



**Board Meeting Agenda
Thursday, January 18, 2024
Noon**

Call to Order

Roll Call

Approval of Minutes

Official Action

Oath of Office for Dr. Craig Pickett, Jr.

Election of 2024 Officers

President's Report

Other Business

Public Comments

Adjournment

Note: The Chair may declare a periodic recess in these proceedings as may be necessary for comfort or convenience.



January 12, 2024

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

Commissioners:

Official action items on the agenda for the January 18 Board meeting include the oath of office for new Commissioner Dr. Craig Pickett, Jr., and Board officer elections for 2024.

Among other items, this month's President's Report will include a follow-up discussion on the Inflation Response Plan presented to the Board in November.

Respectfully submitted,

A handwritten signature in black ink that reads "Gabriel Bolas". The signature is written in a cursive, flowing style.

Gabriel J. Bolas II
President and CEO

**Knoxville Utilities Board
Board Meeting Minutes
Thursday, December 21, 2023 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 21, 2023, pursuant to the public notice published in the January 7, 2023, edition of the *News Sentinel*. Chair Adrienne Simpson-Brown called the meeting to order at 12:00 p.m.

Roll Call

Commissioners Present: Claudia Caballero, Ron Feinbaum, Cynthia Gibson, Kathy Hamilton, Celeste Herbert, Adrienne Simpson-Brown, and Tyvi Small.

Commissioner Absent: None

Approval of Minutes

Upon a motion by Commissioner Herbert and a second by Commissioner Feinbaum, the November 16, 2023 Board Meeting minutes were approved by a roll call vote. The following Commissioners voted “aye”: Caballero, Feinbaum, Gibson, Hamilton, Herbert, Simpson-Brown, and Small. No Commissioner voted “nay”.

Old Business

None

New Business

Resolution 1484, A Resolution Requesting the City Council of the City of Knoxville to Adopt a Resolution Setting the Tax Equivalent Payments for the Electric, Gas, and Fiber Systems for the Fiscal Year Beginning July 1, 2023, and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions

President Gabriel Bolas recognized Chris Hood, Director of Finance, who reviewed the proposed tax equivalent payments and distribution of payments for the electric, gas, and fiber systems for fiscal year 2024. He advised that state law requires that City Council adopt a resolution setting the amount of the electric, gas, and fiber payments and providing for their distribution. Mr. Hood noted that the proposed electric, gas, and fiber payments were the maximum amounts permitted by state law. Mr. Hood also reviewed the water and wastewater systems in lieu of tax payments for fiscal year 2024.

December 21, 2023

Upon a motion by Commissioner Small and a second by Commissioner Hamilton, Resolution 1484 (*Attachment 1*) was adopted by a roll call vote on first and final reading. The following Commissioners voted “aye”: Caballero, Feinbaum, Gibson, Hamilton, Herbert, Simpson-Brown, and Small. No Commissioner voted “nay”.

President’s Report

Bond Sale Results

President Gabriel Bolas recognized Mark Walker, Senior Vice President and Chief Financial Officer, for an update on KUB’s recent sale of new electric and water bonds on November 15, 2023. Proceeds from the sale of these bonds will be used to fund electric and water system capital improvements by funding a portion of those capital budgets for FY 2024.

Western Avenue Substation – TVA Infeed

President Bolas recognized John Gresham, Senior Vice President and Chief Engineering and Operations Officer, to share details of a new electric infeed substation on Western Avenue. The substation will provide system resiliency for upcoming Century II transmission and substation upgrades and increase service reliability and system flexibility.

Other Business

Commissioner Ron Feinbaum announced the Nominating Committee met today and voted to nominate the following slate of officers for 2024; Adrienne Simpson-Brown, Chair; Ron Feinbaum, Vice-Chair; and Mark Walker, Secretary. He also announced that the election of officers would be conducted in January 2024, as required by the Charter.

New Business

Resolution 1485, A Resolution of the Knoxville Utilities Board Honoring Tyvi Small, who is Concluding Service as a Commissioner

President Bolas offered Resolution 1485 for the Board’s consideration recognizing Tyvi Small for his service to the KUB Board of Commissioners. Joshua Ball, Board’s General Counsel, read Resolution 1485.

December 21, 2023

Upon a motion by Commissioner Herbert and a second by Commissioner Caballero , Resolution 1485 (*Attachment 2*) was adopted by a roll call vote on first and final reading. The following Commissioners voted “aye”: Caballero, Feinbaum, Gibson, Hamilton, Herbert, and Simpson-Brown. No Commissioner voted “nay”.

Commissioner Small thanked the Board and KUB staff and expressed his appreciation for all KUB employees.

Public Comment

None

Adjournment

There being nothing further to come before the Board, Chair Simpson-Brown declared the Board meeting adjourned at 12:33 p.m.

Adrienne Simpson-Brown, Chair

Mark Walker, Board Secretary

Attachments

Attachment 1	Recommendation Letter and Resolution 1484 – A Resolution Requesting the City Council of the City of Knoxville to Adopt a Resolution Setting the Tax Equivalent Payments for the Electric, Gas, and Fiber Systems for the Fiscal Year Beginning July 1, 2023, and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions	<u>Page(s)</u> 12132 – 12138
Attachment 2	Resolution 1485 – A Resolution of the Knoxville Utilities Board Honoring Tyvi Small, who is Concluding Service as a Commissioner	12139 – 12140



December 15, 2023

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

Commissioners:

The December 21 Board meeting agenda includes consideration of one official action item, related to tax equivalent payments for fiscal year 2024 for KUB's electric, gas, and fiber systems.

An overview of the resolution is provided below.

Resolution 1484

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

Tax equivalents for the three systems for fiscal year 2024 total \$26,036,228, including \$18,765,814 for the electric system, \$7,259,131 for the gas system, and \$11,283 for the fiber system. The fiber system amount is small given the relatively low value of fiber system assets in place. The electric, gas, and fiber tax equivalent payments are the maximum amounts provided for under state law. These payments will be made to the respective taxing jurisdictions on the last business day of June.

A summary of all tax equivalent payments for fiscal year 2024 is enclosed for your information. Although it doesn't require official action by the Board or City Council, our presentation will also cover the in lieu of tax payments for the water and wastewater systems.

Resolution 1484, enclosed for your information, requests the City Council of Knoxville to set the in lieu of tax payments for KUB's electric, gas, and fiber systems and to establish the allocation of payments to the various taxing jurisdictions for the fiscal year ending June 30, 2024. I recommend its adoption on first and final reading.

Respectfully submitted,

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

Gabriel J. Bolas II
President and CEO

RESOLUTION NO. 1484

A Resolution Requesting the City Council of the City of Knoxville to Adopt a Resolution Setting the Tax Equivalent Payments for the Electric, Gas, and Fiber Systems for the Fiscal Year Beginning July 1, 2023, 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 state of Tennessee adopted a tax equivalent statute in 1999 (TCA Section 7-52-606) in order to provide the method for calculation of payments in lieu of taxes on the property and operations of all internet (fiber) or other like systems owned and operated by municipalities 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 and/or fiber 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 and/or fiber systems; and

Whereas, the statutes include formulas which establish the maximum annual tax equivalent payment for electric, gas, and fiber 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, TCA Section 7-52-606 provides that a municipality providing internet (fiber) services shall make payments in the same manner established for its electric system, except as provided in the statute; 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, gas, and fiber tax equivalent payments for the fiscal year beginning July 1, 2023, totaling \$18,765,814 for the electric system and \$7,259,131 for the gas system and \$11,283 for the fiber 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</u>	<u>Gas</u>	<u>Fiber</u>	<u>Total Tax Equivalents</u>
City of Knoxville	\$10,429,071	\$4,383,231	\$6,556	\$14,818,858
Knox County	7,318,607	2,872,990	4,727	10,196,324
Union County	532,507			532,507
Sevier County	237,307			237,307
Grainger County	153,816			153,816
Jefferson County	74,595			74,595
Blount County	9,920			9,920
Anderson County	9,991	1,638		11,629
Loudon County		<u>1,272</u>		<u>1,272</u>
Total	\$18,765,814	\$7,259,131	\$11,283	\$26,036,228

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.

Adrienne Simpson-Brown/s
Adrienne Simpson-Brown, Chair

Mark Walker/s
Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: 12-21-23
EFFECTIVE DATE: 12-21-23
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RESOLUTION

A Resolution of the Council of the City of Knoxville Setting the In Lieu of Tax Payments for the Electric, Gas, and Fiber Systems of the Knoxville Utilities Board for the Fiscal Year Beginning July 1, 2023, and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions

Whereas, under the state of Tennessee electric, gas and internet (fiber) tax equivalent statutes (TCA Section 7-52-301 et seq., Section 7-39-401 et seq. and TCA 7-52-606), 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, Gas, and Fiber Divisions an amount for payments in lieu of taxes (hereinafter referred to as "Tax Equivalents") on KUB's electric, gas, and fiber 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 on KUB's electric and gas systems 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 amount of Tax Equivalents on KUB's fiber system that may be set by City Council is to be in lieu of all state, county, city or other local taxes or charges imposed on KUB's Fiber Division for the fiscal year by the various taxing jurisdictions in which the properties of the fiber system are situated, except as specifically provided in Section 7-52-606; 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, TCA Section 7-52-606 provides that a municipality providing internet (fiber) services shall make payments in the same manner established for its electric system, except as provided in the statute; and

Whereas, KUB, by its passage of Resolution No. 1484 on December 21, 2023, 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, 2023, 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., Sections 7-39-401 et seq., and Section 7-52-606, the Council of the City of Knoxville hereby sets the Tax Equivalents for KUB’s electric, gas, and fiber systems for the fiscal year beginning July 1, 2023, at a total of \$26,036,228, representing \$18,765,814 in electric Tax Equivalents, \$7,259,131 in gas Tax Equivalents and \$11,283 in fiber Tax Equivalents, said amounts being the maximum amount of Tax Equivalents that may be paid from KUB’s Electric, Gas, and Fiber 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</u>	<u>Gas</u>	<u>Fiber</u>	<u>Total Tax Equivalents</u>
City of Knoxville	\$10,429,071	\$4,383,231	\$6,556	\$14,818,858
Knox County	7,318,607	2,872,990	4,727	10,196,324
Union County	532,507			532,507
Sevier County	237,307			237,307
Grainger County	153,816			153,816
Jefferson County	74,595			74,595
Blount County	9,920			9,920
Anderson County	9,991	1,638		11,629
Loudon County	<u> </u>	<u>1,272</u>	<u> </u>	<u>1,272</u>
Total	\$18,765,814	\$7,259,131	\$11,283	\$26,036,228

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. 1484 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

RESOLUTION 1485

A Resolution of the Knoxville Utilities Board Honoring Tyvi Small, who is Concluding Service as a Commissioner

Whereas, Tyvi Small became a member of this Board in January 2017 and has now served faithfully for seven years; and

Whereas, Commissioner Small's expertise and leadership in diversity, equity, inclusion and engagement with the University of Tennessee has been valuable to the Board as it undertook initiatives for KUB's customers and employees; and

Whereas, During Commissioner Small's tenure, KUB established its Diversity, Equity, and Inclusion (DEI) Initiative, which provided more than 1,100 KUB employees with DEI training and enhances our commitments to promoting inclusivity and providing equal opportunity in every facet of the organization; and

Whereas, Commissioner Small was personally supportive and engaged in the success of the TeenWork program; and

Whereas, Commissioner Small helped KUB manage the unprecedented circumstances of the COVID-19 global pandemic and its impact on customers, supporting assistance programs which aided more than 18,000 customers with nearly \$13 million in relief funds; and

Whereas, Commissioner Small's strong advocacy for our low-income assistance initiatives, including weatherization for more than 2,600 homes, shows his commitment to assisting KUB's customers; and

Whereas, during Commissioner Small's tenure, KUB redefined its core values in a new Blueprint outlining our dedication to our customers, our community, our co-workers, and our culture; and

Whereas, Commissioner Small has demonstrated his support for continuous utility system infrastructure investment through KUB's Century II program to ensure essential services are safely and reliably delivered to KUB customers; and

Whereas, during his tenure as a Commissioner the Board established a Community Advisory Panel to seek input from customers about its programs and services, and to help better communicate important utility issues to the community; and

Whereas, during Commissioner Small's tenure, KUB has made significant progress in its operations, its customer focus, its environmental stewardship, and its community impact, winning numerous awards and recognitions; and

Whereas, Commissioner Small has also demonstrated leadership by serving as the Vice Chair of the Board for the past year; and

Whereas, Commissioner Small's engagement in the community extends beyond his tenure on the KUB Board and is reflected through his service to other organizations including the Knoxville Area Urban League, Leadership Knoxville, The Change Center, Tennessee Valley Fair and Overcoming Believers Church.

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

Section 1. That this Board hereby gratefully acknowledges and commends Tyvi Small for his dedicated service to KUB, its employees, customers, and our community.

Section 2. That this Board recognizes Commissioner Small's meaningful and effective service and genuinely regrets that his time on the KUB Board of Commissioners has concluded.

Section 3. That this Resolution shall take effect from and after its passage and that a copy shall be provided to Commissioner Small.

Claudia Caballero/s
Claudia Caballero, Commissioner

Ron Feinbaum/s
Ron Feinbaum, Commissioner

Cynthia Gibson/s
Cynthia Gibson, Commissioner

Kathy Hamilton/s
Kathy Hamilton, Commissioner

Celeste Herbert/s
Celeste Herbert, Commissioner

Adrienne Simpson-Brown/s
Adrienne Simpson-Brown, Chair

APPROVED: 12-21-23
EFFECTIVE DATE: 12-21-23
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