



Financial Merger Analysis

CPWA

Financial Merger Analysis

City of Crossville Merging Into Cumberland Plateau Water Authority

\$23.3M/yr

Combined Revenue

31,387

Combined Customers

\$109.5M

Combined Equity

\$0 Debt

CPWA Brings

Financial Impact Analysis | 6-Year CIP & Debt Plan | FY2026–FY2031

Prepared for City Council Discussion | Daniel E. Peterson, CPA

Background & The Core Question

CPWA (Surviving Entity)

- Revenue: \$9.3M/yr
- Customers: 16,978 water
- Long-Term Debt: \$0 — Debt Free ★
- Equity: \$39.2M
- Merger of WCUD, SCUD & COUD



City of Crossville (Joining)

- Revenue: \$14.0M/yr
- Customers: 14,409 water + 5,582 sewer
- Long-Term Debt: \$29.4M
- Equity: \$70.3M
- \$131.2M capital program FY2026–2031

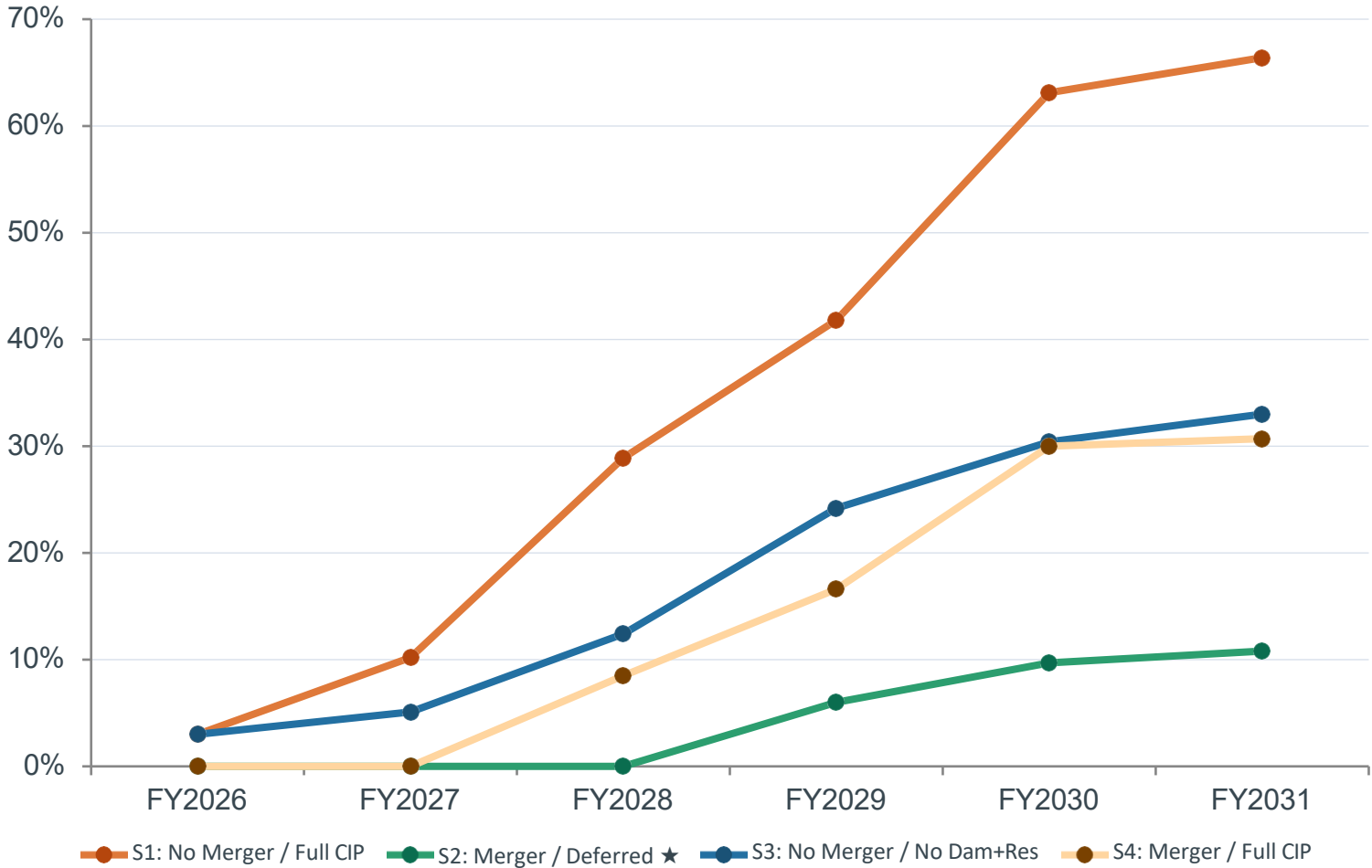
The Core Question

Can Crossville execute its \$131M capital program independently — and at what cost? Or does merging with CPWA offer a materially better path?

Four Scenarios Modeled — FY2026 to FY2031

S1	AVOID	S2	★ RECOMMENDED	S3	VIABLE	S4	VIABLE
No Merger / Full CIP		Merger / Deferred CIP		No Merger / No Dam+Res		Merger / Full CIP	
<i>City Standalone</i>		<i>CPWA Merged</i>		<i>City Standalone</i>		<i>CPWA Merged</i>	
CIP Scope:		CIP Scope:		CIP Scope:		CIP Scope:	
\$131.2M — All Projects		\$71.2M — Dam/Res Deferred		\$71.2M — Dam/Res Deferred		\$131.2M — All Projects	
Worst Case — Maximum Rate Pressure		RECOMMENDED — Best Outcomes Across All Metrics		Middle Ground — No Merger Benefit		Full CIP Affordable Via Merger	

Customer Rate Impact — Cumulative Burden FY2026–FY2031



S2 Cumulative Burden

9.7%

vs 63.1% for S1

Impact on \$50/mo Bill (YR5)

S1 No Merger

+\$31.56/mo

S2 Merger ★

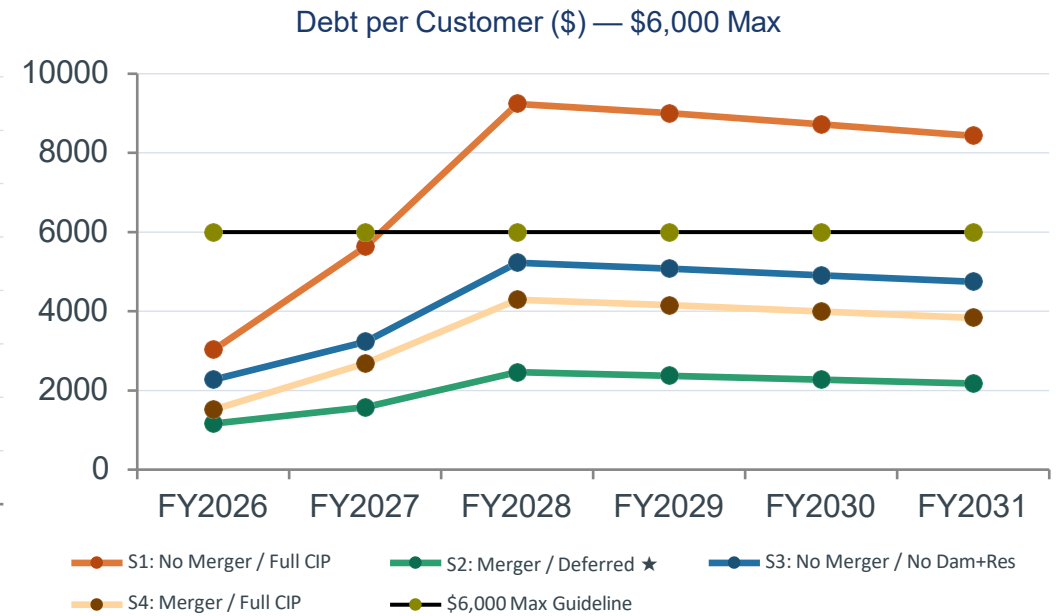
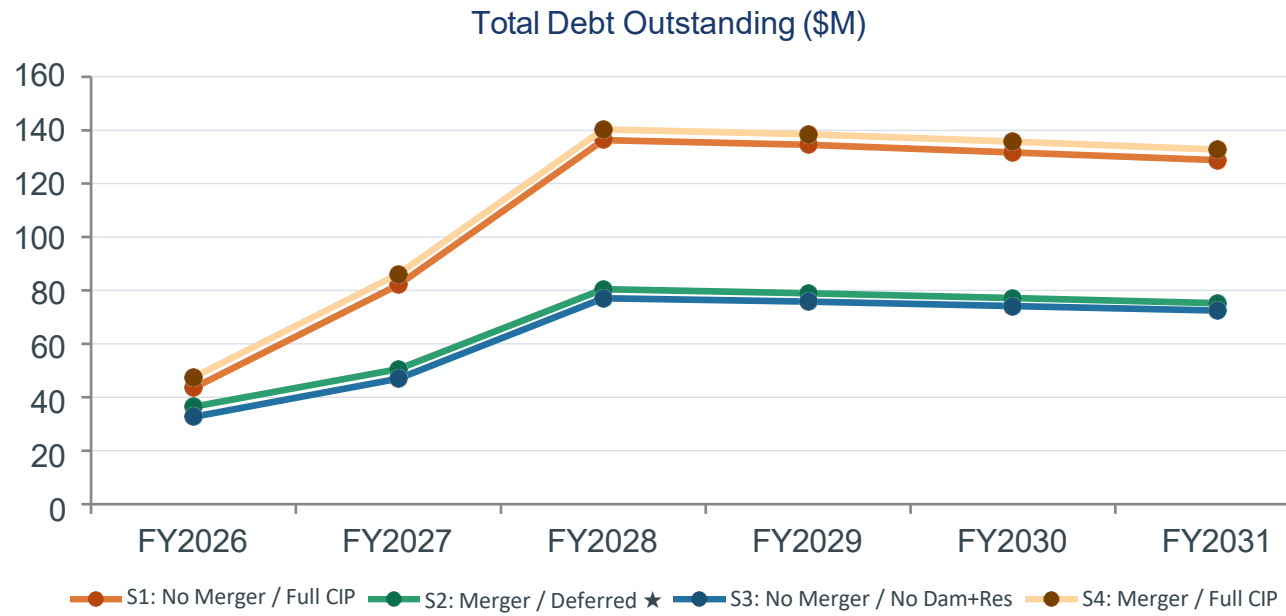
+\$4.86/mo

Worst Single-Year Increase

S1: +17% (YR3)

S2: +6% (YR4)

Debt Trajectory — Total Debt & Debt per Customer



S1 Peak Debt/Customer

\$9,237

EXCEEDS \$6K guideline

S2 Peak Debt/Customer

\$2,462

Well under \$6K guideline

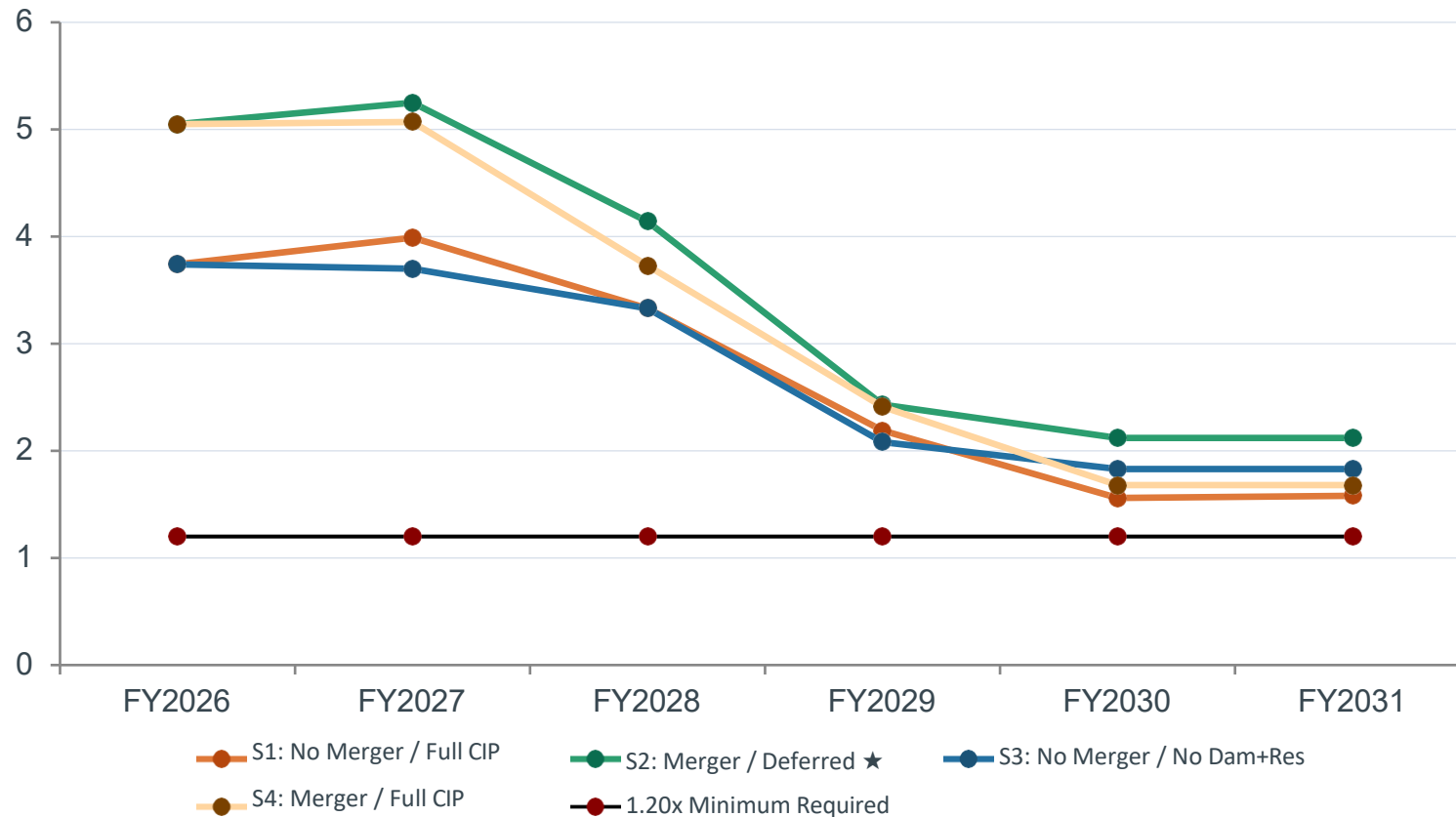
Merger Debt Reduction

\$55.8M

S2 vs S1 at peak (YR3)

Debt Service Coverage Ratio (DSCR) & Financial Ratios

DSCR — Minimum 1.20x Required



S2 Peak DSCR

5.25x

YR2 — *strongest coverage*

S2 Worst DSCR

2.12x

Well above 1.20x minimum

S1 Worst DSCR

1.56x

Near minimum — high risk

All four scenarios remain above the 1.20x minimum throughout the planning period.

What CPWA Brings to the Merger

Clean Balance Sheet — \$0 Debt

01

CPWA has fully retired all long-term debt from WCUD, SCUD & COUD. Annual interest savings ~\$224K/yr. Brings \$39.2M equity and zero liabilities.

Revenue Base Expansion

02

Adds \$9.3M in annual revenue immediately. YR1 combined: \$23.7M — 63% larger than standalone. Combined customer base 2.2× larger to share debt burden.

\$60M Capital Deferral

03

CPWA is advancing alternative regional water supply solutions, alleviating near-term need for \$60M Dam Mitigation and Reservoir Expansion projects.

Regionalization & Grants

04

Regionalization is a Tennessee Comptroller priority. Any grants received directly reduce debt requirements. Admin cost savings not yet modeled.

Complete Scenario Scorecard — All Key Metrics

Metric	S1: No Merger Full CIP	S2: Merger Deferred CIP ★	S3: No Merger No Dam+Res	S4: Merger Full CIP
Peak Annual Rate	+17%	+6%	+10.5%	+11.5%
Cumulative Rate YR5	+63.1%	+9.7%	+30.4%	+30.1%
Peak Total Debt	\$136.3M	\$80.5M	\$77.1M	\$140.3M
Peak Debt/Customer	\$9,237 ⚠️OVER	\$2,462	\$5,225	\$4,291
Worst DSCR	1.56x	2.12x	1.83x	1.68x
Debt/Assets Peak	64.9%	36.9%	45.0%	50.8%
YR1 Revenue Base	\$14.35M	\$20.39M	\$14.35M	\$20.39M
Customer Base YR1	14,409	31,387	14,409	31,387
Verdict	AVOID	★ RECOMMENDED	VIABLE	VIABLE

Conclusion & Recommendation



S2 (Merger / Deferred CIP) is the best financial outcome under every metric tested — lower debt, lower rates, strongest coverage, and no debt from CPWA.



Customers save a cumulative 53.4 percentage points in rate increases over 5 years versus the no-merger / full CIP path (9.7% vs 63.1%).



Merger peak debt per customer: \$2,462 — vs \$9,237 standalone, which exceeds the \$6,000 per-customer guideline.



CPWA brings \$39.2M equity, \$0 debt, and 17,000+ customers to immediately strengthen the combined entity's financial position.



DSCR remains above 2.1x at worst in S2, providing substantial cushion above the 1.20x minimum covenant requirement.

RECOMMENDED ACTION

Vote to authorize a public referendum on the merger of City of Crossville water and wastewater operations into Cumberland Plateau Water Authority — for placement on the City Council agenda, June 9, 2026.

Appendix — Annual Rate Increase Detail

Scenario	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	Cumul. YR5
S1: No Merger / Full CIP	+3.0%	+7.0%	+17.0%	+10.0%	+15.0%	+2.0%	+63.1%
S2: Merger / Deferred CIP ★	+0.0%	+0.0%	+0.0%	+6.0%	+3.5%	+1.0%	+9.7%
S3: No Merger / No Dam+Res	+3.0%	+2.0%	+7.0%	+10.5%	+5.0%	+2.0%	+30.4%
S4: Merger / Full CIP	+0.0%	+0.0%	+8.5%	+7.5%	+11.5%	+0.5%	+30.1%

★ S2 requires zero rate increases in FY2026–FY2028. Cumulative 5-year burden 9.7% vs 63.1% for S1 — a savings of 53.4 percentage points.