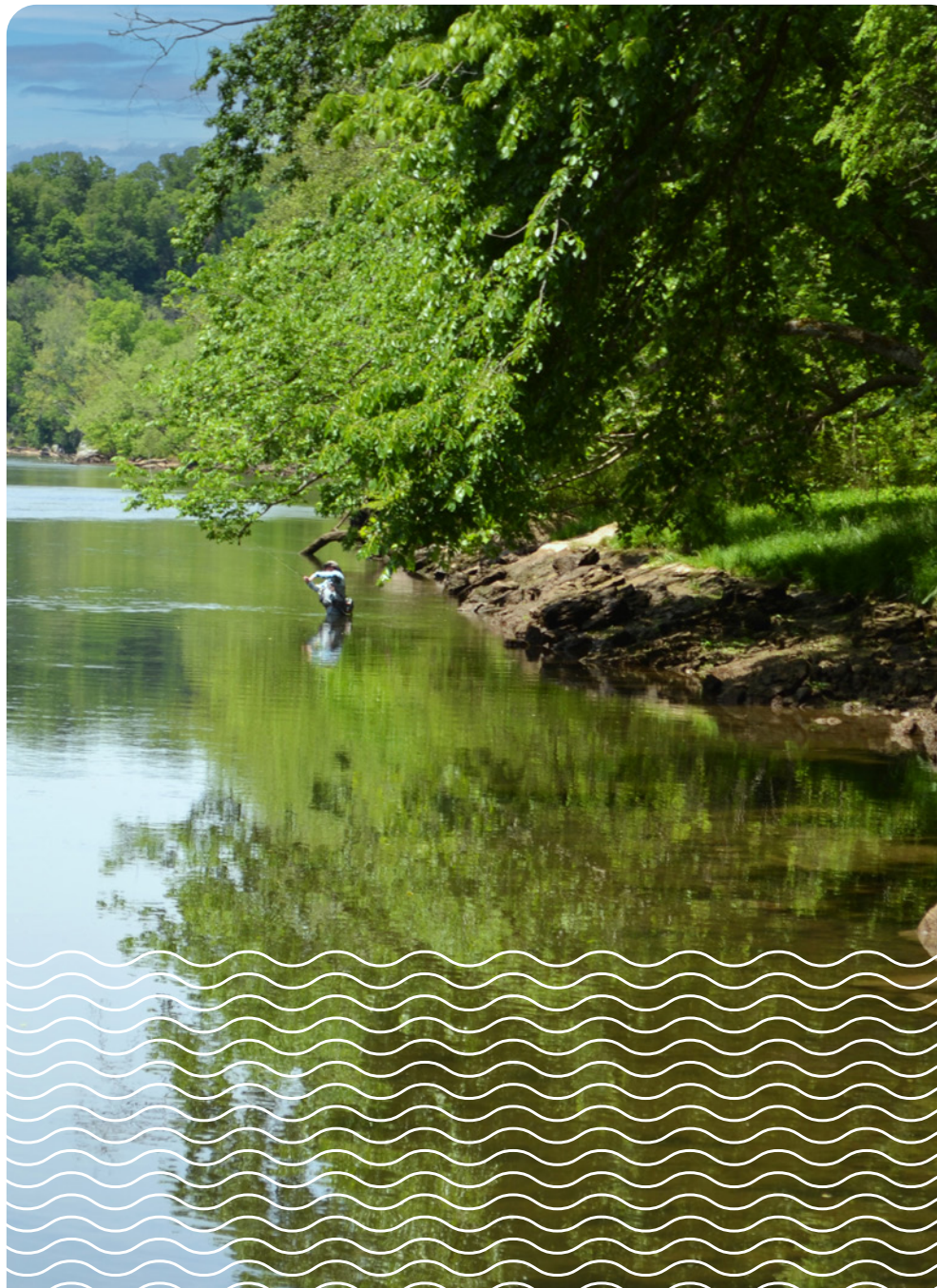


CITY OF KINGSPORT UTILITIES DEPARTMENT

# Popular Annual Financial Report

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Year Ending June 30, 2023





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## About the City of Kingsport

**With its rich history as a post-Revolutionary War settlement on the banks of the South Fork of the Holston River and its incorporation in 1917, the City of Kingsport is a thriving residential and commercial community.**

The City's ample natural resources and capable workforce make Kingsport a great place to live, work, and play and provide a high quality of life for Kingsport residents.

Clean, safe drinking water is part of that quality of life. Kingsport is fortunate to have the Holston River as its abundant water source. However, providing safe, award-winning drinking water to the community 365 days a year is no small task. The Kingsport Utilities Department continuously cares for water from its source to your faucet and back to the environment. With its team of 134 people, Kingsport serves 112 square miles with drinking water and 60 square miles with wastewater service, including portions outside the Kingsport city limits.

Through an integrated management approach to providing drinking water and wastewater services, Kingsport is continuing its proud tradition of being environmental stewards and preserving the Earth's most precious resource.



**With more than 56,000 residents,  
Kingsport is home to a diverse business and  
industrial community.**



## Message from the Kingsport Utility Director

Dear Neighbors,

**The core mission of the Kingsport Utilities Department is to provide residents and businesses with reliable water and wastewater services.**

We are also proud to provide our customers and stakeholders with accurate and timely information about our finances. Together with the City of Kingsport's Finance Department, we ensure sound financial management of customer resources and transparent communication with the public. In support of that, we are pleased to present the City of Kingsport's Utilities Department's Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2023.

This report is intended to be a brief yet meaningful summary of our work at Kingsport Utilities Department. We are entirely supported by the rates our customers pay for utility service. We're providing this report to you as a transparent way to look at how the investments in the utility systems you fund benefit our community. If you want a more comprehensive financial review of our operations, you can review the Annual Comprehensive Financial Report, the annual budget, and audited financial statements.

The PAFR is based on the financial statements audited by Brown, Edwards & Company, LLP. (Please note that this report is unaudited.) The PAFR is designed to summarize our financial activities in a condensed and simplified way. Auditors once again this year offered a "clean opinion" on the City of Kingsport Utilities Department's finances, the highest opinion they can issue. They found no significant deficiencies or instances of noncompliance during their review of our financial controls and operations.

We're pleased that you are interested in the financial health of your water and wastewater utility systems. I am grateful for the dedicated staff committed to our mission and long-term financial health. If you have any questions or concerns, please get in touch with me at [NikiEnsor@KingsportTN.gov](mailto:NikiEnsor@KingsportTN.gov).

Sincerely, **Niki Ensor, MPA** | Kingsport Utilities Director

“

If you've ever wondered where your water comes from, how we deliver it to your faucet, where it goes after it leaves your home, and how we protect our community and the environment, keep reading!





## Message from the City Manager

Dear Kingsport Residents,

### Exciting things are happening in our community!

Through community input, the City of Kingsport's Board of Mayor and Aldermen has developed and invested in several significant initiatives in recent years. When complete, these projects will add to Kingsport's distinction as an excellent place for residents to live, work, and play and for businesses to grow and prosper.

Projects like PaveKingsport; Bays Mountain Park and Planetarium upgrades; the creation of Brickyard Village and Cement Hill City Park; and the Main Street Rebuild Project are underway. This growth wouldn't be possible if we didn't plan for all the infrastructure that supports it. Part of that infrastructure is planning, maintenance, and investment in our water and wastewater management systems. Access to reliable water services is essential to the life and health of any community; it's no secret that Kingsport considers it a priority as we plan ahead.

We're thankful for the Holston River serving as our main water supply, and our future planning takes into consideration the stewardship of this resource. It is not lost on us that our community, unlike many others in the U.S., is fortunate to have ample water resources.

Through this report, we'll share with you how our Utilities Department provides the high-quality, dependable services our residents and businesses experience. We want to continue that commitment far into the future. To do that, we need to invest in the infrastructure and personnel of our Utilities Department.

Thank you for taking the time to review this report; I know it means you are committed to the future of the city we share. Together, we are committed to making Kingsport a place you are proud to call home.

Sincerely, **Chris McCartt, MPA** | City Manager





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## Kingsport's Robust, High-Quality Water Supply

Kingsport relies on water from the South Fork Holston River—the water intake is located about a mile below the Patrick Henry Dam and a half mile above John B. Dennis Highway. The location of the intake along with the lake and the dam acting as a buffer creates optimal conditions for consistent water quality and quantity.

Throughout the year, Patrick Henry Lake fluctuates just four feet between summer and winter. That's remarkably consistent when compared to other communities that have experienced source water shortages during severe droughts in the past.

Water is pumped to the Kingsport Water Filtration Plant where it is treated to produce high-quality, safe drinking water. The plant has served our community since 1929 and continues to produce water that meets mandated water quality standards, producing about 17 million gallons each day to serve the needs of our community.

Our water treatment and distribution staff are certified professionals who follow federal and state regulations. Kingsport prioritizes employing qualified staff because it is a critical part of providing a safe, reliable water supply to the community.

The on-campus laboratory is an essential part of our operations and ensures customers receive a quality product. The laboratory is certified by the State of Tennessee to analyze water before leaving the treatment plant and to analyze it again once it's in the pipes that flow to homes and businesses. The lab analyzes more than 14,000 samples of water each year. Water quality is monitored 24 hours a day, seven days a week.

Once it leaves the plant, drinking water is pumped into the distribution system, which consists of 22 water tanks, 15 pump stations, 858 miles of transmission lines, and 154 miles of service lines. The water serves approximately 106,000 people.

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## Cleaning Wastewater to Protect Public Health & the Environment

You may not think much about it, but a lot happens after you flush. Wastewater is what we call the water that's been flushed down toilets or that runs down a kitchen or bathroom drain.

After it leaves your home, it flows to the City of Kingsport Wastewater Treatment Plant. Built in 1955 and upgraded over the years, the plant treats nine million gallons of wastewater every day before releasing it back into the environment and the South Fork Holston River, downstream of the City. The water we return to the river is cleaner than the water in the river!

When wastewater leaves your home, it flows into a network of over 550 miles of pipe. These sewer lines and mains, which range in size from six to 48 inches in diameter, are maintained 24 hours a day. A team of 24 employees ensures these lines are in good working condition through inspection, cleaning, and repairs. Storms can wreak havoc on our wastewater system. We are continually rehabilitating the system to prevent heavy rainfall (stormwater) from entering the system and wastewater from exiting.

As part of the City's ongoing planning efforts, Kingsport completed a Wastewater Treatment Master Plan in 2023. The plan evaluates wastewater treatment capital needs over a 30-year period. Planning for improvements ensures a reliable wastewater infrastructure for the community in the future.



# Kingsport Utilities Department

Our talented team of 134 employees makes our system run.

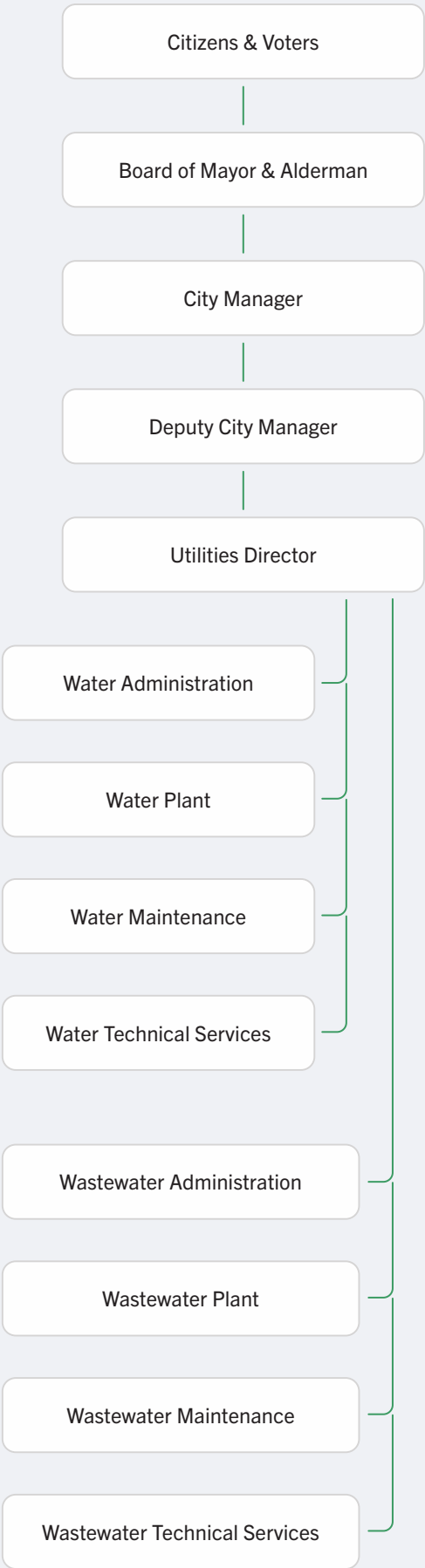
The Kingsport Utilities Department is supported by the following departments:

- + Customer Service Center
- + Water Treatment Plant
- + Water Maintenance
- + Water Quality Control
- + Reading and Services
- + Wastewater Plant
- + Wastewater Maintenance
- + Engineering

Together the teams in these departments transform and deliver reliable and high-quality water service to the homes and businesses of Kingsport. The graphic shows the organizational structure of the Kingsport Utilities Department’s Water and Wastewater Divisions.

The water system  
approximately serves  
**106,000 people**

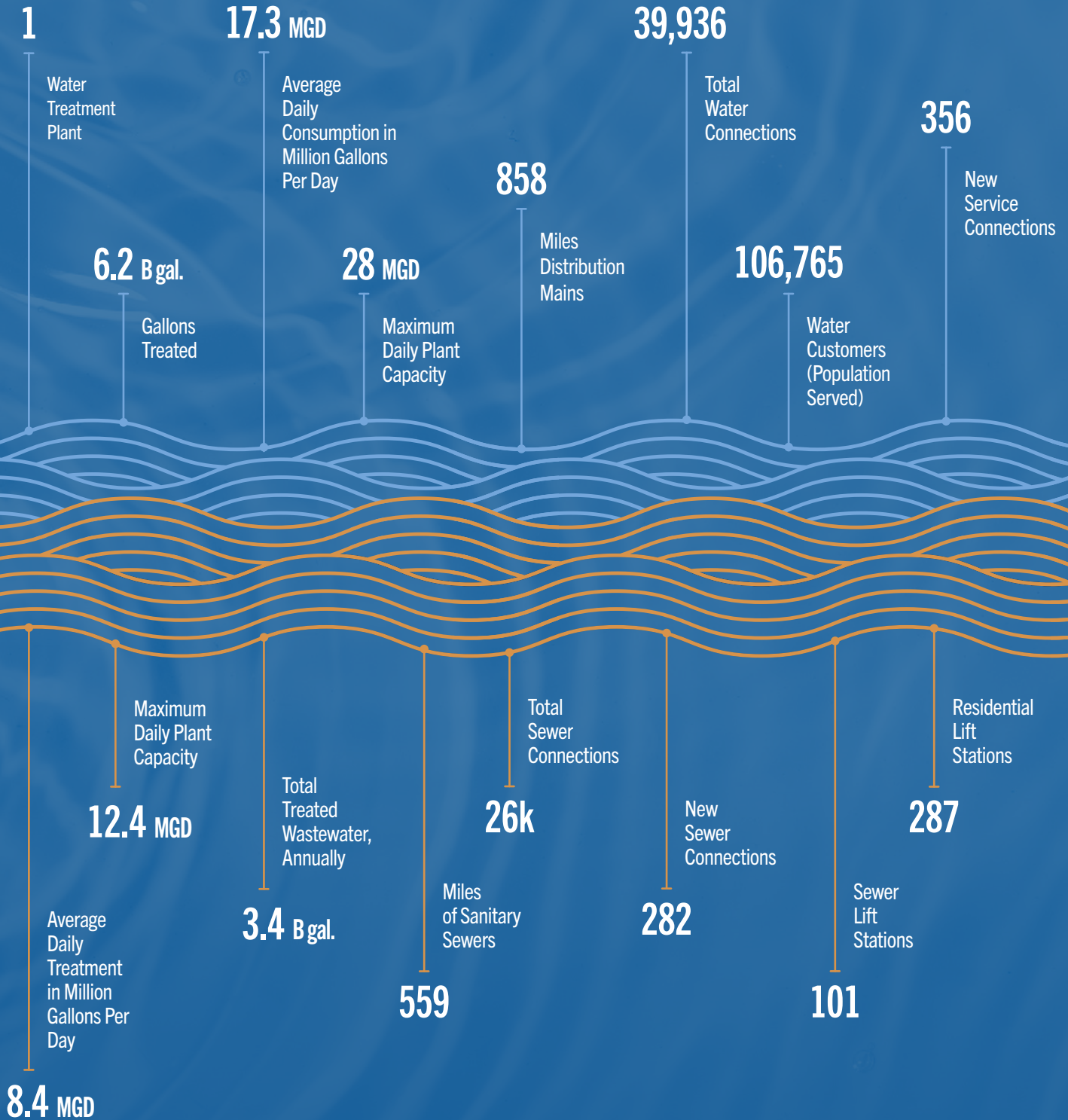
The wastewater system  
approximately serves  
**63,158 people**

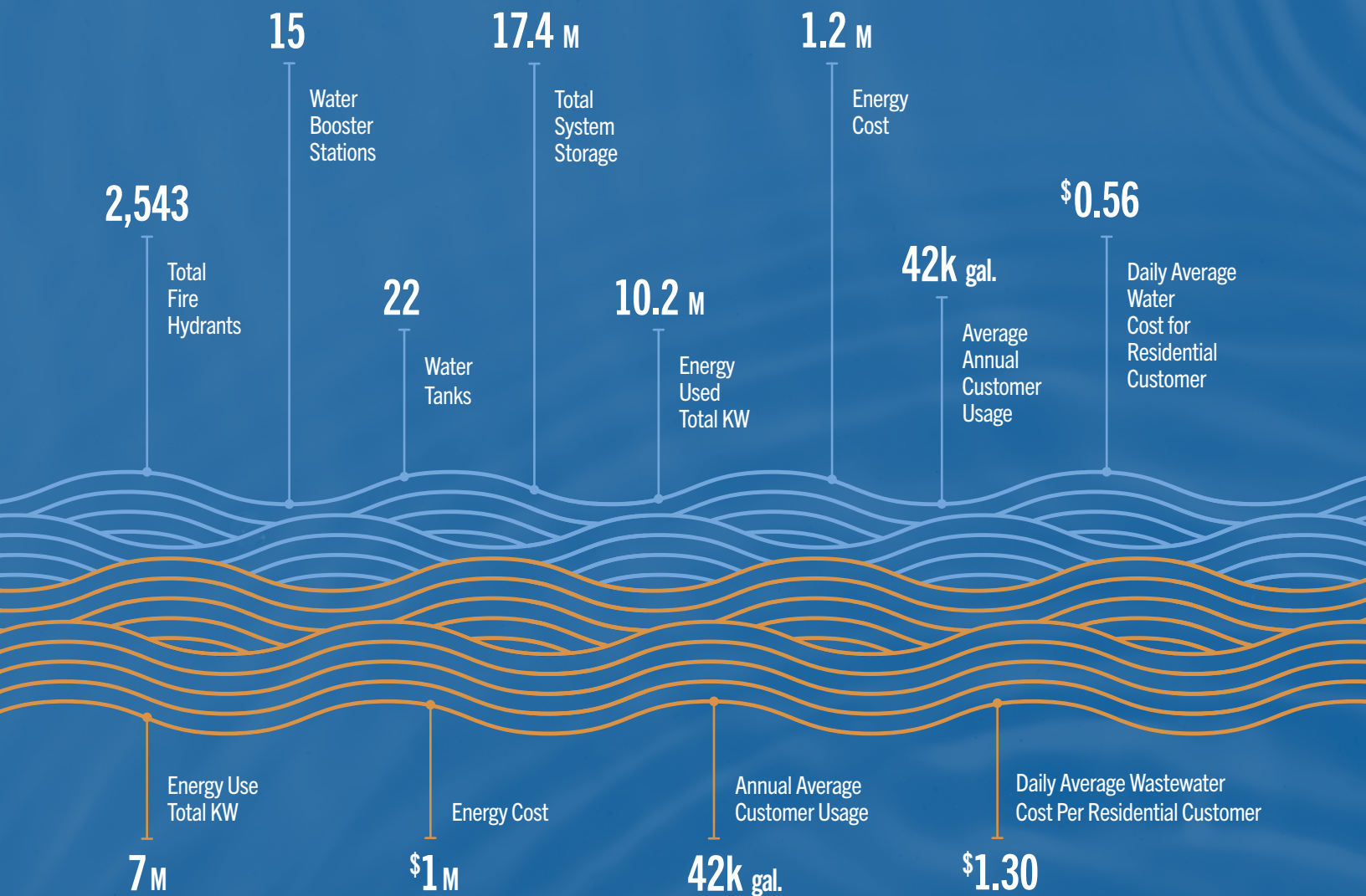




# By the Numbers

● Water ● Wastewater





### Top Commercial Customers (based on revenue)

- **Water**

1) Eastman | 2) Domtar Paper Co, LLC | 3) BAE Systems | 4) Holston Valley Medical Center | 5) Allandale Falls

- **Wastewater**

1) Eastman | 2) Domtar Paper Co, LLC | 3) Allandale Falls | 4) BAE Systems | 5) Kingsport Housing Authority



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## FY 2023 CIP Project Highlights

The Utilities Department's Capital Improvement Plan (CIP) projects are vital to our ability to provide reliable water and wastewater service for the long term. In addition, these projects ensure we can keep up with our community's growth and demand.

We have about 25 projects underway, and they often span several fiscal years. We are managing more than \$61 million in capital projects that are in planning, design, or construction phases. A large portion of customer utility bills help to fund these improvement projects. We appreciate that our customers help us in our mission to provide reliable services now and for the future. We have also secured more than \$13.5 million in American Rescue Plan (ARP), Appalachian Regional Commission (ARC), and Economic Development Administration (EDA) grants to help fund our CIP projects, which helps keep rates lower for our customers.

Here we've highlighted a few highly impactful CIP projects 

### CAPITAL PROJECTS

#### Fieldcrest Annexation

\$2,500,000

This project ensures we have the capacity to provide services as our community grows.

### AMERICAN RESCUE PLAN ACT FUNDS

#### Garden Drive and Industry Inflow and Infiltration (I&I) Upgrades

\$1,246,650 (Total spent: \$3,165,894)

- + This project will eliminate the problems of inflow and infiltration, which occur when stormwater enters sewer pipes through cracks, leaky seals, or faulty connections.
- + Excess water from I&I can trigger overflows of wastewater into waterways.
- + Water that enters sewer systems through I&I stresses our wastewater treatment facilities.

### AMERICAN RESCUE PLAN ACT FUNDS

#### South Fork Basin Capacity Study

\$161,500

This study will identify future I&I projects so we can proactively make improvements.

## Wastewater Fund Projects FY 22/23



#### CAPITAL PROJECTS

### High Service Pump Station Project

\$8,473,700

These improvements, which include the addition of a fourth high service pump, will improve reliability and redundancy. We are also adding a new electrical building and replacing electrical equipment that's more than 40 years old.

#### AMERICAN RESCUE PLAN ACT FUNDS

### Automated Metering Infrastructure (AMI) Meter Replacement

\$2,826,000

- + Automated meters help customers plan and manage their water use better.
- + They also help us read meters more efficiently and bill even more accurately.

### Customer Information System Coming Fall 2025

Kingsport will provide a new Customer Information System (CIS) with state-of-the-art software in 2025 to expand and improve usability for residents and bring transparency, efficiency, and accessibility to City-provided utility services. The City has gathered input and evaluated options to ensure the new CIS meets growing needs and expectations. Upon completion, users can expect a smoother way to pay bills, track usage, and connect with City services.

## Water Fund Projects FY 22/23



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## Awards and Acknowledgments

The Kingsport Utilities Department has a long-standing record of receiving industry awards for their operational excellence, peak performance, and water quality. It's further evidence that we go above and beyond to ensure that Kingsport water and wastewater meet or exceed federal and state standards.



**WATER | 2022 & 2023**

**EPA**  
**Partnership For Safe**  
**Drinking Water**



**WASTEWATER | 2022 & 2023**

**NACWA**  
**Peak Performance**  
**Award (Silver)**



**WASTEWATER | 2022 & 2023**

**WEA**  
**Operational**  
**Excellence Award**



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## Government Finance Officers' Association

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kingsport for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2022.



This was the 23rd consecutive year that the City of Kingsport has achieved this prestigious award. The Certificate of Achievement requires a government unit to publish an easily readable and efficiently organized annual comprehensive financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements. The current annual comprehensive financial report has been submitted to GFOA to determine its eligibility for another certificate.

**EPA** – U.S. Environmental Protection Agency

**NACWA** – National Association of Clean Water Agencies

**WEA** – Kentucky-Tennessee Water Environment Association;

*The Kentucky-Tennessee Water Environment Association is now the Clean Water Professionals of Kentucky and Tennessee*

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## Connect with Us

- + Questions concerning your bill, arranging for water service, or re-establishing service? Call Customer Service at 423-343-9860 or by visiting [www.kingsporttn.gov/city-services/public-works/water-services/](http://www.kingsporttn.gov/city-services/public-works/water-services/)
- + After hours emergency? Call 423-246-9111
- + To report water quality problems, low pressure, a broken water main, water leak in the street or at the meter: Call Customer Service at 423-343-9860 or submit a report through the ConnectKingsport app.
- + Questions or concerns about a potential cross connection? Contact Bryan Davis at 423-229-2167.
- + To report suspicious activity to any water facility, including treatment plants; water storage tank, fire hydrants, etc. Call 423-246-9111 or 423-229-9452.
- + For more information about the Storm Water Program or to report illegal discharges into the storm drain system: Call 423-229-9454.
- + You can also fill out an online contact request on our website at: <https://www.kingsporttn.gov/city-services/public-works/contact-public-works/>
- + [facebook.com/KingsportAlerts](https://facebook.com/KingsportAlerts)

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## Requests for Financial Information

This financial report is designed to provide a general overview of the Utilities Department's finances. You can find the City of Kingsport's 2023 Annual Comprehensive Financial Report at <https://bit.ly/acfr2023> or go to [www.kingsporttn.gov](http://www.kingsporttn.gov) and select "Finance" under the "Government" link.

For questions concerning any of the information provided in this report or requests for additional financial information call the City of Kingsport, Finance Department at 423-224-2520.

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## ConnectKingsport App

**One of the quickest and easiest ways to report a water leak or other concern to the City of Kingsport is through the ConnectKingsport app.**

Just download the free app on the AppStore or Google Play Store and click the "Report a Concern" link to let us know about any issues in the city. The ConnectKingsport app uses GPS to recognize your location and gives you a menu of common quality-of-life conditions to select from when submitting a request. The app also allows you to upload pictures or videos to accompany your request. Residents can track the status of reports they or other members of the community have submitted until the issue is resolved.







## Financial Highlights

We are committed to transparency. Providing our customers with open, accessible information about their utility service and how it is funded is critical to building trust in our community.

What follows is a snapshot of our financial information as of June 30, 2023. We want you to know what we own (assets) and what we owe (liabilities). And we want you to know where our revenue comes from and how we spend it. Most of all we want you to know that your utility service is in sound financial health.

	Water	Wastewater
<b>Assets</b>	\$114,015,607	\$167,874,948
<b>Deferred Outflows</b>	\$1,655,561	\$1,489,686
<b>Liabilities</b>	\$43,304,252	\$60,134,810
<b>Deferred Inflows</b>	\$919,589	\$774,490
<b>Net Position</b>	\$71,447,327	\$108,455,334

*Deferred Outflows relate to refunding, pensions, and other post-employment benefits.*

*Deferred Inflows relate to pensions and other post-employment benefits.*

**S&P Global**  
Ratings

**MOODY'S**  
RATINGS

The City currently has a rating of AA from Standard & Poor's Rating Services and a rating of Aa2 from Moody's Investors Service.



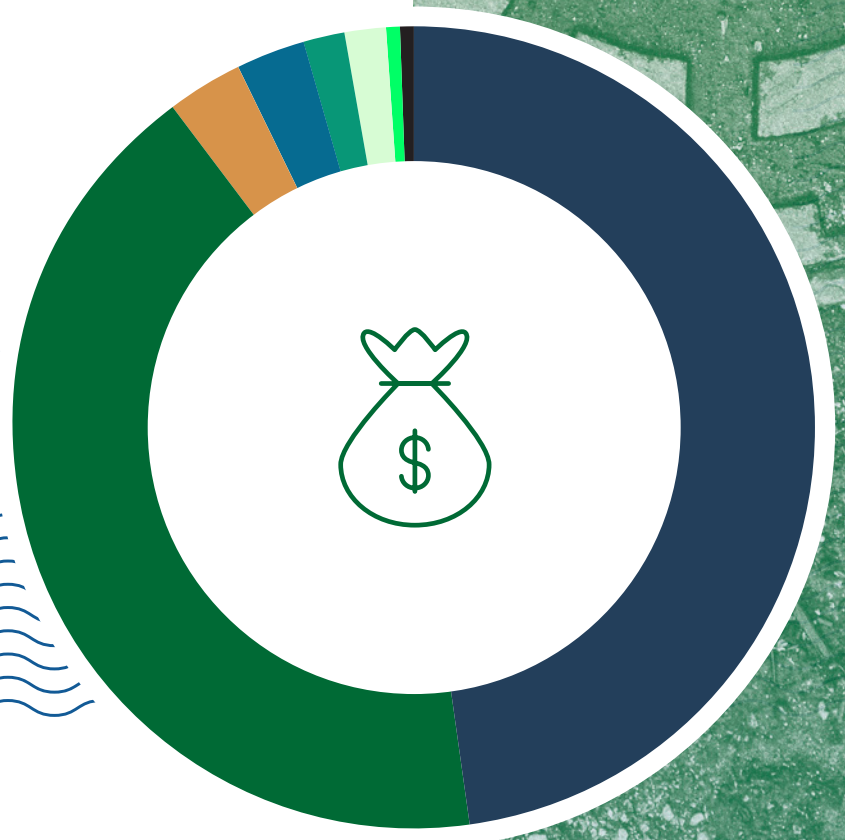
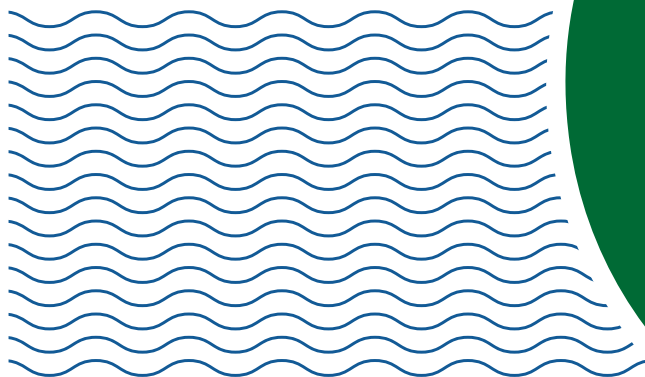
## Where the Money Comes From

The City's water and wastewater departments recover most of their costs through user fees and charges. Here is a breakdown of revenue for FY ending June 30, 2023.

### Revenue by Category

- Wastewater Service Rates | **\$16,982,951 - 48%**
- Water Sales | **\$14,983,647 - 42%**
- Capital Contributions | **\$1,097,450 - 3%**
- New Service Fees (Water and Wastewater) | **\$999,253 - 3%**
- Other Charges and Services | **\$583,572 - 2%**
- Earnings on Investment | **\$557,898 - 1%**
- Transfers | **\$216,264 - 1%**
- Miscellaneous Revenues | **\$133,518 - 0%**

Total | **\$35,509,553**



## Where the Money Goes

Following the pandemic, we've experienced the need to increase salaries, employee benefit costs have risen, and inflation has impacted utility costs perhaps even more than consumer costs. This is the result of supply chain issues, increases in electricity, and increases in chemical costs. These types of issues have been experienced by utilities nationwide.

	Water	Wastewater
<b>Operating Costs</b>	\$9,060,127	\$7,844,437
<b>Depreciation</b>	\$3,627,166	\$5,544,669
<b>Interest Expense</b>	\$970,172	\$1,473,209
<b>Transfers Out</b>	\$1,833,301	\$1,754,321
<b>Totals</b>	<b>\$15,490,766</b>	<b>\$16,616,636</b>

<b>Breakdown of Operating Costs</b>	Water	Wastewater
<b>General and Administrative</b>	\$1,151,002	\$1,058,348
<b>Plant Operations</b>	\$3,885,430	\$4,051,845
<b>Distribution Maintenance</b>	\$2,591,764	—
<b>Collection System Maintenance</b>	—	\$2,046,861
<b>Utility Technical Services</b>	\$1,431,931	\$687,383
<b>Totals</b>	<b>\$9,060,127</b>	<b>\$7,844,437</b>



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## How Your Utility Rates Are Calculated

Over the years the City's rate structure has been complicated by trying to accommodate rate structures of utility districts that had been absorbed into the City system in previous years. We strive to price your water and wastewater service in ways that are simple and easy for our customers to understand. Let us know if we can make more improvements.

Water rates will vary depending on whether the property is inside or outside the City. The rate structure has two tiers that depend on the volume of water used and cover our variable costs, and a base charge that covers our fixed costs and varies by meter size. Wastewater service is charged at a uniform (no tiers) rate based on water use.

FY2023 was the first year of a four-year phase in of the new rate structure. For FY2023 the base charge also covered the first 1,500 gallons used. By FY2026 the base charge will just cover our fixed costs and all water usage will be charged based on the two tiers.

---

## Number of Customers



Water Inside City **23,654**



Water Outside City **12,737**



Wastewater Inside City **22,380**



Wastewater Outside City **1,176**





## FY 2023 Water Rates

	Inside City	Outside City
<b>Base Charge per Month, by Meter Size (includes 1,500 gallons)</b>		
5/8 inch	\$ 8.80	\$ 17.27
1 inch	\$ 15.67	\$ 37.35
1 1/2 inch	\$ 29.40	\$ 66.49
2 inch	\$ 50.00	\$ 110.19
3 inch	\$ 130.17	\$ 301.78
4 inch	\$ 276.45	\$ 689.97
6 inch	\$ 578.85	\$ 1,441.43
8 inch	\$ 799.98	\$ 1,972.14
10 inch	\$ 1,344.30	\$ 3,278.51
12 inch	\$ 2,334.66	\$ 5,655.37
<b>Base Charge per Month, by Meter Size (includes 1,500 gallons)</b>		
1,501 - 70,000 Gallons	\$ 3.38	\$ 6.76
Over 70,000 Gallons	\$ 2.14	\$ 4.28

## Wastewater Rates

	Inside City	Outside City
<b>Base Charge per Month (includes 1,500 gallons)</b>	\$ 15.33	\$ 23.05
<b>Usage Rate Charge per 1000 Gallons (All Usage Over First 1,500 Gallons)</b>	\$ 9.91	\$ 14.86

## Community Outreach

The Kingsport Utilities Department participates in industry, regional, and community events and activities throughout the year. Our employees show their pride for Kingsport not only through the work they do at the Utilities Department but also as ambassadors and volunteers in the community.

Here are a few examples of our community outreach and participation.



1

In **January 2024**, a group of employees volunteered with Habitat for Humanity to help build a house for a local family of five.

2

In response to the pandemic, the federal government created the Low-Income Household Water Assistance Program (LIHWAP) to help households pay for water and wastewater services. Kingsport partnered with Upper East Tennessee Human Development Agency (UETHDA) in 2023 to help Model City residents pay their overdue bills. UETHDA officials made five visits to Kingsport City Hall, setting up computer stations in the first-floor lobby and parking lot to help customers sign up for assistance and disbursed \$667,000 in LIHWAP funds to 1,637 Kingsport households.

According to the U.S. Department of Health and Human Services, during the first six months of the program, more than 150,000 households across the country received LIHWAP assistance with more than 91,000 households having water or wastewater services restored or disconnection prevented.

3

In **September 2023** for the United Way Day of Caring employees helped with the Bays Mountain Park Wolf Habitat Cleanup.





## 4

In **September 2023**, Keep Kingsport Beautiful hosted its annual Conservation Camp at the Eastman Recreation Area for more than 800 fourth graders from Kingsport, Bristol, and Sullivan County Schools. The Kingsport Stormwater Department taught a stormwater management session and educated students about where water goes after a rainstorm and the pollutants it can carry.

## 5

The American Public Works Association celebrates an annual National Public Works Week in May. The event educates the public on the importance of public works in their lives. During the week, Kingsport held a free event on the annual Public Works Day (May 25, 2023) at the Farmers Market. The theme was “Connecting the World through Public Works,” which highlighted the way public works professionals connect us physically, through infrastructure, and inspirationally, through service to their communities. The event showcased all the public works divisions and included demonstrations and activities with sewer camera vans, microscopes, and heavy equipment.

## 6

In **August 2023** some of our Water Division Engineering and Utilities employees attended the Tennessee Association of Utility Districts (TAUD) – Women in Water Summit in Gatlinburg, TN. The TAUD Women in Water Committee empowers, inspires, and connects women within the water and wastewater industry, celebrating their achievements and promoting opportunities for development and growth. Attendees connected with colleagues, shared experiences, and gained valuable industry insights.



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## Glossary of Terms

**ACFR**

Annual Comprehensive Financial Report

**ARC**

Appalachian Regional Commission

**ARP**

American Rescue Plan

**Assets**

Owned items of value

**BMA**

Board of Mayor and Aldermen

**CIP**

Capital Improvement Plan

**Depreciation**

The lowered price or estimated value of something

**EDA**

U.S. Economic Development Administration

**EPA**

U.S. Environmental Protection Agency

**GFOA**

Government Finance Officers' Association of the United States and Canada

**I&I**

Inflow and Infiltration

**Liabilities**

Something owed; debts

**NACWA**

National Association of Clean Water Agencies

**PAFR**

Popular Annual Financial Report

**Wastewater Fund**

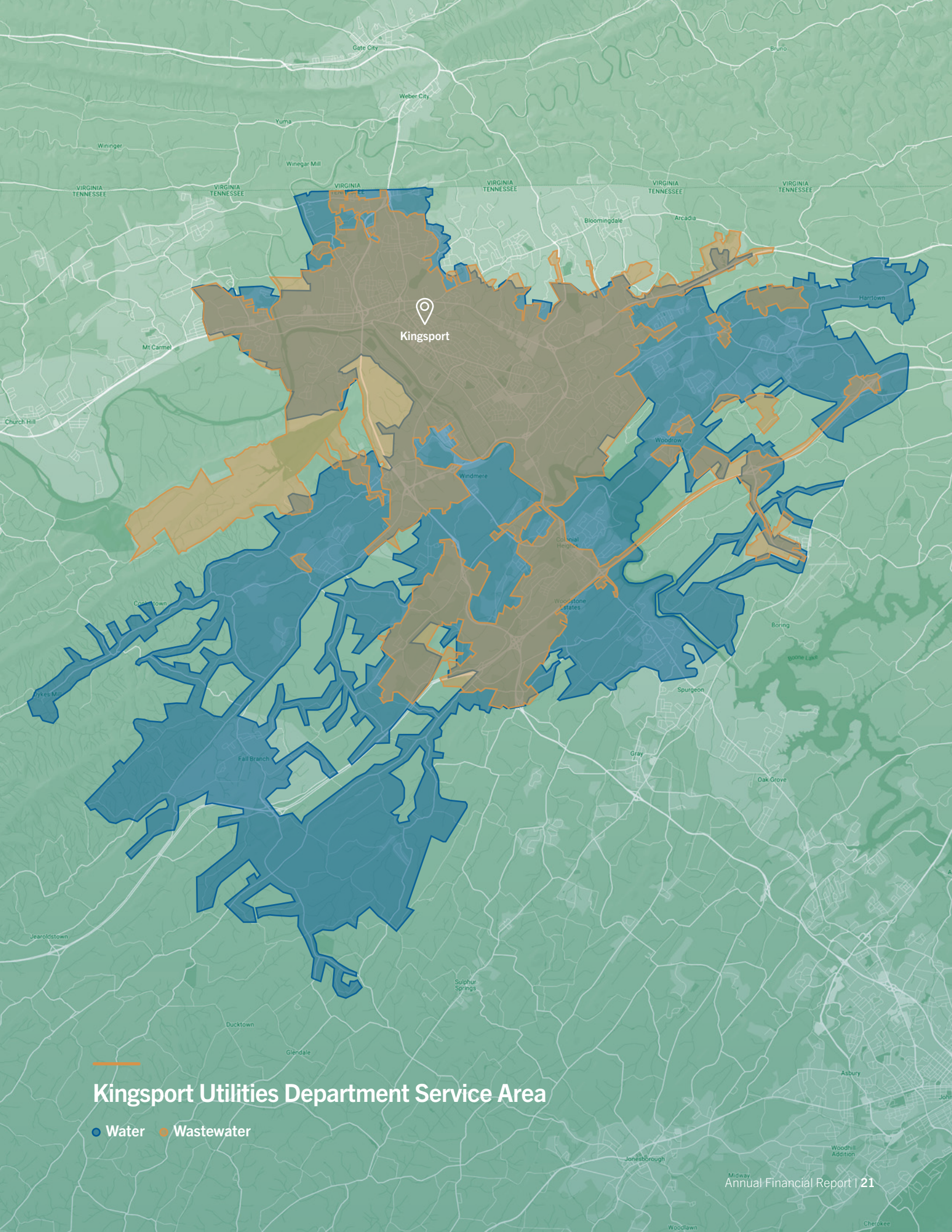
Accounts for the activities of the City's collection, transportation, treatment, and disposal of wastewater

**Water Fund**

Accounts for the activities of the City's production, storage, and transportation of drinking water

**WEA**

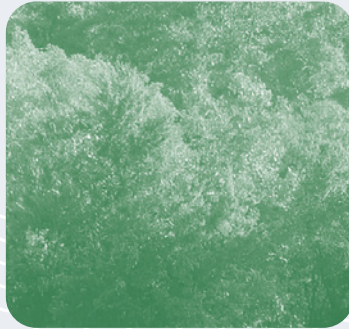
Kentucky-Tennessee Water Environment Association; now the Clean Water Professionals of Kentucky and Tennessee



## Kingsport Utilities Department Service Area

● Water ● Wastewater





KINGSPORTTN.GOV | 423-343-9860

 @KingsportAlerts