



## Phasing in New Rates

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We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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## Phasing in New Rates

Reference Number: MTAS-800

Because revenue needs were large, staff decided on a phased approach. They recommended increasing both water and sewer rates in each of the next three years. For the first fiscal year, water and sewer rates would each be increased by 15 percent; at the beginning of the second fiscal year, water rates would increase 10 percent and sewer rates 15 percent; at the beginning of the third fiscal year, water rates and sewer rates would each increase 5 percent. Table 6 below shows the results.

**Table 6: Any City  
Water/Sewer Fund History and Financial Projections w/Rate Increases**

	AUDIT F/Y 2009	AUDIT F/Y 2010	AUDIT F/Y 2011	CURRENT F/Y 2012	PROJECTED F/Y 2013	PROJECTED F/Y 2014	PROJECTED F/Y 2015
<b>REVENUES</b>							
Water Sales	\$1,744,860	\$1,847,424	\$1,897,979	\$1,928,583	\$1,947,869	\$1,967,348	\$1,987,021
Additional water revenue inc.				\$0	\$219,135	\$226,245	\$125,679
Sewer service charges	\$840,091	\$963,516	\$1,040,725	\$1,061,538	\$1,066,846	\$1,072,180	\$1,077,541
Additional sewer revenue inc.				\$0	\$120,020	\$184,951	\$71,252
Penalties	\$10,814	\$7,750	\$6,087	\$9,000	\$9,000	\$9,000	\$9,000
Tap/Service Fees/Other	\$188,926	\$141,993	\$243,476	\$135,375	\$135,375	\$135,375	\$135,375
<b>TOTAL REVENUES</b>	<b>\$2,784,691</b>	<b>\$2,960,683</b>	<b>\$3,188,267</b>	<b>\$3,134,496</b>	<b>\$3,159,090</b>	<b>\$3,183,902</b>	<b>\$3,208,937</b>
<b>EXPENSES</b>							
Operating & Maintenance	\$1,985,133	\$1,903,373	\$2,080,427	\$2,142,612	\$2,314,008	\$2,518,107	\$2,712,139
Depreciation	\$600,611	\$602,765	\$618,471	\$618,471	\$618,471	\$618,471	\$618,471
<b>TOTAL EXPENSES</b>	<b>\$2,585,744</b>	<b>\$2,506,138</b>	<b>\$2,698,898</b>	<b>\$2,761,083</b>	<b>\$2,932,479</b>	<b>\$3,136,578</b>	<b>\$3,330,610</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$198,947</b>	<b>\$454,545</b>	<b>\$489,369</b>	<b>\$373,413</b>	<b>\$226,611</b>	<b>\$47,324</b>	<b>(\$121,673)</b>
<b>NON-OPERATING REVENUES/EXPENSES</b>							
Interest Income	\$7,116	\$11,342	\$17,581	\$40,000	\$40,000	\$25,000	\$10,000
Interest Expense	(\$63,579)	(\$54,720)	(\$65,974)	(\$165,592)	(\$185,352)	(\$170,885)	(\$159,449)
Interest - New Debt				\$0	\$0	(\$290,250)	(\$281,472)
Amorization	(\$17,472)	(\$17,472)	(\$19,899)	(\$18,000)	(\$18,000)	(\$18,000)	(\$18,000)
Miscellaneous	\$21,780	\$13,786	\$2,242	\$10,000	\$10,000	\$10,000	\$10,000
<b>TOTAL NON-OPERATING</b>	<b>(\$52,155)</b>	<b>(\$47,064)</b>	<b>(\$66,050)</b>	<b>(\$133,592)</b>	<b>(\$153,352)</b>	<b>(\$444,135)</b>	<b>(\$438,921)</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS &amp; TRANSFERS</b>	<b>\$146,792</b>	<b>\$407,481</b>	<b>\$423,319</b>	<b>\$239,821</b>	<b>\$73,259</b>	<b>(\$396,811)</b>	<b>(\$560,594)</b>
<b>GRANTS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$768,000</b>	<b>\$0</b>	<b>\$0</b>
<b>TRANSFERS OUT</b>	<b>(\$64,099)</b>	<b>(\$60,024)</b>	<b>(\$81,469)</b>	<b>(\$87,130)</b>	<b>(\$113,441)</b>	<b>(\$156,108)</b>	<b>(\$167,130)</b>
<b>CHANGES IN NET ASSETS</b>	<b>\$82,693</b>	<b>\$347,457</b>	<b>\$341,850</b>	<b>\$152,691</b>	<b>\$727,818</b>	<b>(\$552,919)</b>	<b>(\$727,724)</b>
Growth rate water = 1.00%							
Growth rate sewer = 0.50%							

Net Assets is currently called Net Position.

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