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**Board Meeting Agenda  
Thursday, December 18, 2014  
Noon**

**Call to Order**

**Roll Call**

**Approval of Minutes**

**Official Action**

Resolution 1320 – Adopting a Funding Policy for the Knoxville Utilities Board Defined Benefit Pension Plan in Accordance with Tennessee State Law

Resolution 1321 – Requesting City Council Approval of the Engagement of Coulter & Justus to Provide Audit Services to the Knoxville Utilities Board Beginning with Audits to be Performed in 2015

**President's Report**

**Other Business**

**Public Comments**

**Adjournment**



December 12, 2014

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

Commissioners:

As you know, KUB's Retirement System program includes a defined benefit pension plan ("Plan"). In 2013 the Tennessee Department of the Treasury conducted a survey of governmental pension plans in the state, which indicated that many plans were significantly underfunded due to plan sponsors failure to consistently fund their plan's actuarially determined contributions (*note: the funded status of KUB's Plan was 95 percent, the second highest in the survey. KUB's current funded status is 103 percent*).

In response to the survey's results and in light of new governmental pension accounting standards, in 2014 the Tennessee General Assembly adopted a new statute that requires the Tennessee Consolidated Retirement System ("TCRS") and those state and local governments that operate pension plans outside of TCRS, such as KUB, to adopt a pension funding policy by July 1, 2015. The statute requires the inclusion of certain provisions in the funding policy, including the requirement to fund 100 percent of each year's actuarially determined contribution. The policy must be filed with the Comptroller of the Treasury within 30 days of adoption by the Board.

Given that KUB's historic and current practice is to fund 100 percent of its Plan's actuarially determined contributions to ensure that Plan assets will be sufficient to fund all benefits expected to be paid to Plan participants and beneficiaries, KUB's proposed funding policy reflects a codification of KUB's existing practices related to the funding of its Plan.

The proposed funding policy, as set forth in Resolution 1320, which is attached for your review, was prepared by KUB's Retirement System Administrative Committee in conjunction with KUB's benefits counsel William Mason, and the Plan's independent qualified actuary, Cheiron. The proposed policy was provided to the Tennessee Department of the Treasury for their review and the policy was found to be responsible and reasonable and include all the required elements.

The proposed policy was reviewed by the Board's Audit and Finance Committee and the Committee unanimously adopted a resolution at its October 24 meeting recommending the full KUB Board adopt the pension funding policy.

I recommend adoption of Resolution 1320 on first and final reading.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mintha Roach".

Mintha E. Roach  
President & CEO

## **Resolution 1320 KUB Pension Plan Funding Policy Overview**

In accordance with the requirements of a new state law (The Public Employee Defined Benefit Financial Security Act of 2014, Tennessee Public Act 1990) and in response to new accounting standards for the financial reporting of governmental pension plans, KUB needs to adopt a formal policy for the funding of its defined benefit pension plan ("Plan"). The proposed policy reflects a codification of KUB's existing practices related to the funding of its Plan.

The funding policy was prepared by KUB's Retirement System Administrative Committee in conjunction with KUB's benefits counsel, William Mason, and the Plan's independent qualified actuary, Cheiron. The proposed policy was provided to the Tennessee Department of the Treasury for their review. The Deputy Treasurer noted that KUB's policy appears responsible and reasonable and includes all the required elements.

In 2014, the Tennessee General Assembly adopted a new statute that requires the Tennessee Consolidated Retirement System ("TCRS") and those state and local governments that operate defined benefit pension plans outside TCRS, such as KUB, to formally adopt a funding policy by July 1, 2015, and fund 100 percent of their annual actuarially determined contributions. The primary purpose of the new statute was to address those state and local government plans that have not been funding their actuarially determined contributions on a consistent basis and, as a result, are significantly underfunded.

KUB's historic and current practice is to fund 100 percent of its actuarially determined contributions for the Plan to ensure that Plan assets will be sufficient to fund all benefits expected to be paid to Plan participants and their beneficiaries.

KUB's proposed funding policy follows the requirements of the new state law and reflects KUB's historical practice of fully funding its actuarially determined annual contribution.

The Retirement System Administrative Committee approved the proposed funding policy at its meeting on August 14, 2014, and recommended its adoption to the President and CEO.

The proposed funding policy was discussed with the Board's Audit and Finance Committee ("Committee") at its meetings on September 15 and October 24, respectively. Following discussion at the October 24 meeting, the Committee unanimously adopted a resolution recommending the full KUB Board adopt the pension funding policy.

## RESOLUTION NO. 1320

### **A Resolution Adopting a Funding Policy for the Knoxville Utilities Board Defined Benefit Pension Plan in Accordance with Tennessee State Law**

**Whereas**, the Knoxville Utilities Board of Commissioners (“Board”) previously adopted Resolution 979, as amended, establishing the KUB Retirement System, including a defined benefit pension plan (“Plan”); and

**Whereas**, in 2014 the Tennessee General Assembly adopted Tennessee Public Law 990, 2014, “The Public Employee Defined Benefit Financial Security Act of 2014”, that requires the Tennessee Consolidated Retirement System (“TCRS”) and those state and local governments that operate defined benefit pension plans outside of TCRS, such as KUB, to formally adopt a pension plan funding policy (“Policy”) by July 1, 2015 and file the Policy with the Tennessee Comptroller of the Treasury within 30 days of adoption; and

**Whereas**, in accordance with the new statute, the Policy must include a provision to fund 100 percent of the Plan’s annual actuarially determined contribution, which is consistent with KUB’s historic and current practice for funding its Plan; and

**Whereas**, the KUB Retirement System Administrative Committee, in consultation with KUB’s benefits counsel and independent qualified actuary prepared a proposed Policy reflecting the requirements of state law; and

**Whereas**, the proposed Policy was provided to the Tennessee Department of the Treasury for their review; and

**Whereas**, the Tennessee Department of the Treasury determined the proposed Policy appears responsible and reasonable and includes all the requirement elements; and

**Whereas**, the Retirement System Administrative Committee approved the proposed Policy as its meeting on August 14, 2014, and recommended its adoption to the President and CEO; and

**Whereas**, the proposed Policy was provided to the Board’s Audit and Finance Committee (“Committee”) and reviewed by the Committee at its meetings on September 15, 2014 and October 24, 2014, respectively; and

**Whereas**, the Committee, at its October 24 meeting, unanimously adopted Resolution AF-58, recommending the Board adopt the proposed Policy; and

**Whereas**, the Board finds it to be in the best interest of KUB and its customers to adopt the proposed Policy.

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

**Section 1.** That the Board hereby adopts the KUB Pension Plan Funding Policy as set forth in Exhibit A to this Resolution.

**Section 2.** That the Board hereby directs the President and CEO and/or the Chief Financial Officer to file the KUB Pension Plan Funding Policy with the Tennessee Comptroller of the Treasury within 30 days of the adoption of this Resolution.

**Section 3.** That this Resolution shall take effect from and after its passage.

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Bruce Anderson, Chair

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Mark Walker, Board Secretary

APPROVED ON 1<sup>st</sup>  
& FINAL READING: \_\_\_\_\_  
EFFECTIVE DATE: \_\_\_\_\_  
MINUTE BOOK 34 PAGE \_\_\_\_\_

## **Knoxville Utilities Board Pension Plan Funding Policy**

### **Introduction**

The determination of funding for pension contributions for the Knoxville Utilities Board (“KUB”) Pension Plan (“Plan”) has historically been driven by Governmental Accounting Standards Board (“GASB”) statements 25 and 27. While these statements describe the annual required contribution (“ARC”) for recording pension expense for accounting purposes, the ARC was used as a de facto funding methodology for governmental pension plans, including KUB’s Plan. These GASB statements along with the annual actuarial valuation, as performed by the Plan’s independent qualified actuary, determined the proper funding practice for the Plan.

In 2012 GASB adopted statements 67 and 68 to amend statements 25 and 27. Among other things, these new GASB statements separate accounting for pension expense from pension funding methodology. GASB statement 68 determines the method in which pension expense and pension liability are to be calculated and recorded in the plan sponsor’s financial statements, but leaves it to pension administrators to determine the funding policy for actuarially financing the pension obligations accruing under the pension plan. Now that GASB 67 and 68 have taken effect, KUB finds it desirable to establish a formal funding policy.

In addition, the Government Finance Officers Association has recommended that state and local governments offering defined benefit pension plans formally adopt funding policies that provide reasonable assurance that the cost of pension benefits will be funded in an equitable and sustainable manner. In 2014 The Tennessee General Assembly enacted Tennessee Public Law 1990, 2014, “The Public Employee Defined Benefit Financial Security Act of 2014”, that requires the Tennessee Consolidated Retirement System (“TCRS”) and those state and local governments that operate defined benefit pension plans outside of TCRS, like KUB, to formally adopt a funding policy, and fully fund their annual actuarially determined contributions. The policy that follows is intended to fulfill these requirements and reflect KUB’s historical practice of fully funding its actuarially determined annual contribution.

### **Policy**

This is the Funding Policy for the KUB Plan, a closed defined benefit pension plan covering certain active, inactive and retired participants and their beneficiaries.

KUB’s practice has been to fully fund the annual employer contribution, which previously was equivalent to 100 percent of the ARC. Consistent with historical practice and the requirements of the Knoxville City Charter that KUB operate the Retirement System on a financially sound basis in accordance with generally accepted actuarial

and accounting principles, it is the policy of KUB to fully fund the annual employer contribution for the Plan each fiscal year, whereby said contribution will be at least 100 percent of the actuarially determined contribution (“ADC”) as calculated in accordance with the funding elements set forth in this Funding Policy.

The primary goal of this Funding Policy is to document the method KUB has adopted to provide assurance that future KUB and employee contributions and current Plan assets will be sufficient to fund all benefits expected to be paid to current active, inactive and retired Plan participants and their beneficiaries.

While actuarial assumptions are an essential part of the actuarial valuation process for the Plan, unless explicitly stated otherwise, the selection of actuarial assumptions is outside the scope of this Funding Policy.

### **Objectives**

- This Funding Policy seeks to manage and control future employer contribution volatility to the extent reasonably possible, consistent with other goals.
- This Funding Policy shall be in compliance with all applicable legal requirements.
- This Funding Policy supports the general public policy objectives of accountability and transparency.

### **Funding Elements**

#### **1. Actuarial Cost Method**

An actuarial valuation of the Plan is performed every year by an independent qualified actuary. The actuarial valuation has two purposes. One is to determine the funded status of the Plan at that specific point in time. The second purpose is to determine the appropriate level of contribution to the Plan by KUB to maintain the Plan in an actuarially sound manner.

The Plan will use the Individual Entry Age Normal Actuarial Cost method to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan participant and then summed to produce the total normal cost for the Plan. The annual normal cost represents the present value of benefits accrued on the behalf of active Plan participants during the year.

The Plan’s actuarial liability is the portion of the present value of projected benefits that will not be paid by future employer normal costs or participant contributions. The difference between the actuarial liability and the actuarial value of assets accumulated as of the same date is referred to as the unfunded actuarial liability.

The unfunded actuarial liability is amortized over a period of time, as provided for in this Funding Policy, to develop an additional cost or savings, as applicable, which is added to each year's normal cost to develop the ADC for that year.

Under the Individual Entry Age Normal Actuarial Cost method, actuarial gains and losses are directly reflected in the size of the unfunded actuarial liability. Actuarial gains and losses represent the difference between actual experience and that expected based on actuarial assumptions during the period of time between actuarial valuation dates.

## **2. Actuarial Value of Assets**

The actuarial value of assets is the market value of Plan assets as of the actuarial valuation date, adjusted by a five-year smoothing of asset investment gains and losses on a market value basis. Each of the previous five years' investment gain or loss is determined as the difference between the actual market return and the expected market return using the assumed rate of investment return. The actuarial value is adjusted to remain within 20 percent of the market value as of the actuarial valuation date.

Employer contributions to the Plan scheduled to be made between the actuarial valuation date and the beginning date of the KUB fiscal year that commences 18 months after the actuarial valuation date are considered to be receivable contributions for the Plan. These receivable contributions are discounted to the actuarial valuation date using the assumed rate of investment return and added to develop the final actuarial asset value and market asset value.

## **3. Amortization Methods**

The Plan was closed to new entrants effective January 1, 2011. Accordingly, the Plan's unfunded actuarial liability is amortized as a closed 30-year level dollar amount from January 1, 2011, decreasing by one year each year. As a result, the unfunded actuarial liability is scheduled to be fully amortized at December 31, 2041. The closed amortization period shall be applied to any unfunded actuarial liability as of the effective date of this Funding Policy as well as to any change in the unfunded actuarial liability due to actuarial gains and losses, changes in actuarial assumptions, or Plan amendments until January 1, 2026.

At January 1, 2026, any unfunded actuarial liability at such time will continue to be amortized to December 31, 2041. Changes in the unfunded actuarial liability that occur after January 1, 2026 due to actuarial gains or losses, changes in actuarial assumptions, or Plan amendments will be "layered" and separately amortized over closed 15 year periods from the actuarial valuation date at which each such change is first recognized.



If the Plan achieves a surplus position (meaning the actuarial value of assets exceeds the actuarial liability) as of any valuation date, any such surplus will be amortized over 30 years from that actuarial valuation date as a “rolling amortization.” If a subsequent actuarial valuation results in an unfunded actuarial liability, the application of the amortization methods stated in the preceding paragraphs of this section will resume, with the amount of the unfunded actuarial liability in years after leaving a surplus position being amortized to 2041 if the actuarial valuation date occurs before January 1, 2026 or for 15 years if the actuarial valuation date occurs on or after January 1, 2026.

#### **4. Assumed Rate of Investment Return**

The assumed rate of investment return will be set from time to time by the Retirement System Administrative Committee upon the advisement of the Retirement System’s independent qualified actuary and in consultation with KUB’s President and CEO. Any change in the rate of investment return shall be discussed with the Audit and Finance Committee of the KUB Board of Commissioners (“Board”) prior to said change being effective.

The assumed rate of investment return shall not exceed by more than .50 percent (50 basis points) the assumed rate of investment return utilized by the TCRS, in accordance with state law.

#### **5. Assumption of Mortality Improvements**

Mortality assumptions shall include the effect of expected mortality improvements.

#### **6. Other Actuarial Assumptions**

All other actuarial assumptions not provided for in this Funding Policy shall be determined by the Retirement System Administrative Committee on the advisement of the Retirement System’s independent qualified actuary in consultation with KUB’s President and CEO. All such actuarial assumptions shall be reflected in the annual valuation report.

#### **7. Actuarial Experience Studies**

An actuarial experience study for the Plan will be conducted for the Retirement System Administrative Committee by the Retirement System’s independent qualified actuary every five (5) years for the purpose of reviewing and revising, if necessary, the demographic and economic assumptions utilized in annual actuarial valuations.

#### **8. Actuarially Determined Contribution**

Actuarial valuations for the Plan will be performed for the Retirement System Administrative Committee as of each January 1. The ADC shall be calculated as part

of the annual actuarial valuation and shall be in accordance with the Actuarial Standards of Practice established by the Actuarial Standards Board and this Funding Policy.

The ADC shall include the following components: the normal cost of the Plan, the amortization of any unfunded actuarial accrued liability (or surplus), as applicable, and interest from the actuarial valuation date to the assumed payment date of the contribution.

For each applicable KUB fiscal year, KUB will contribute an amount to the Plan of at least 100 percent of the ADC. Such contribution shall be approved by the Retirement System Administrative Committee in accordance with authority delegated by Board Resolution 979, as amended, and included in the fiscal year budget as approved by the Board.

## **9. Timing of Contributions**

The ADC as of each actuarial valuation date shall be contributed to the Plan by KUB during the fiscal year that commences 18 months following such actuarial valuation date. For example, for the January 1, 2014 actuarial valuation, the contribution determined in accordance with this Funding Policy will be contributed to the Plan by KUB during the fiscal year beginning July 1, 2015 and ending June 30, 2016. The timing of contributions reflects historical funding practice as the results of a January 1 dated valuation are not available until after the Board has adopted the following fiscal year's budget (i.e. January 1, 2014 valuation results will not be available until after adoption of budget for fiscal year beginning July 1, 2014).

### **Amendments**

This Funding Policy may only be amended by the Board upon a recommendation from the President and CEO. The Retirement System Administrative Committee shall review this Funding Policy annually in consultation with the Retirement System's independent qualified actuary and, if necessary, shall recommend amendments or modifications of this Funding Policy from time to time to the Board through KUB's President and CEO.

In accordance with Tennessee Public Act 1990, 2014, this Funding Policy and any amendments thereto shall be submitted to the Tennessee Comptroller of the Treasury within 30 days of adoption.

### **Adoption**

On the advisement of the Retirement System's independent qualified actuary, this Funding Policy was recommended by the Retirement System's Administrative Committee on August 14, 2014, and adopted by the Board on \_\_\_\_\_ 2014.



Knoxville Utilities Board

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December 12, 2014

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

Commissioners:

The KUB Charter requires the KUB Board to hire an independent accountant to audit KUB financial records and further requires that the accountant be approved by City Council. In addition, the Board's bylaws state that it is the duty of the Board's Audit and Finance Committee ("Committee") to make recommendations to the Board regarding the selection and engagement of outside auditors.

The completion of the FY 2014 audit this past fall by Rodefer Moss and Company marked the final year of a three-year engagement as KUB's auditor. Including a previous five-year engagement, Rodefer Moss has served as KUB's auditor for the prior eight fiscal years. The Committee determined it would be appropriate to issue a request for proposals ("RFP") for professional audit services. Nine firms responded to the RFP and the Committee narrowed that list to two finalists who were interviewed by the Committee on December 10. The firms interviewed included Coulter & Justus and Henderson Hutcherson & McCullough.

Following the interviews, the Committee voted unanimously to recommend that, subject to City Council approval, the KUB Board hire Coulter & Justus to provide audit services to KUB. Resolution 1321 has been prepared approving the selection of Coulter & Justus and requesting City Council approval of the Board's selection. I recommend adoption of Resolution 1321 on first and final reading.

Respectfully submitted,

A handwritten signature in black ink that reads 'Nikitia Thompson'. The signature is written in a cursive, flowing style.

Nikitia Thompson  
Chair, KUB Audit & Finance Committee

## RESOLUTION 1321

### **A Resolution Requesting City Council Approval of the Engagement of Coulter & Justus to Provide Audit Services to the Knoxville Utilities Board Beginning with Audits to be Performed in 2015**

**Whereas**, KUB's Charter, Section 1107(B), requires that an independent certified professional accountant shall be employed by the Knoxville Utilities Board of Commissioners (the "Board") to make such audits and reports as the Board may deem necessary; and

**Whereas**, the Charter further requires that the accountant to be employed shall be approved by the Council of the City of Knoxville ("City Council"); and

**Whereas**, KUB has issued a Request For Proposals for professional audit services and the Board's Audit and Finance Committee has reviewed the proposals, interviewed finalists, and has unanimously recommended that the Board hire the firm of Coulter & Justus to provide audit services to KUB beginning with audits to be performed in 2015; and

**Whereas**, the Board finds that it is in the best interest of KUB and its customers that the firm of Coulter & Justus be hired to provide audit services to KUB beginning with audits to be performed in 2015; and

**Whereas**, KUB has prepared a proposed resolution for passage by City Council, a copy of which 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 by adoption of this Resolution, the Board requests that City Council adopt the Proposed Resolution approving the selection of Coulter & Justus to provide audit services to KUB beginning with audits to be performed in 2015.

**Section 2.** That subject to the approval of City Council, the Board authorizes the President and CEO or her designee to execute an agreement for the engagement of Coulter & Justus to provide audit services to KUB beginning with audits to be performed in 2015.

**Section 3.** That this Resolution shall take effect from and after its adoption.

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Bruce Anderson, Chair

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Mark Walker, Board Secretary

APPROVED ON 1<sup>st</sup>  
& FINAL READING: \_\_\_\_\_  
EFFECTIVE DATE: \_\_\_\_\_  
MINUTE BOOK 34 PAGE \_\_\_\_\_

**A Resolution of the Council of the City of Knoxville Approving the Selection Of the Accounting Firm of Coulter & Justus to Provide Audit Services to the Knoxville Utilities Board Beginning With Audits to be Performed in 2015, As Required by the Legislative Act Creating the Knoxville Utilities Board**

**Whereas**, KUB's Charter, Section 1107(B), requires that an independent certified professional accountant shall be employed by the Knoxville Utilities Board of Commissioners (the "Board") to make such audits and reports as the Board may deem necessary; and

**Whereas**, the Charter further requires that the accountant to be employed shall be approved by the Council of the City of Knoxville ("City Council"); and

**Whereas**, KUB has issued a Request For Proposals for professional audit services and the Board's Audit and Finance Committee reviewed the proposals, interviewed finalists, and unanimously recommended that the Board hire the firm of Coulter & Justus to provide audit services to KUB beginning with audits to be performed in 2015; and

**Whereas**, the Board, by adoption of KUB Resolution 1321 finds that it is in the best interest of KUB and its customers that the firm of Coulter & Justus be hired to provide audit services to KUB beginning with audits to be performed in 2015 and has requested City Council approval of its selection; and

**Whereas**, it is in the interest of the citizens and residents of the City of Knoxville and KUB's customers that City Council approve the selection of Coulter & Justus to provide audit services to KUB beginning with audits to be performed in 2015.

**Now, Therefore, Be it Hereby Resolved by the Council of the City of Knoxville:**

**Section 1:** That the selection of the accounting firm of Coulter & Justus to provide audit services to KUB beginning with audits to be performed in 2015 is hereby approved.

**Section 2:** That this Resolution shall become effective from and after its passage, the welfare of the City requiring it.

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Mayor

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City Recorder

**Knoxville Utilities Board  
Board Meeting  
Minutes  
Thursday, November 20, 2014, 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, November 20, 2014, pursuant to the public notice published in the January 4, 2014, edition of the *News Sentinel*. Chair Anderson called the meeting to order at 12:00 p.m.

**Roll Call**

Commissioners Present: Bruce Anderson, Joel Connell, Sara Hedstrom Pinnell, Nikitia Thompson, and Eston Williams

Commissioners Absent: Kathy Hamilton and Celeste Herbert

**Approval of Minutes**

The Minutes of the October 16, 2014, Board Meeting were approved as distributed upon motion by Commissioner Connell and second by Commissioner Thompson.

**Old Business**

None

**New Business**

**Resolution 1318, A Resolution Authorizing KUB to Implement a Pilot Utility Bill Round Up Program to Provide Additional Funding for Low Income Residential Weatherization in KUB's Service Area**

President Roach recommended adoption of Resolution 1318 on first and final reading. Her written recommendation is included in Attachment 1.

November 20, 2014

President Roach advised Commissioners that KUB had been researching the possibility of a monthly utility bill round up program to provide additional funding for low-income home weatherization in the KUB service area. The voluntary program would round monthly customer utility bills up to the next whole dollar amount. This study was performed in response to a recommendation in the IBM Smarter Cities Challenge Report delivered to the City of Knoxville in early 2013. If the program is adopted, it would be administered by the Knoxville-Knox County Community Action Committee (CAC). She recognized Eddie Black, Senior Vice President, to share the research that was conducted and explain how the program would work.

Upon a motion by Commissioner Williams and a second by Commissioner Thompson, Resolution 1318 (*Attachment 1*) was adopted by a roll call vote on first and final reading. The following Commissioners voted "aye": Anderson, Connell, Pinnell, Thompson, and Williams. No Commissioner voted "nay".

**Resolution 1319, A Resolution Recognizing the Members of the PACE 10 Partners Council for Their Ten-Year Anniversary of Service to KUB and Its Customers**

President Roach recommended adoption of Resolution 1319 on first and final reading. Her written recommendation is included in Attachment 2.

President Roach advised Commissioners that 2014 marks ten years since the start of the PACE 10 program. She recognized the Partners Council members in attendance at the Board Meeting; Ronnie Nease, Charles Harrington, Renee Hoyos, Randy Humble, Cecelia Waters and facilitator, Carolyn Forster. She recognized Bill Elmore, Executive Vice President and COO, who advised the Board that the Partners Council was the first citizens committee created by the Board and that it has provided a great opportunity for customers and KUB to talk. We felt this platform was such a success we used the same format for the Tree Panel. Now that all the intense efforts have moderated and the collection system projects are finished, the Council will have its last meeting on Monday, November 24.

Upon a motion by Commissioner Connell and a second by Commissioner Williams, Resolution 1319 (*Attachment 2*) was adopted by a roll call vote on first and final reading. The following Commissioners voted "aye": Anderson, Connell, Pinnell, Thompson, and Williams. No Commissioner voted "nay".



November 20, 2014

**President's Report**

**Wastewater System Update**

President Roach recognized Julie Childers, Vice President, to provide an update on the impact of the PACE 10 program as well as its accomplishments.

**Other Business**

None

**Adjournment**

Chair Anderson stated that following adjournment, the Board would continue with an open lunch session where KUB matters may be discussed. There being nothing further to come before the Board, Chair Anderson declared the meeting adjourned at 1:00 p.m.

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Bruce Anderson, Chair

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Mark Walker, Board Secretary

**Attachments**

Attachment 1	Recommendation Letter and Resolution 1318, A Resolution Authorizing KUB to Implement a Pilot Utility Bill Round Up Program to Provide Additional Funding for Low Income Residential Weatherization in KUB's Service Area	<b><u>Page(s)</u></b> 6425 - 6427
Attachment 2	Recommendation Letter and Resolution 1319 - A Resolution Recognizing the Members of the PACE 10 Partners Council for Their Ten-Year Anniversary of Service to KUB and Its Customers	6428 - 6430



Knoxville Utilities Board

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November 14, 2014

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

Commissioners:

In June of 2013, KUB began to study the possibility of a monthly utility bill round up program to provide additional funding for low-income home weatherization in the KUB service area. This study was performed in response to a recommendation in the IBM Smarter Cities Challenge Report delivered to the City of Knoxville earlier that year.

During the past several months, KUB has researched other utilities that have adopted similar programs, and has also conducted focus groups with our customers. We have established the technical capability to implement such a program, and have reached an agreement with the Knoxville – Knox County Community Action Committee (CAC) to administer the weatherization program if this resolution is approved by the Board. Finally, we have discussed this proposed program with Knoxville City Mayor Rogero and Knox County Mayor Burchett and have received their support.

Resolution 1318 requests authorization for KUB to implement a three-year pilot utility bill round up program named Round It Up: Pennies for a Purpose. I recommend adoption of Resolution 1318.

Respectfully submitted,

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

Mintha E. Roach  
President and CEO

## RESOLUTION NO. 1318

### **A Resolution Authorizing KUB to Implement a Pilot Utility Bill Round Up Program to Provide Additional Funding for Low Income Residential Weatherization in KUB's Service Area**

**Whereas**, in 2012, IBM selected the City of Knoxville as one of 31 cities to receive an IBM Smarter Cities Challenge grant to "Build a Smarter Planet;" and

**Whereas**, in its grant application, the City expressed the desire to track and measure emergency energy services and to recommend the best way to systematically improve Knoxville's older housing stock accordingly; and

**Whereas**, IBM discovered that in 2012, over \$4.8 million was spent by a variety of agencies on low-income energy assistance (utility bill payment) for over 10,000 households; and

**Whereas**, IBM learned that none of these funds were applied to weatherization or energy efficiency education, and that there were currently no utility energy efficiency programs that adequately targeted or incentivized low income landlords or individual homeowners; and

**Whereas**, IBM identified the need for funding to support such programs; and

**Whereas**, IBM noted in its report that a KUB-supported utility bill round up program (which would allow customers to round up their monthly utility bills to the next whole dollar) could collect \$600,000 annually for low-income weatherization even if only half of KUB's customers participated; and

**Whereas**, KUB has studied round up programs of other utilities, and has conducted numerous surveys and focus groups to allow for KUB customer input; and

**Whereas**, the Knoxville-Knox County Community Action Committee (CAC) has partnered with KUB in the past to administer such programs as Project Help and the Private Lateral Program; and

**Whereas**, CAC currently administers a successful weatherization program and has expressed a willingness to administer such a program for KUB; and

**Whereas**, the Mayor of the City of Knoxville and the Mayor of Knox County have expressed their support for a weatherization program funded by contributions from KUB customers; and

**Whereas**, KUB believes that improved weatherization of energy-inefficient homes and more education about how to conserve utility services would benefit an at-risk segment of its customer base.

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

**Section 1.** That the Board of Commissioners authorizes KUB to implement a three-year pilot round up program that will fund the weatherization of energy-inefficient homes owned or rented by low-income KUB customers.

**Section 2.** That this program be administered on KUB's behalf by CAC.

**Section 3.** That KUB recognizes the continuing need for Project Help to provide emergency energy assistance to its customers, and as such, will have the option to use a portion of the round up program funds for Project Help.

**Section 4.** That the round up program calculations will first appear on the May 2015 utility bills of participating KUB customers.

**Section 5. Effective Date:** That this Resolution shall take effect immediately upon its passage.

Bruce Anderson/s  
Bruce Anderson, Chair

Mark Walker/s  
Mark Walker, Board Secretary

APPROVED ON 1<sup>st</sup>  
& FINAL READING: 11-20-14  
EFFECTIVE DATE: 11-20-14  
MINUTE BOOK 34 PAGE 6426-6427



Knoxville Utilities Board

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November 14, 2014

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

Commissioners:

As you know, 2014 marks ten years since the start of the PACE 10 program. A critical part of this program was the establishment of the PACE 10 Partners Council. This group, made up of a diverse set of individuals representing a variety of community interests, has provided a valuable service to KUB and its customers over the past decade, and Resolution 1319 will help us recognize this service.

Over the past ten years, we have achieved a great deal with all the capital and operating programs required by the Consent Decree, and with the help of the Partners Council, we have been able to do so in a way that has been sensitive to customer concerns. They have provided valuable feedback to KUB as we have implemented our programs, and have helped carry information about PACE 10 back to the community. We do not believe we would have been able to make the gains we have without the support of our customers, and the Council has been key to that effort.

Resolution 1319 recognizes the service of all members of the PACE 10 Partners Council, past and present. It also recognizes the contributions of the Council's facilitator, Carolyn Forster. I recommend adoption of Resolution 1319.

Respectfully submitted,

A handwritten signature in black ink that reads 'Mintha E. Roach'. The signature is written in a cursive, flowing style.

Mintha E. Roach  
President and CEO

## **Resolution No. 1319**

### **A Resolution Recognizing the Members of the PACE 10 Partners Council for Their Ten-Year Anniversary of Service to KUB and Its Customers**

**Whereas**, in 2004, KUB established the PACE 10 program, which stood for Partners Acting for a Cleaner Environment, an unprecedented 10-year plan to improve the wastewater system, protect our community's waterways, address the problem of sanitary sewer overflows, and meet the requirements of the Clean Water Act, and

**Whereas**, as part of the implementation of PACE 10, KUB committed to extensive outreach into the community, through community meetings, informational materials and the website, and

**Whereas**, as part of this outreach the PACE 10 Partners' Council was created, and

**Whereas**, the Council consisted of a broad based group of citizens and public officials whose role it was to learn about the PACE 10 program and its impacts on customers, and share their perspectives on how KUB could best implement the program, and

**Whereas**, the Council members also took information back to their own communities about the program, to help raise awareness about PACE 10 work in the community, and

**Whereas**, over the past 10 years, the Council has not only fulfilled this role, but has also provided insights back to KUB on numerous other programs and initiatives, such as Vegetation Management, Century II, and other major projects, and

**Whereas**, during the entire 10 years the Council has been in existence, it has been moderated by a single facilitator, Carolyn Forster, and

**Whereas**, 2014 marks 10 years since the first meeting of the Council, and

**Whereas**, during those 10 years, 134 projects costing \$530 million have been completed on time and on budget, including upgrades of more than 275 miles of pipe; 6,971 manholes; the addition of 6 storage tanks; and more than \$71 million of improvements at the treatment plants; and

**Whereas**, as a result, the number of sanitary sewer overflows has been reduced by approximately 75%,

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

**Section 1.** That this Board expresses its deepest appreciation for the service of all members of the PACE 10 Partners Council, past and present, in recognition of their commitment to KUB, its customers and the environment. Their names and interest areas are:

Interest Areas	Partners Council Representatives (all members, serving at various times from 2004 – 2014)
Neighborhoods	Al Acker, Henry Anderson – East Knoxville Terry Faulkner – West Knoxville Charles Harrington, Michael Kane – North Knoxville Pat Robinette – South Knoxville
Public Health	Dr. Stephanie Hall, Ronnie Nease – Knox County Health Department
Environmental Advocacy/ Education	Peg Beute – Ijams Nature Center Renee Hoyos – Tennessee Clean Water Network* Randy Humble – Sierra Club Nelson Ross – Izaak Walton League
Local Government	Jim Hagerman, Bill Lyons, Bob Whetsel – City of Knoxville* Buz Johnson – Metropolitan Planning Commission Bruce Wuethrich – Knox County
Social Services	Terrence Carter – Partnership for Neighborhood Improvement Cecelia Waters – Knoxville-Knox County CAC Robert Sherrod – United Way of Greater Knoxville
Business customers	Mike Britton – Custom Foods of America B. Lane Gobbell, Dan Kenney, Todd Murphy – Dow Corporation Jim Harrison – Knox County Development Corp./Private developer
KUB representatives	Eddie Black, Susan Edwards

*\*The Tennessee Clean Water Network and the City of Knoxville were plaintiffs in the Clean Water Act lawsuit that led to the establishment of the PACE 10 program.*

**Section 2:** That this Board expresses its deepest appreciation to Carolyn Forster for her continued leadership of this effort since its beginning; and

**Section 3.** That a copy of this resolution shall be provided to the Council and Ms. Forster.

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Bruce Anderson/s  
Bruce Anderson, Chair

\_\_\_\_\_  
Mark Walker/s  
Mark Walker, Board Secretary

APPROVED ON 1<sup>st</sup>  
& FINAL READING: 11-20-14  
EFFECTIVE DATE: 11-20-14  
MINUTE BOOK 34 PAGE 6429-6430