

**Knoxville Utilities Board
Board Meeting
Minutes
Thursday, December 19, 2019 Noon**

Call to Order

The Knoxville Utilities Board met in regular session in the Larry A. Fleming Board Room at 445 S. Gay Street, on Thursday, December 19, 2019, pursuant to the public notice published in the January 5, 2019, edition of the *News Sentinel*. Chair Hamilton called the meeting to order at 12:00 p.m.

Roll Call

Commissioners Present: Jerry Askew, Kathy Hamilton, Celeste Herbert, Sara Pinnell, Adrienne Simpson-Brown, Tyvi Small, and John Worden.

Commissioner Absent: None

Approval of Minutes

The Minutes of the November 21, 2019 Board Meeting were approved as distributed upon a motion by Commissioner Askew and seconded by Commissioner Herbert.

Old Business

None

New Business

Resolution 1407, A Resolution Requesting the City Council of the City of Knoxville to Pass a Resolution Setting the Tax Equivalent Payments for the Electric and Gas Systems for the Fiscal Year Beginning July 1, 2019 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions

President Gabriel Bolas recognized Mark Walker, Senior Vice President and Chief Financial Officer, who reviewed the proposed tax equivalent payments and distribution of payments for the electric and gas systems for fiscal year 2020. He advised that state law requires that City Council adopt a resolution setting the amount of the electric and gas payments and providing for their distribution. Mr. Walker noted that the proposed electric and gas payments were the maximum amounts permitted by state law. Mr. Walker also reviewed the water and wastewater systems in lieu of tax payments for fiscal year 2020.

December 19, 2019

President Bolas recommended adoption of Resolution 1407 on first and final reading. His written recommendation is included in Attachment 1.

Upon a motion by Commissioner Small and a second by Commissioner Pinnell, Resolution 1407 was adopted by a roll call vote on first reading. The following Commissioners voted "aye": Askew, Hamilton, Herbert, Pinnell, Simpson-Brown, Small, and Worden. No Commissioner voted "nay".

Resolution 1408, A Resolution Authorizing the Condemnation and the Taking of a Permanent Utility Easement on one Certain Property located at 1121 East Bull Run Valley Drive, Powell, Knox County, Tennessee

President Bolas advised Commissioners that as part of KUB's goal to improve electric reliability, work has begun to upgrade electric service in an area in the Heiskell community. He recognized Billie Jo McCarley, Director of Engineering, to provide details of the condemnation request.

President Bolas recommended adoption of Resolution 1408 on first and final reading. His written recommendation is included in Attachment 1.

Upon a motion by Commissioner Herbert and a second by Commissioner Askew, Resolution 1408 was adopted by a roll call vote on first reading. The following Commissioners voted "aye": Askew, Hamilton, Herbert, Pinnell, Simpson-Brown, Small, and Worden. No Commissioner voted "nay".

President's Report

Employee Excellence Awards

Susan Edwards, Senior Vice President and CAO, provided an overview of the Employee Excellence Awards program and recognized Doug Miller, Manager of Underground Construction, who presented an award to the Fort Loudon Recycling Center Fire Response team members: Lewis Rorex, Phillip Dyer, and Danny Maxwell; Steve Proffitt, Manager of Overhead Construction, who presented an award to certain members of the Election Day 2018 Storm Response team: Louis Smith, Gary Morrissey, Kevin Roberts, Scott Mowery, and Meredith Nulton; Billie Jo McCarley, Director of Engineering, who presented an award to certain members of the Water System Reporting and Management team: Ted Tyree, Drew Keller, and Danny Maxwell; Shane Bragg, Acting Manager of Water/Wastewater Systems Engineering, who presented an award to the North Knoxville Wastewater Improvements team: Tommy Lawhorn, Steve Watson, and Shane Ogan, and Mike Bolin, Vice President of Utility Advancement, who presented the Board Chair award to certain members of the Smith County Natural Gas Line Rupture team: Stephanie Midgett, Wayne Brintnall, Morgan Baum, and Rodney Eades.

December 19, 2019

Other Business

Commissioner Herbert, Chair of the Board's Nominating Committee announced that the Committee met today to nominate a slate of officers for 2020. The following individuals were nominated: Kathy Hamilton, Chair; Adrienne Simpson-Brown, Vice-Chair; and Mark Walker, Secretary. She also announced that the election of officers would be conducted in January 2020, as required by the Charter.

Public Comment

Kent Minault – 311 Glenwood Avenue – Knoxville, TN 37917

Adjournment

There being nothing further to come before the Board, Chair Hamilton declared the meeting adjourned at 1:05 p.m.



Kathy Hamilton, Chair



Mark Walker, Board Secretary

Attachments

Attachment 1	Recommendation Letter and Resolution 1407 – A Resolution Requesting the City Council of the City of Knoxville to Pass a Resolution Setting the Tax Equivalent Payments for the Electric and Gas Systems for the Fiscal Year Beginning July 1, 2019 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions	Page(s) 9673-9678
Attachment 2	Recommendation Letter and Resolution 1408 - A Resolution Authorizing the Condemnation and the Taking of a Permanent Utility Easement on one Certain Property located at 1121 East Bull Run Valley Drive, Powell, Knox County, Tennessee	9679-9681



Knoxville Utilities Board

December 13, 2019

Knoxville Utilities Board
445 S. Gay Street
Knoxville, Tennessee 37902-1109

Commissioners:

State law requires City Council, as the municipality's governing body, to pass a resolution setting the in lieu of tax payments (tax equivalents) for KUB's electric and gas systems each fiscal year and providing for their distribution to the appropriate taxing jurisdictions.

Tax equivalents for the electric system for fiscal year 2020 are \$16,067,210. Tax equivalents for the gas system for fiscal year 2020 are \$6,828,101. Both electric and gas tax equivalent payments are the maximum amounts provided for under state law. Electric and gas tax equivalent payments will be made to the respective taxing jurisdictions on the last business day of June. An overview of all tax equivalent payments for fiscal year 2020 is enclosed for your information.

I recommend adoption of Resolution 1407, requesting the City Council of Knoxville to set the in lieu of tax payments for KUB's electric and gas systems and to establish the allocation of payments to the various taxing jurisdictions for the fiscal year ending June 30, 2020.

Respectfully submitted,

A handwritten signature in black ink that reads 'Gabriel Bolas'.

Gabriel J. Bolas II
President and CEO

Enclosure

RESOLUTION NO. 1407

A Resolution Requesting the City Council of the City of Knoxville to Pass a Resolution Setting the Tax Equivalent Payments for the Electric and Gas Systems for the Fiscal Year Beginning July 1, 2019 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions

Whereas, in accordance with Section 1101 of the Charter of the City of Knoxville, the purchase, sale, and distribution of electric and gas services by the City of Knoxville are under the jurisdiction, control, and management of the Knoxville Utilities Board (“KUB”); and

Whereas, the state of Tennessee adopted electric and gas tax equivalent statutes in 1987 (TCA Sections 7-52-301 et seq. and Sections 7-39-401 et seq.) in order to gain uniformity with respect to payments in lieu of taxes on the property and operations of all electric and gas systems owned and operated by incorporated cities or towns, by counties, and by metropolitan governments in the state of Tennessee; and

Whereas, the statutes provide that every municipality may cause an amount to be paid from its electric and/or gas system revenues for tax equivalents which, in the judgment of the municipality’s governing body (i.e. City Council of Knoxville), after consultation with the supervisory body (i.e. KUB), represents the fair share cost of government to be borne by the electric system and/or gas system; and

Whereas, the statutes include formulas which establish the maximum annual tax equivalent payment for electric and gas systems; and

Whereas, the statutes provide the basis for the allocation and distribution of tax equivalent payments to the various taxing jurisdictions, except to the extent any such payments were allocated and distributed under established arrangements in existence immediately prior to the adoption of the statutes; and

Whereas, KUB had an established arrangement for the allocation and distribution of electric and gas system tax equivalent payments, as defined by the statutes, in existence immediately prior to the adoption of said statutes; and

Whereas, KUB has prepared a proposed resolution for passage by the City Council of Knoxville, a copy of which resolution is attached hereto and made a part hereof (hereinafter referred to as the “Proposed Resolution”).

Now, Therefore, Be It Hereby Resolved by the Board of Commissioners of the Knoxville Utilities Board:

Section 1. That the KUB Board of Commissioners (the “Board”), after due consideration, finds that it is in the best interest of KUB and the City of Knoxville to make electric and gas tax equivalent payments for the fiscal year beginning July 1, 2019, totaling \$16,067,210 for the electric system and \$6,828,101 for the gas system (hereinafter referred to as “Tax Equivalents”), with the aforesaid Tax Equivalents being the maximum amounts permitted by law.

Section 2. That this Board, after due consideration, finds that the following allocation and distribution of the aforesaid Tax Equivalents to the following taxing jurisdictions is required under the applicable statutes:

	<u>Electric Tax Equivalents</u>	<u>Gas Tax Equivalents</u>	<u>Total Tax Equivalents</u>
City of Knoxville	\$ 8,189,287	\$3,818,100	\$12,007,387
Knox County	6,895,177	3,005,668	9,900,845
Union County	367,676		367,676
Sevier County	344,574		344,574
Grainger County	160,383		160,383
Jefferson County	89,904		89,904
Blount County	13,539		13,539
Anderson County	6,670	2,863	9,533
Loudon County	<u> </u>	<u>1,470</u>	<u>1,470</u>
Total	\$16,067,210	\$6,828,101	\$22,895,311

Section 3. That this Board hereby formally requests City Council to pass the Proposed Resolution, and this Board does hereby adopt, ratify, approve, consent and agree to each and every recital and provision contained in the Proposed Resolution.

Section 4. That this Board finds that the statutory obligation for consultation with the supervisory body (KUB) will be fulfilled by the delivery of this resolution to City Council.

Section 5. That upon City Council's passage of the Proposed Resolution, the President and Chief Executive Officer, or the Chief Financial Officer, is hereby authorized and directed to distribute the Tax Equivalents to the respective taxing jurisdictions in accordance with the Proposed Resolution; provided, however, that the amount of such Tax Equivalents to be paid to any taxing jurisdiction specified in the Proposed Resolution shall be appropriately reduced by the aggregate amount of any qualified state, county, city and other local taxes or charges imposed for such fiscal year by or for the benefit of such taxing jurisdiction, said reduction being required by the statutes.

Section 6. That the President and Chief Executive Officer is authorized to deliver copies of this Resolution to the Mayor and City Council as formal evidence of this Board's action in connection therewith.

Section 7. BE IT FURTHER RESOLVED that this Resolution shall take effect from and after its passage.

K. Hamilton/s
Kathy Hamilton, Chair

M. Walker/s
Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: 12-19-19
EFFECTIVE DATE: 12-19-19
MINUTE BOOK 41 PAGE 9674-9678

RESOLUTION

A Resolution of the Council of the City of Knoxville Setting the In Lieu of Tax Payments for the Electric and Gas Systems of the Knoxville Utilities Board for the Fiscal Year Beginning July 1, 2019 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions

Whereas, under the state of Tennessee electric and gas tax equivalent statutes (TCA Section 7-52-301 et seq. and Section 7-39-401 et seq.), the Council of the City of Knoxville, after consultation with the Knoxville Utilities Board (hereinafter referred to as "KUB"), may cause to be paid from KUB's Electric and Gas Divisions an amount for payments in lieu of taxes (hereinafter referred to as "Tax Equivalents") on KUB's electric and gas systems and operations which, in the judgment of City Council, shall represent the fair cost of government properly to be borne thereby; and

Whereas, the amount of Tax Equivalents that may be set by City Council is to be in lieu of all state, county, city and other local taxes or charges imposed on KUB's Electric and Gas Divisions for the fiscal year by the various taxing jurisdictions in which the properties of the electric and gas systems are situated, said amount being subject to a maximum limitation that may be paid for a fiscal year; and

Whereas, the Tax Equivalents are to be distributed to the respective taxing jurisdictions in accordance with a mandatory distribution formula or under established arrangements with taxing jurisdictions in effect immediately prior to the adoption of the statutes, both as provided for in the statutes; and

Whereas, KUB had established arrangements in place with taxing jurisdictions for the allocation and distribution of in lieu of tax payments on KUB's electric and gas systems immediately prior to the adoption of the statutes; and

Whereas, KUB, by its passage of Resolution No. 1407 on December 19, 2019, and the delivery of same to City Council, has requested City Council pass a resolution setting the Tax Equivalents for the fiscal year beginning July 1, 2019, and providing for the allocation and distribution of the Tax Equivalents to the affected taxing jurisdictions (hereinafter referred to as "Proposed Resolution"); and

Whereas, City Council, having consulted with KUB regarding the setting of the Tax Equivalents and the allocation and distribution thereof to the affected taxing jurisdictions, hereby finds that KUB's Proposed Resolution is in the best interests of the City of Knoxville and KUB.

NOW THEREFORE BE IT HEREBY RESOLVED BY THE CITY COUNCIL OF THE CITY OF KNOXVILLE:

Section 1. That pursuant to T.C.A. Sections 7-52-301 et seq. and Sections 7-39-401 et seq., the Council of the City of Knoxville hereby sets the Tax Equivalents for KUB's electric and gas systems for the fiscal year beginning July 1, 2019, at a total of \$22,895,311, representing \$16,067,210 in electric Tax Equivalents and \$6,828,101 in gas Tax Equivalents, said amounts being the maximum amount of Tax Equivalents that may be paid from KUB's Electric and Gas Divisions under law.

Section 2. That the aforesaid Tax Equivalents be distributed in accordance with law to the following taxing jurisdictions in the amounts specified below:

	<u>Electric Tax Equivalents</u>	<u>Gas Tax Equivalents</u>	<u>Total Tax Equivalents</u>
City of Knoxville	\$ 8,189,287	\$3,818,100	\$12,007,387
Knox County	6,895,177	3,005,668	9,900,845
Union County	367,676		367,676
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Loudon County	<u> </u>	<u>1,470</u>	<u>1,470</u>
Total	\$16,067,210	\$6,828,101	\$22,895,311

Section 3. That the statutory obligation for City Council to consult with the supervisory body (KUB) was satisfied by the delivery of KUB Resolution No. 1407 to City Council.

Section 4. That KUB be and hereby is authorized and directed to aforesaid amounts of Tax Equivalents to the respective taxing jurisdictions specified above; provided, however, that the amount of such Tax Equivalents to be paid to any taxing jurisdiction shall be appropriately reduced by the aggregate amount of any qualified state, county, city and other local taxes or charges imposed for such fiscal year by or for the benefit of such taxing jurisdiction, said reduction being required by law.

Section 5. That this resolution shall take effect immediately upon its passage, the public welfare requiring it, and a certified copy hereof shall be delivered to the President and Chief Executive Officer of KUB as formal evidence of this Council's action in connection therewith.

Mayor

City Recorder



Knoxville Utilities Board

December 13, 2019

Knoxville Utilities Board
445 S. Gay Street
Knoxville, Tennessee 37902-1109

Commissioners:

Resolution 1408 requests condemnation authority for one parcel, representing one property owner at 1121 East Bull Run Valley Drive. The authority is needed to install new poles and 3-phase conductors for electric reliability.

Completion of this electric system reliability project has been hindered by the lack of sufficient easements to provide access to this property. Discussions with the owner of the property have been ongoing and KUB will continue to negotiate with the owner to acquire the necessary easement. However, to avoid delays, KUB would like to be able to move forward with condemnation if necessary. Further information about the parcel is enclosed for your review.

I recommend adoption of Resolution 1408 on first and final reading.

Respectfully submitted,

A handwritten signature in black ink that reads "Gabriel Bolas".

Gabriel J. Bolas II
President and CEO

Enclosure

RESOLUTION NO. 1408

A Resolution Authorizing the Condemnation and the Taking of a Permanent Utility Easement on one Certain Property located at 1121 East Bull Run Valley Drive, Powell, Knox County, Tennessee

Whereas, supplying the public need and demand for electric service makes it necessary and desirable for KUB to improve the electric system and all related equipment (the "Facilities") on a portion of one certain property located in the Bull Run Valley area of Powell, Knox County, Tennessee, and being more particularly described on Knox County Tax Maps; CLT 26 Parcel 105; and

Whereas, KUB is making improvements to the Facilities in the Heiskell area to serve the needs of the community; and

Whereas, a permanent utility easement across the aforesaid property must be obtained for the construction and location of the Facilities; and

Whereas, in the opinion of the KUB Board of Commissioners (the "Board"), the easement for the property described in this Resolution best meet the needs and requirements of the public for the location of the Facilities; and

Whereas, time is of the essence in constructing the Facilities and it is advantageous for KUB officials to be authorized to condemn and acquire the necessary easement in the event that they cannot be acquired by negotiations at prices that KUB considers reasonably representative of the value of such property interests.

Now, Therefore, Be it Hereby Resolved by the Board of Commissioners of the Knoxville Utilities Board:

Section 1. That this Board finds and declares:

- (a) That public convenience and necessity require the installation of the Facilities in the Easement for the property described herein, so as to provide adequate utility service to the public, including the present and prospective customers of KUB's electric system.
- (b) That the cost of the Easement, as mentioned in the preceding paragraph, be and the same shall be paid from appropriations heretofore made by this Board for the operation and construction program of the Electric Division.

- (c) That for the purpose of placing, constructing, repairing, maintaining, rehabilitating, improving and replacing the Facilities on the property described herein, there shall be condemned such permanent utility easement across the aforementioned property, as may be determined to be necessary by the President and CEO or his designee.

Section 2. That the President and CEO and the General Counsel for KUB, are hereby authorized and directed to take all action and do all things necessary or desirable for the acquisition of said easement described in Section 1 of this Resolution, by condemnation or otherwise, including, without limitation, the institution of a suit in the name of KUB against any and all persons having any interest in the affected property, for the condemnation thereof, and the determination of the amount of any deposit to be made in connection with any such suit.

Section 3. That this Resolution shall take effect upon its passage.

K. Hamilton/s
Kathy Hamilton, Chair

M. Walker/s
Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: 12-19-19
EFFECTIVE DATE: 12-19-19
MINUTE BOOK 41 PAGE 9680-9681

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