and updated annually. The plan should span at least five years and include major purchases. Additionally, the CIP can help in preparing annual budgets that account for depreciation as an expense.

Depreciation

Overview

Depreciation is a decrease in an asset's value over time caused by wear and tear. Although recorded as an expense, depreciation is not paid out to anyone; instead, it stays within the City's cash reserves. Funding depreciation encourages the City to save cash. Over time, the accumulated depreciation matches the initial cost of each capital asset. This process helps the City collect enough funds to finance new capital projects or replace worn-out assets.

Requirement

Tennessee state law requires all utility systems to depreciate capital assets. The Governmental Accounting Standards Board (GASB) requires depreciation to be reported as an operating expense in the "Statement of Revenues, Expenses, and Changes in Net Position" section of the audit report. Therefore, the utility must generate enough revenue to cover the depreciation expense.

Calculating the Costs

Although several depreciation methods exist, the straight-line method is the most commonly used. It involves dividing the asset's cost by its useful life. The estimated useful lives listed in the City's audit report are as follows:

Buildings	40 years	Sidewalks	30 years
Improvements other than buildings	30 years	Bridges	50 years
Road system infrastructure	30 years	Sewer lines	45 years
Machinery, equipment, and vehicles	5-10 years	Sewer Transmission equipment	10-15 years

The depreciation schedule lists all assets, their original costs, the year they entered service, and their useful lives. From this, the annual depreciation, accumulated depreciation, and book value are calculated. When the accumulated depreciation equals the original cost, the book value is zero, and the annual depreciation is also zero. The scheduled annual depreciation will stay the same or gradually approach zero unless new assets are added.

Other Considerations

All assets depreciate regardless of the financing method, even if they are acquired through grants or provided by developers. An asset starts to depreciate when it is placed into service, not when it is purchased or under construction.

Figure 5 shows a simplified schedule of wastewater system depreciation, including the past five years and projections for the next five years. The City's scheduled annual depreciation for existing assets drops by \$356,767 from FY 2025 to FY 2030, while an extra \$2,186,835 in new annual depreciation expense is added by FY 2030.

Depreciation										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Scheduled Depreciation	2,096,401	2,276,012	2,618,247	2,907,282	3,211,653	3,247,161	3,219,636	3,115,940	2,943,480	2,854,886
New Depreciation						236,389	780,755	1,395,687	1,798,559	2,186,835
Total Depreciation	2,096,401	2,276,012	2,618,247	2,907,282	3,211,653	3,483,550	4,000,390	4,511,627	4,742,039	5,041,721

Figure 5

Figure 5a presents a graphical depiction of the wastewater depreciation schedule.

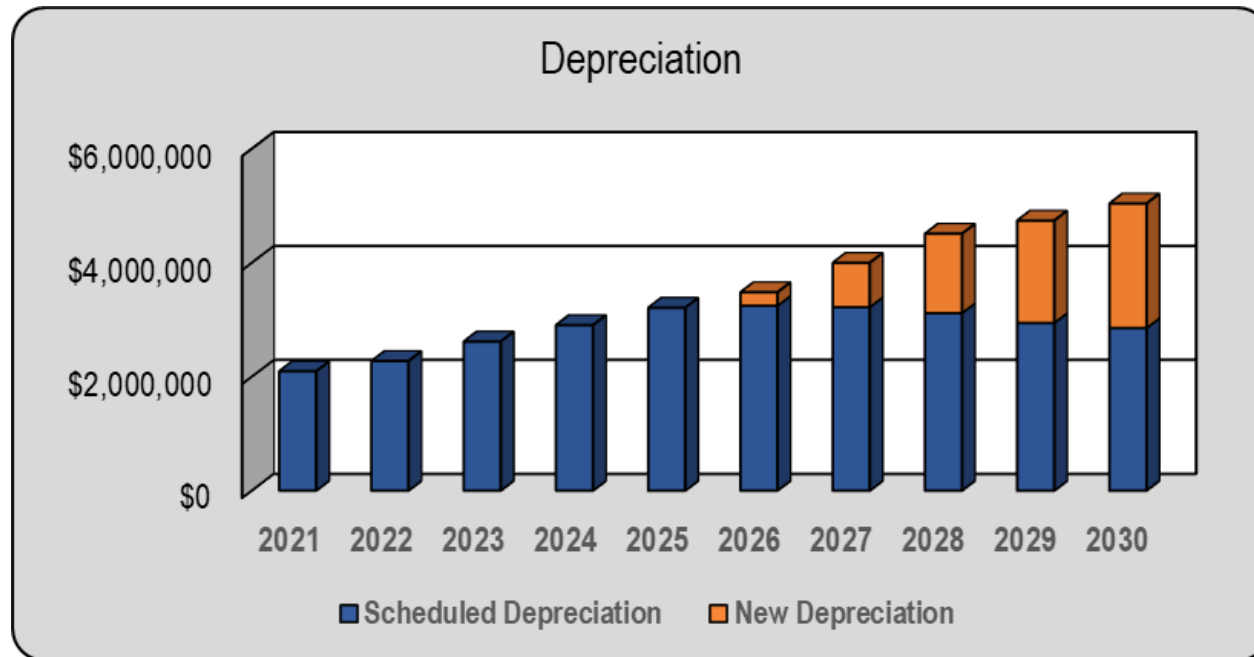


Figure 5a

General Expenses

Overview

General expenses are listed in the annual audit on the "Statement of Revenues, Expenses, and Changes in Net Position" page and include five main categories. Depreciation is also shown as an expense and is included in the Change in Net Position Analysis, but it is not part of the Cash Flow Analysis.

Methodology

A work session was held with the City's Chief Municipal Financial Officer (CMFO), Director of Engineering, and Utility Director to project each line item in the general expenses. These projections were guided by the previous five years of expenses. Estimated expenses through FY 2030 were calculated by applying annual percentage increases to each item. The larger increases in FY 2029 and FY 2030 reflect expected cost adjustments when the Metro treatment contract renews in 2029.

Analysis

Figure 6 displays general expenses from FY 2021 to FY 2030.

General Expenses										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Sewer line and pump maintenance	1,395,618	1,530,648	1,860,535	2,027,626	2,244,130	2,468,543	2,715,397	2,986,937	3,345,369	3,746,814
Sewer lift station operation	267,416	199,587	339,079	307,596	328,627	377,921	434,609	499,801	574,771	660,986
Administrative and accounting	528,287	517,404	515,334	360,018	385,452	412,434	441,304	472,195	505,249	540,616
Sewer transportation and treatment	2,702,302	3,267,439	2,949,228	3,351,098	4,199,891	4,409,886	4,630,380	4,861,899	5,348,089	5,882,898
Professional services	105,188	107,217	191,594	133,651	118,871	130,758	143,834	158,217	174,039	191,443
Total Expenses	4,998,811	5,622,295	5,855,770	6,179,989	7,276,971	7,799,541	8,365,524	8,979,049	9,947,517	11,022,757
<i>Percent Change</i>	<i>-9%</i>	<i>12%</i>	<i>4%</i>	<i>6%</i>	<i>18%</i>	<i>7%</i>	<i>7%</i>	<i>7%</i>	<i>11%</i>	<i>11%</i>

Figure 6

Figure 7 shows a graph of the wastewater system expenses.

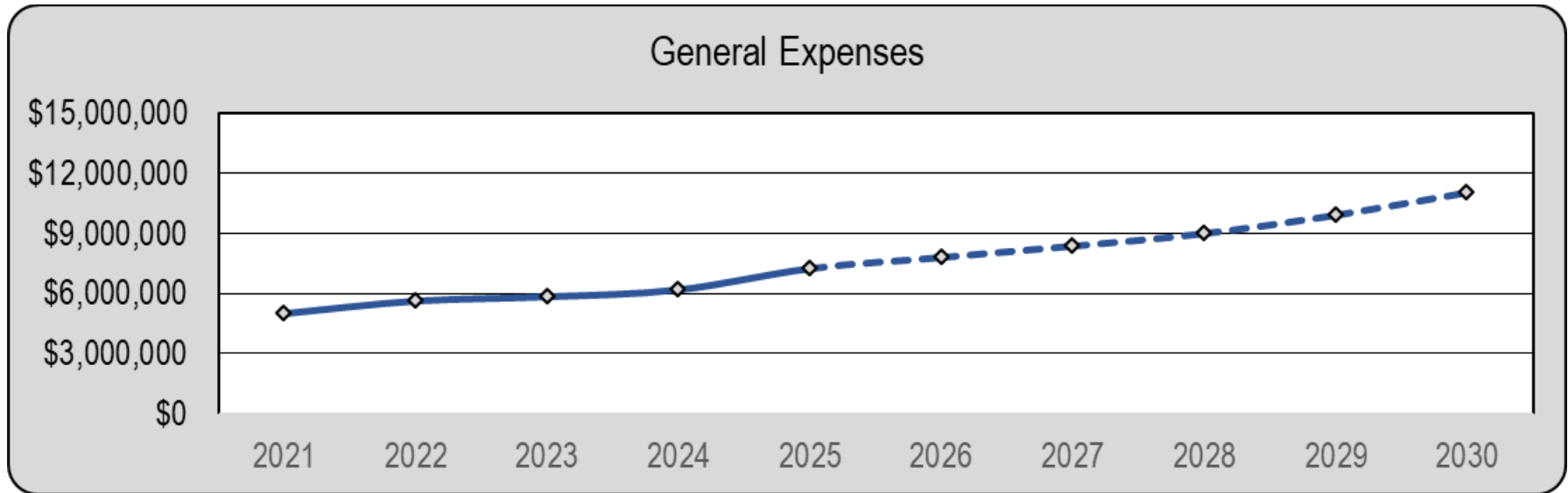


Figure 7

Other Considerations

General expenses can vary each year. A major repair and maintenance cost, or the need to buy large amounts of materials and supplies, can significantly impact general expenses, affecting Cash Flow and the Change in Net Position.

Cash Flow Analysis with No Rate Increases

Overview

It is essential for the City to understand the amount of cash on hand and whether cash reserves are increasing or decreasing. Cash is essential for covering the utility's operating and maintenance costs, retaining staff, funding capital expenses, and maintaining a healthy cash reserve. Therefore, predicting expected expenditures and the amount of cash the City anticipates receiving from its customers and other sources is crucial. This examination is known as a Cash Flow Analysis. If the projected cash flow jeopardizes the City's wastewater operations, rate increases will be necessary to maintain these services.

Methodology

The Cash Flow Analysis is structured like a budget, displaying the cash balance at the start of the fiscal year, income earned (including customer charges and other revenue sources), and total expenses. By adding income, subtracting expenses, and including contributions from customers, we determine the cash available for capital projects or to increase cash reserves. The City uses an accrual accounting system; therefore, a reconciliation line is included. Since projecting the accrual adjustment (the reconciliation of operating income and expenses) for future years is challenging, it is not included in the forecasted years. The cash at the end of one year becomes the starting amount for the next year.

Cash Flow – with No Future Rate Increases

Figure 8 displays the projected Cash Flow Analysis with no future rate increases. Despite significant Cash Flow Net Losses in FY 2026 and 2027, and minimal Cash Flow Net Gains in FY 2028 and 2029, the City’s Cash Ending balance for all future years remains positive and is safeguarded by the availability of substantial Investment reserves.

Cash Flow Analysis - No Future Rate Increases										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cash Beginning Jul 1	15,733,641	23,251,227	24,157,975	11,196,630	6,741,022	11,778,645	4,057,222	700,418	937,273	983,133
Income Sources										
Charges for Services	7,448,399	7,978,814	8,525,094	7,844,905	9,431,919	9,691,458	10,017,546	10,410,182	10,869,367	11,395,100
Other Operating Revenues	928,489	571,789	603,701	1,519,728	2,448,093	2,503,626	2,578,735	2,656,097	2,735,780	2,817,853
Interest Received	105,294	66,841	242,144	892,688	1,396,124	1,555,956	1,112,439	919,626	933,231	935,865
Total Income	8,482,182	8,617,444	9,370,939	10,257,321	13,276,136	13,751,040	13,708,720	13,985,905	14,538,377	15,148,818
Expenses										
General Expenses	4,998,811	5,622,295	5,855,770	6,179,989	7,276,971	7,799,541	8,365,524	8,979,049	9,947,517	11,022,757
Income Less Expenses	3,483,371	2,995,149	3,515,169	4,077,332	5,999,165	5,951,499	5,343,196	5,006,856	4,590,860	4,126,061
Capital Financing										
Grants					2,200,646					
Contributions from Customers	3,470,335	2,236,732	756,949	623,313	7,165,693	5,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Transfer to (from) Investments										
Purchase (Sale) of Investments	13,806	5,732	12,008,856	4,435,755	(2,255,023)					
Capital Expenses										
Capital Expenses	938,795	2,679,587	5,777,147	6,399,947	12,391,733	18,672,922	11,700,000	7,770,000	7,545,000	4,060,000
Annual Net Gain (Loss)	6,001,105	2,546,562	(13,513,885)	(6,135,057)	5,228,794	(7,721,423)	(3,356,804)	236,856	45,860	3,066,061
Accrual Adjustment	1,516,481	(1,639,814)	552,540	1,679,449	(191,171)					
Cash Ending June 30	23,251,227	24,157,975	11,196,630	6,741,022	11,778,645	4,057,222	700,418	937,273	983,133	4,049,194
Investments	1,114,542	1,120,274	13,129,130	17,564,885	15,309,862	15,309,862	15,309,862	15,309,862	15,309,862	15,309,862
Total Cash + Investments	24,365,769	25,278,249	24,325,760	24,305,907	27,088,507	19,367,084	16,010,280	16,247,135	16,292,995	19,359,056

Figure 8

Figure 8a is a visual display of past and projected cash flows, offering an overall view of the utility's cash status over ten years by combining five years of historical data with five years of forecasted estimates. It highlights three key metrics—total income, total general expenses, and total cash available—giving a clear picture of past performance and upcoming trends. By showing the relationship between revenues and expenses over time, the chart demonstrates how operational results influence available cash, providing insight into the utility's financial strength and capacity to meet future obligations. While best practice recommends keeping a cash reserve equal to one year of expenses, the City's substantial investment reserves enable it to stay well above that benchmark throughout the projection period.

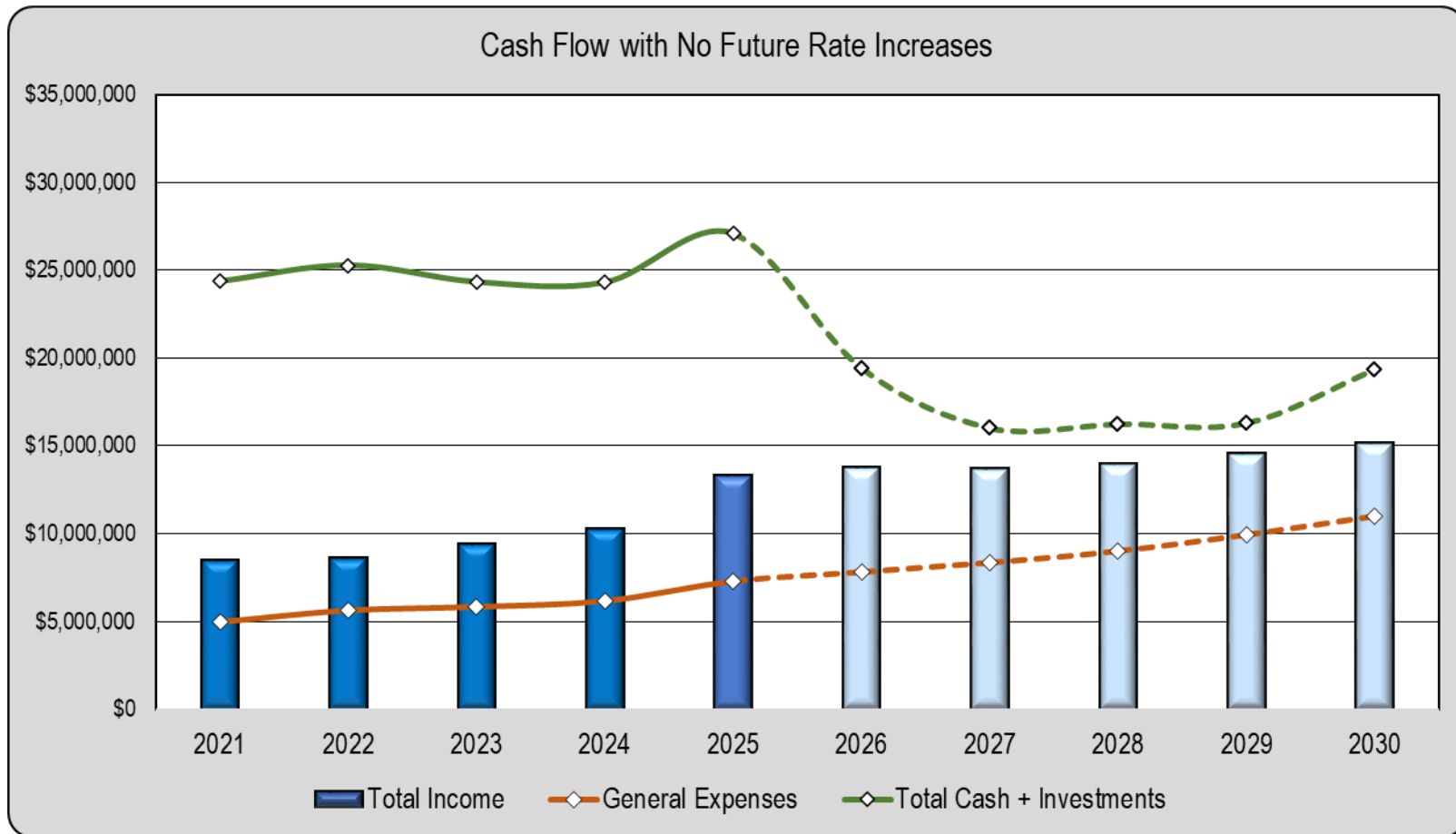


Figure 8a

Change in Net Position Analysis with No Increase

Overview

Net position is generally defined as assets minus liabilities. The City's Wastewater assets include all cash (both unrestricted and restricted), land, and the "net value" of all owned assets, such as underground pipes, tanks, pumps, buildings, furniture, vehicles, and other essential assets necessary for the utility's operation. The net value is calculated as the original cost of a capital asset minus its accumulated depreciation. Each year, the Change in Net Position (CNP) varies due to fluctuations in cash resulting from changes in revenue and overall expenses. Additionally, the net capital asset value changes based on the purchase and depreciation of new capital assets, with some potentially becoming fully depreciated. The CNP is reported in a section of the City's audit report titled "Statement of Revenues, Expenses, and Changes in Net Position." The CNP analysis in this report contains the same data and information found in that section of the audit report.

Methodology

The CNP Analysis differs from the Cash Flow Analysis because it includes depreciation as an operating expense but excludes capital expenses and principal debt payments. Also, for financial statement reviews by the Tennessee Comptroller of the Treasury's Board of Utility Regulators (TBOUR), Tennessee law requires that transfers, grants, and contributions be subtracted from a utility's "Financial" CNP to determine the "Statutory" CNP.

Requirement

The CNP line item in the CNP Analysis is crucial because, according to TCA §7-82-703 (included at the end of this report), the City could face actions by TBOUR if the "Statutory" CNP remains negative for two consecutive years.

Other Considerations

The CNP Analysis generally determines whether a rate increase is needed.

Change in Net Position – with No Rate Increases

Figure 9 displays the projected CNP assuming no future rate increases. The analysis shows that CNP becomes negative in FY 2029 and deteriorates in FY 2030. This decline is mainly caused by the sharp rise in “New Depreciation” expense starting in FY 2026 (see **Figure 5**), which mirrors the significant increase in Capital Expenses in FY 2025 (see **Figure 8**). Without appropriate rate adjustments to cover depreciation of the planned Capital Improvements, the City will fall out of compliance with state law governing CNP by FY 2030.

Change in Net Position - No Rate Increases										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Operating Revenues										
Charges for Services	7,448,399	7,978,814	8,525,094	7,844,905	9,431,919	9,691,458	10,017,546	10,410,182	10,869,367	11,395,100
Other Operating Revenue	928,489	571,789	603,701	1,519,728	2,448,093	2,503,626	2,578,735	2,656,097	2,735,780	2,817,853
Total Operating Revenues	8,376,888	8,550,603	9,128,795	9,364,633	11,880,012	12,195,084	12,596,281	13,066,279	13,605,147	14,212,953
Operating Expenses										
General Expenses	4,998,811	5,622,295	5,855,770	6,179,989	7,276,971	7,799,541	8,365,524	8,979,049	9,947,517	11,022,757
Depreciation	2,096,401	2,276,012	2,618,247	2,907,282	3,211,653	3,483,550	4,000,390	4,511,627	4,742,039	5,041,721
Total Operating Expenses	7,095,212	7,898,307	8,474,017	9,087,271	10,488,624	11,283,091	12,365,915	13,490,676	14,689,556	16,064,478
Operating Income (Loss)	1,281,676	652,296	654,778	277,362	1,391,388	911,993	230,366	(424,397)	(1,084,410)	(1,851,525)
Non-operating Income (Expenses)										
Interest Income	103,697	66,191	343,058	1,199,516	1,193,301	1,329,913	950,829	786,026	797,655	799,906
Gain (loss) on sales of capital assets	(5,595)	33,850	708	40,009						
Total Non-operating Rev/Exp	98,102	100,041	343,766	1,239,525	1,193,301	1,329,913	950,829	786,026	797,655	799,906
Net Income (Loss) Before Contributions										
Statutory Change in Net Position	1,379,778	752,337	998,544	1,516,887	2,584,689	2,241,906	1,181,195	361,629	(286,755)	(1,051,619)

Figure 9

Figure 9a shows a graphical representation of the CNP for the wastewater system.

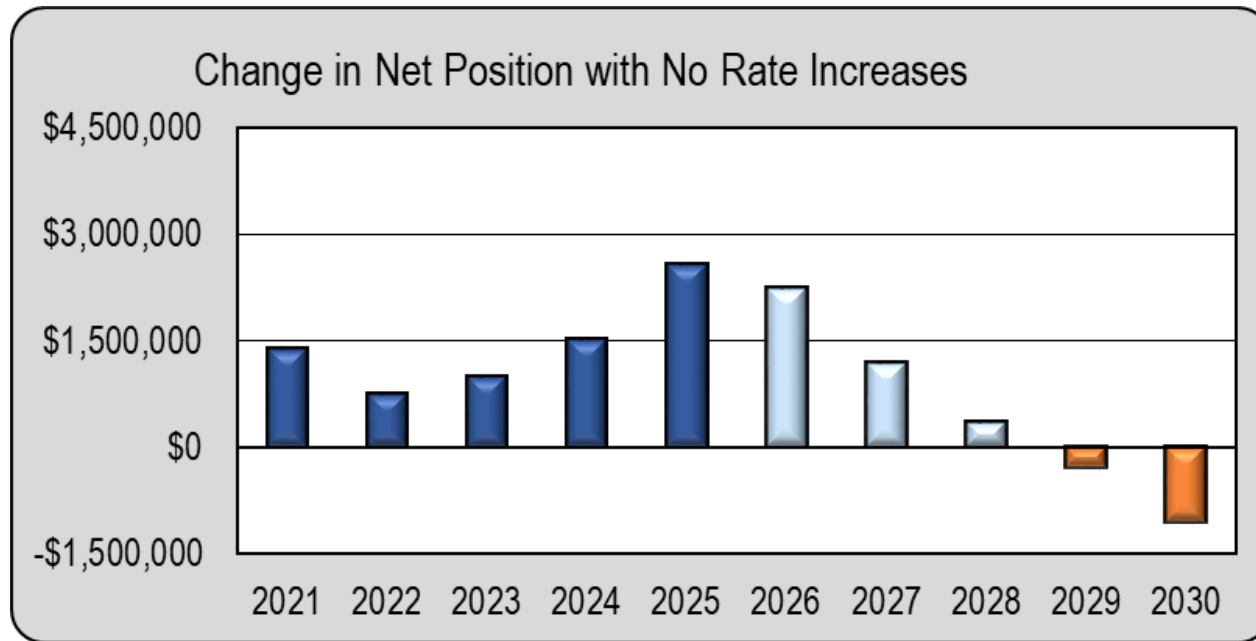


Figure 9a

Recommendation for Rate Increases

Cash Flow Analysis – with Rate Increases

Figure 10 shows the projected cash flow reflecting the impact of implementing annual 5% rate increases starting in FY 2027.

Cash Flow Analysis - With Rate Increases										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cash Beginning Jul 1	15,733,641	23,251,227	24,157,975	11,196,630	6,741,022	11,778,645	4,057,222	1,201,295	2,533,964	4,384,822
Income Sources										
Charges for Services	7,448,399	7,978,814	8,525,094	7,844,905	9,431,919	9,691,458	10,518,423	11,477,226	12,582,651	13,850,815
<i>Rate Increase</i>							5%	5%	5%	5%
Other Operating Revenues	928,489	571,789	603,701	1,519,728	2,448,093	2,503,626	2,578,735	2,656,097	2,735,780	2,817,853
Interest Received	105,294	66,841	242,144	892,688	1,396,124	1,555,956	1,112,439	948,396	1,024,944	1,131,257
Total Income	8,482,182	8,617,444	9,370,939	10,257,321	13,276,136	13,751,040	14,209,598	15,081,718	16,343,374	17,799,925
Expenses										
General Expenses	4,998,811	5,622,295	5,855,770	6,179,989	7,276,971	7,799,541	8,365,524	8,979,049	9,947,517	11,022,757
Income Less Expenses	3,483,371	2,995,149	3,515,169	4,077,332	5,999,165	5,951,499	5,844,073	6,102,669	6,395,858	6,777,168
Capital Financing										
Grants					2,200,646					
Contributions from Customers	3,470,335	2,236,732	756,949	623,313	7,165,693	5,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Transfer to Investments										
Purchase (Sale) of Investments	13,806	5,732	12,008,856	4,435,755	(2,255,023)	0	0	0	0	0
Capital Expenses										
Capital Expenses	938,795	2,679,587	5,777,147	6,399,947	12,391,733	18,672,922	11,700,000	7,770,000	7,545,000	4,060,000
Annual Net Gain (Loss)	6,001,105	2,546,562	(13,513,885)	(6,135,057)	5,228,794	(7,721,423)	(2,855,927)	1,332,669	1,850,858	5,717,168
Accrual Adjustment	1,516,481	(1,639,814)	552,540	1,679,449	(191,171)	0	0	0	0	0
Cash Ending June 30	23,251,227	24,157,975	11,196,630	6,741,022	11,778,645	4,057,222	1,201,295	2,533,964	4,384,822	10,101,990
Investments	1,114,542	1,120,274	13,129,130	17,564,885	15,309,862	15,309,862	15,309,862	15,309,862	15,309,862	15,309,862
Total Cash + Investments	24,365,769	25,278,249	24,325,760	24,305,907	27,088,507	19,367,084	16,511,157	17,843,826	19,694,684	25,411,852

Figure 10

Figure 10a shows a graphical representation of the cash flow with the recommended annual 5% rate increases.

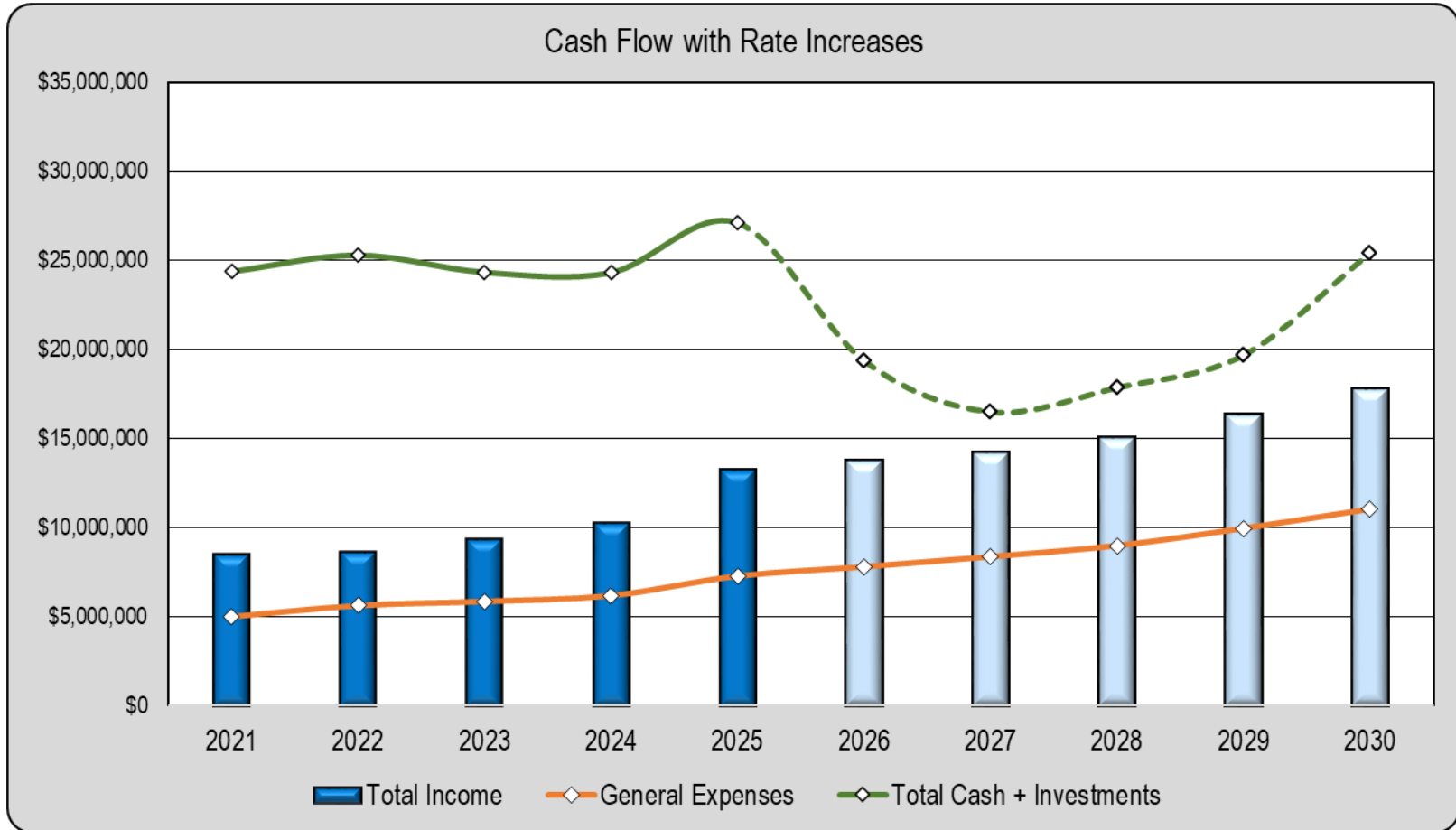


Figure 10a

Change in Net Position Analysis – with Rate Increases.

Figure 11 shows the projected CNP reflecting the impact of the recommended 5% annual rate increases.

Change in Net Position - With Rate Increases										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Operating Revenues										
Charges for Services	7,448,399	7,978,814	8,525,094	7,844,905	9,431,919	9,691,458	10,518,423	11,477,226	12,582,651	13,850,815
Other Operating Revenue	928,489	571,789	603,701	1,519,728	2,448,093	2,503,626	2,578,735	2,656,097	2,735,780	2,817,853
Total Operating Revenues	8,376,888	8,550,603	9,128,795	9,364,633	11,880,012	12,195,084	13,097,158	14,133,323	15,318,430	16,668,668
Operating Expenses										
General Expenses	4,998,811	5,622,295	5,855,770	6,179,989	7,276,971	7,799,541	8,365,524	8,979,049	9,947,517	11,022,757
Depreciation	2,096,401	2,276,012	2,618,247	2,907,282	3,211,653	3,483,550	4,000,390	4,511,627	4,742,039	5,041,721
Total Operating Expenses	7,095,212	7,898,307	8,474,017	9,087,271	10,488,624	11,283,091	12,365,915	13,490,676	14,689,556	16,064,478
Operating Income (Loss)	1,281,676	652,296	654,778	277,362	1,391,388	911,993	731,243	642,646	628,874	604,190
Non-operating Income (Expenses)										
Interest Income	103,697	66,191	343,058	1,199,516	1,193,301	1,329,913	950,829	810,617	876,044	966,913
Gain (loss) on sales of capital assets	(5,595)	33,850	708	40,009	0	0	0	0	0	0
Total Non-operating Rev/Exp	98,102	100,041	343,766	1,239,525	1,193,301	1,329,913	950,829	810,617	876,044	966,913
Change in Net Position										
Statutory Change in Net Position	1,379,778	752,337	998,544	1,516,887	2,584,689	2,241,906	1,682,072	1,453,263	1,504,919	1,571,103

Figure 11

Figure 11a is a visual depiction of the CNP showing the effect of the proposed 5% yearly rate increases.

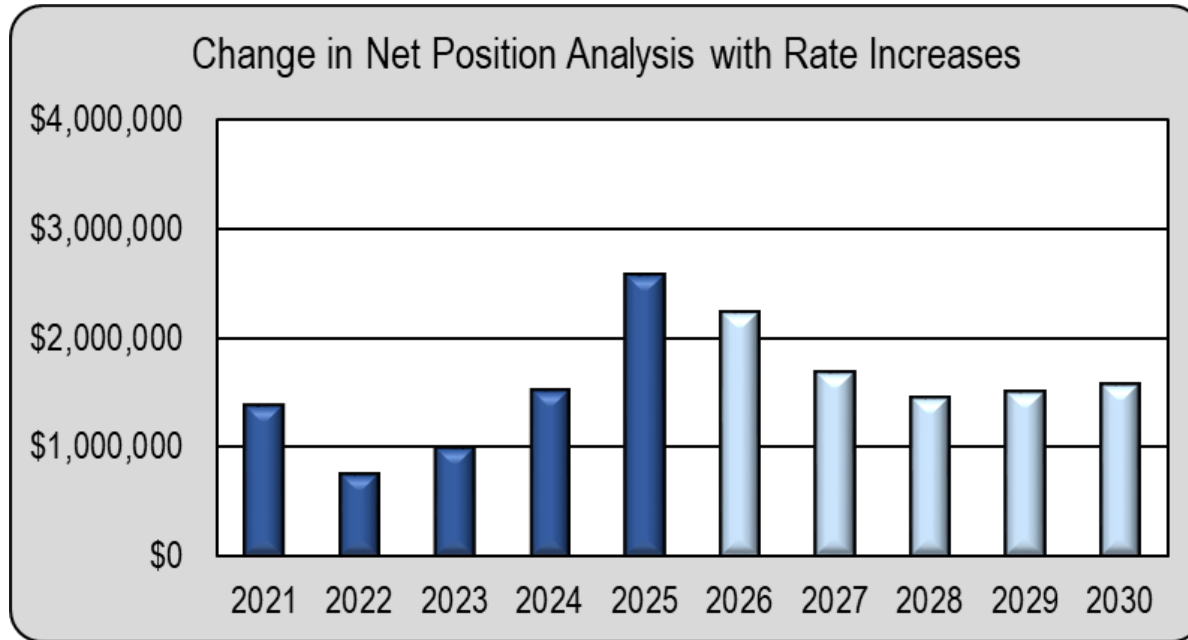


Figure 11a

Sample Monthly Wastewater Bills

Figure 12 displays, for each of the four main customer classes, the current (FY 2026) rates and the proposed FY 2027 rates as well as the monthly charges at different usage levels.

Inside City Residential					
Current (FY 2026) Rates			Recommended FY 2027 Rates		
Gallons	Minimum		Minimum	Difference	% Inc
First	2,000	\$16.39	17.21	\$0.82	5%
		<u>Per 1,000 gal</u>	<u>Per 1,000 gal.</u>	<u>Per 1,000 gal.</u>	
Over	2,000	\$8.03	8.43	\$0.40	5%
Water Sold	Current		Future		
Gallons	Monthly Charge		Monthly Charge	Difference	% Inc
2,000	\$16.39		\$17.21	\$0.82	5%
5,000	\$40.48		\$42.50	\$2.02	5%
10,000	\$80.63		\$84.66	\$4.03	5%
15,000	\$120.78		\$126.82	\$6.04	5%

Outside City Residential					
Current (FY 2026) Rates			Recommended FY 2027 Rates		
Gallons	Minimum		Minimum	Difference	% Inc
First	2,000	\$20.49	21.51	\$1.02	5%
		<u>Per 1,000 gal</u>	<u>Per 1,000 gal.</u>	<u>Per 1,000 gal.</u>	
Over	2,000	\$10.05	10.55	\$0.50	5%
Water Sold	Current				
Gallons	Monthly Charge		Monthly Charge	Difference	% Inc
2,000	\$20.49		\$21.51	\$1.02	5%
5,000	\$50.64		\$53.17	\$2.53	5%
10,000	\$100.89		\$105.93	\$5.04	5%
15,000	\$151.14		\$158.70	\$7.56	5%

Inside City Commerical					
Current Rates			Recommended FY 2027 Rates		
Gallons	Minimum		Minimum	Difference	% Inc
First	2,000	\$23.12	24.28	\$1.16	5%
		<u>Per 1,000 gal</u>	<u>Per 1,000 gal.</u>	<u>Per 1,000 gal.</u>	
Over	2,000	\$11.19	11.75	\$0.56	5%
Water Sold	Current				
Gallons	Monthly Charge		Monthly Charge	Difference	% Inc
2,000	\$23.12		\$24.28	\$1.16	5%
10,000	\$112.64		\$118.27	\$5.63	5%
30,000	\$336.44		\$353.26	\$16.82	5%
50,000	\$560.24		\$588.25	\$28.01	5%

Outside City Commerical					
Current Rates			Recommended FY 2027 Rates		
Gallons	Minimum		Minimum	Difference	% Inc
First	2,000	\$28.90	30.35	\$1.45	5%
		<u>Per 1,000 gal</u>	<u>Per 1,000 gal.</u>	<u>Per 1,000 gal.</u>	
Over	2,000	\$13.99	14.69	\$0.70	5%
Water Sold	Current				
Gallons	Monthly Charge		Monthly Charge	Difference	% Inc
2,000	\$28.90		\$30.35	\$1.45	5%
10,000	\$140.82		\$147.86	\$7.04	5%
30,000	\$420.62		\$441.65	\$21.03	5%
50,000	\$700.42		\$735.44	\$35.02	5%

Figure 12

Comparison with Other Utilities

Figure 13 compares the monthly wastewater bill for a Residential Inside City customer with 5,000 gallons of usage, alongside similar utilities.

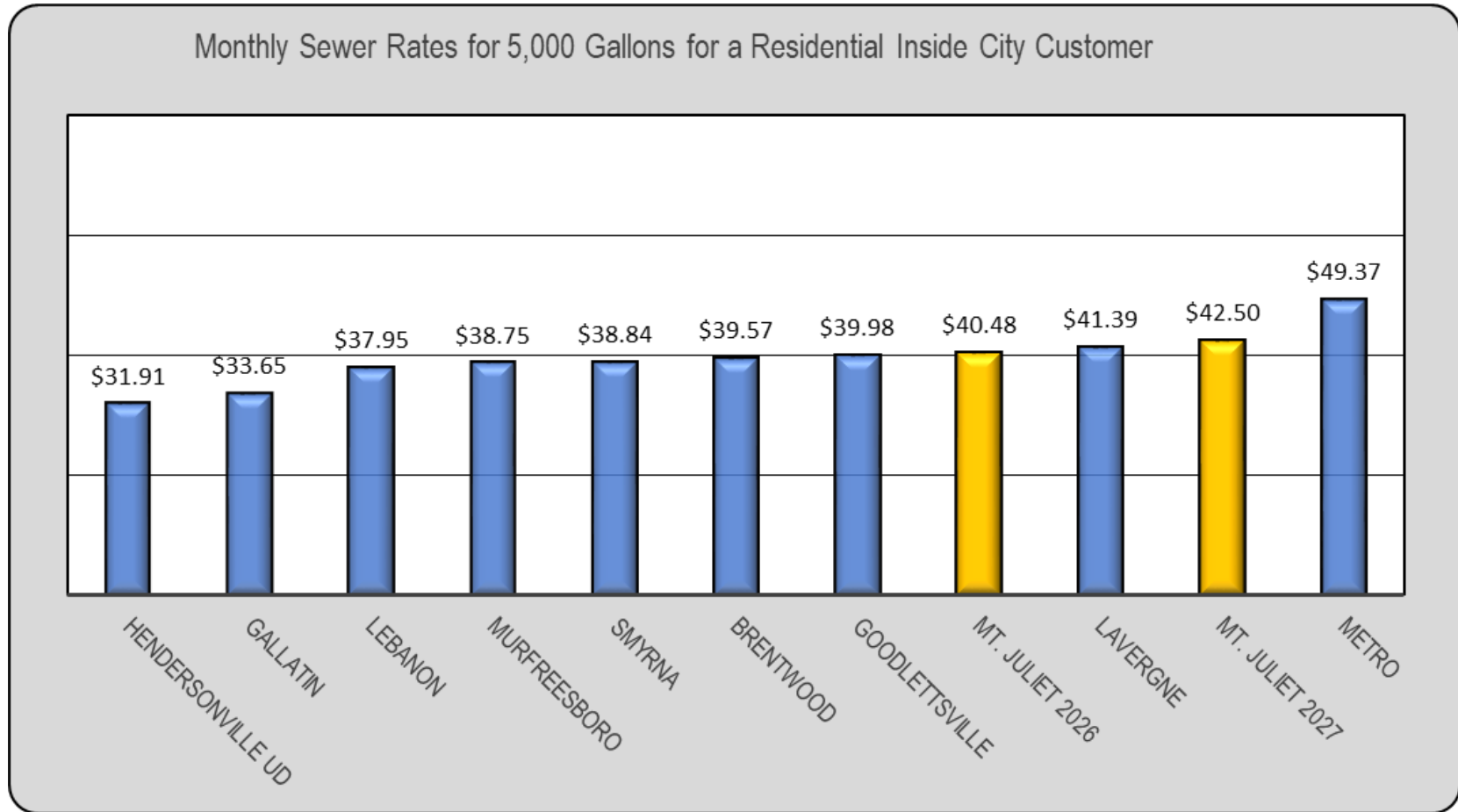


Figure 13

Tenn. Code Ann. § 7-82-703

7-82-703. Financially distressed utility districts — Audited annual financial reports — Adoption of prescribed rate structures.

(a) The comptroller of the treasury shall file with the Tennessee board of utility regulation a copy of the audited annual financial report of any financially distressed utility system within sixty (60) days from the date that the audit is filed with the comptroller of the treasury, for administrative review by the board.

(b) A utility system is financially distressed when it has a deficit total net position in any one (1) year, has a deficit unrestricted net position in any one (1) year, has a negative change in net position for two (2) consecutive years without regard to any grants or capital contributions, or is currently in default on any of its debt instruments.

(c)

(1) The comptroller of the treasury shall refer a utility system to the board if the utility system:

(A) Fails to complete and submit to the comptroller for administrative review an audited annual financial report for two (2) consecutive years;

(B) Is found to have used utility funds to pay non-utility expenses, used non-utility funds to pay utility expenses, or transferred utility funds to any other non-utility fund or account, unless the use or transfer is allowed by law; or

(C) Is found to have made an illegal payment or transfer of funds.

(2) The board is authorized to take one (1) or more remedial actions as described under § 7-82-706(b) for a financially distressed utility system.

(d) After reviewing the audited annual financial report and operations of the financially distressed utility system, and after holding a public hearing, which may be held as part of a regularly scheduled or specially called board meeting, the board may prescribe a rate structure to be adopted by the financially distressed utility system to:

(1) Eliminate the utility system's negative changes in net position;

(2) Liquidate any deficit total net position, in an orderly fashion; or

(3) Cure a default on any indebtedness of the utility system.

(e) In the event the governing body of the financially distressed utility system fails to adopt the prescribed rate structure described in accordance with subsection (d), the board shall petition the chancery court in a jurisdiction in which the utility system is operating or in the chancery court of Davidson County to require the adoption of the rate structure prescribed by the board. The court may also order other remedies that, in the court's discretion, may be required to cause the utility system to operate in accordance with state law and in a financially self-sufficient manner.

(f) Notwithstanding any other law to the contrary, this section does not preclude a public utility system from operating Wastewater systems as individual or combined entities.

(g) Notwithstanding any other law to the contrary, a government joint venture that supplies or treats water or wastewater for wholesale use only to other governments does not fall under the jurisdiction of the board for the purpose of reporting negative change in net position annually; provided, however, that the government joint venture must be referred to the board if the government joint venture is in a deficit or default position as described under this section.

(h) As used in this section, “change in net position” means total revenues less all grants, capital contributions, and expenses.