

**Knoxville Utilities Board
Board Meeting
Minutes
Thursday, February 15, 2018, 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, February 15, 2018, pursuant to the public notice published in the January 6, 2018, edition of the *News Sentinel*. Chair Herbert called the meeting to order at 12:00 p.m.

Chair Herbert welcomed the seven KUB Leadership Development Program employees and the program facilitator attending the Board Meeting today and asked them to introduce themselves.

Roll Call

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

Commissioners Absent: Jerry Askew

Approval of Minutes

The Minutes of the January 18, 2018, Board Meeting were approved as distributed upon a motion by Commissioner Small and seconded by Commissioner Worden.

Old Business

None

New Business

Resolution 1373, 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, 2017 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions

February 15, 2018

President Roach 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 2018. 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 2018.

President Roach recommended adoption of Resolution 1373 on first and final reading. Her written recommendation is included in Attachment 1.

Upon a motion by Commissioner Pinnell and a second by Commissioner Hamilton, Resolution 1373 (*Attachment 1*) was adopted by a roll call vote on first and final reading. The following Commissioners voted "aye": Hamilton, Herbert, Pinnell, Simpson-Brown, Small and Worden. No Commissioner voted "nay".

President's Report

Project Help Campaign Results and Round It Up Pilot Program Update

President Roach reminded Commissioners that KUB's Round It Up program is currently a 3-year pilot program that provides funds to weatherize low-income homes. Ms. Roach advised that official action will be presented at next month's meeting to consider continuing the program. She recognized Tiffany Martin, Manager of Customer Experience, who provided an update on this year's Project Help campaign results and an update on the Round It Up Pilot Program.

Kuwahee and Fourth Creek WWTPs Phase II Composite Correction Plans

President Roach advised Commissioners that the final two projects remaining for the 2005 Federal Consent Decree for the wastewater system are on schedule for completion in 2021. She recognized Shane Bragg, an engineer with the Water Systems Engineering Department, to provide an overview of the projects.

RP3 (Reliable Public Power) Update

President Roach recognized Gabriel Bolas, Senior Vice President and Chief Engineer, to provide an update on KUB's RP3 (Reliable Public Power) designation. Mr. Bolas advised the Board that KUB achieved an RP3 Diamond level certification and perfect score on its RP3 application.

Other Business

None

February 15, 2018

Public Comment

Mike Williams, Union County Mayor – 901 Main Street – Maynardville, TN 37807

Bonnie Swinford – 1327 Fair Drive – Knoxville, TN 37918

Wolf Naegeli – 4425 Balraj Lane – Knoxville, TN 37921

Adam Hughes – 1119 Alexander Street, Apt. 1 – Knoxville, TN 3717

Alex Dunn – Address not provided

Stephen Smith – 5443 Yosemite Trail – Knoxville, TN 37909

Laura Humphrey – 328 Taliwa Drive – Knoxville, TN 37920

Adjournment

There being nothing further to come before the Board, Chair Herbert declared the meeting adjourned at 1:25 p.m.



Celeste Herbert, Chair



Mark Walker, Board Secretary

Attachments

Attachment 1	Recommendation Letter and Resolution 1373, 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, 2017 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions	<u>Page(s)</u> 9013 – 9018
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Knoxville Utilities Board

February 9, 2018

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 2018 are \$15,542,951. Tax equivalents for the gas system for fiscal year 2018 are \$6,859,312. 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 2018 is attached for your information.

I recommend adoption of Resolution 1373, 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, 2018.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Mintha E. Roach'.

Mintha E. Roach
President and CEO

RESOLUTION NO. 1373

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, 2017 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, 2017, totaling \$15,542,951 for the electric system and \$6,859,312 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	\$ 7,947,289	\$3,674,591	\$11,621,880
Knox County	6,707,728	3,180,327	9,888,055
Union County	350,536		350,536
Sevier County	343,139		343,139
Grainger County	136,007		136,007
Jefferson County	37,929		37,929
Blount County	12,528		12,528
Anderson County	7,795	2,798	10,593
Loudon County	<u> </u>	<u>1,596</u>	<u>1,596</u>
 Total	 \$15,542,951	 \$6,859,312	 \$22,402,263

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.

Celeste Herbert, Chair

Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: 2-15-18
EFFECTIVE DATE: 2-15-18
MINUTE BOOK 40 PAGE 9014-9018

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, 2017 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. 1373 on February 15, 2018, 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, 2017, 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, 2017, at a total of \$22,402,263, representing \$15,542,951 in electric Tax Equivalents and \$6,859,312 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	\$ 7,947,289	\$3,674,591	\$11,621,880
Knox County	6,707,728	3,180,327	9,888,055
Union County	350,536		350,536
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Blount County	12,528		12,528
Anderson County	7,795	2,798	10,593
Loudon County	<u> </u>	<u>1,596</u>	<u>1,596</u>
Total	\$15,542,951	\$6,859,312	\$22,402,263

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. 1373 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