

FY 2021 Appropriations and Funding Recommendations

May 21, 2020



**Resolutions
1411, 1412 and 1413**

Proposed FY 21 Budget Focused on Maintaining Safe, Reliable and Affordable Services

- Proposed budget \$962M
- Down slightly from FY 20
- New investments for home weatherization and energy/water efficiency
- Capital budget includes \$94M for Century II
- \$47M new bonds help fund capital budget
- No rate increases in FY 21

Proposed FY 21 Budget: \$962M

	Electric	Gas	Water	WWater	Total
Energy Cost	\$412.7	\$55.1	\$ ---	\$ ---	\$467.8
O&M	\$66.9	\$22.7	\$30.1	\$38.4	\$158.1
Capital	\$75.9	\$32.0	\$44.7	\$58.6	\$211.2
Debt Service	\$24.9	\$10.5	\$14.9	\$35.6	\$85.9
Taxes and Equivalents	\$20.3	\$8.3	\$4.6	\$5.9	\$39.1
	\$600.7	\$128.6	\$94.3	\$138.5	\$962.1

\$ in Millions

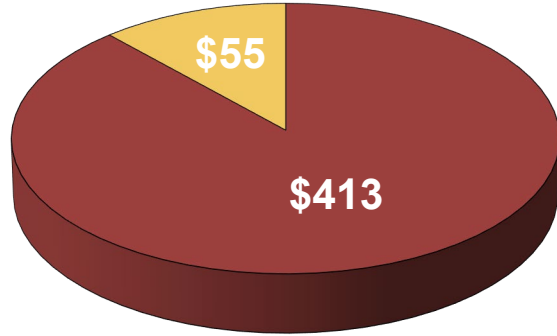
Proposed FY 21 Budget Down Slightly

	FY 21	FY 20	Increase	
	Proposed	Budget	(Decrease)	
Energy Cost	\$467.8	\$481.6	(\$13.8)	Lower wholesale energy prices
O&M	\$158.1	\$145.8	\$12.3	Energy/water efficiency initiatives
				Vegetation management; Pension/OPEB
Capital	\$211.2	\$210.9	\$0.3	
Debt Service	\$85.9	\$86.2	(\$0.3)	Lower interest rates
Taxes & Equivalents	\$39.1	\$39.8	(\$0.7)	Knox County property tax equalization rate
	\$962.1	\$964.3	\$(2.2)	

\$ in Millions

Wholesale Energy Budget Driven by Customer Demand

FY 21 Wholesale Energy = \$468M



■ Electric power = 88%

■ Natural gas = 12%

■ Electric power

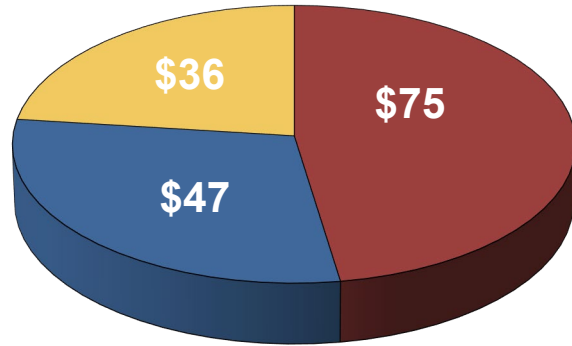
- 5.5 billion kWh
- 211,000 electric customers

■ Natural gas

- 11.7 million dekatherms
- 105,000 natural gas customers

O&M Budget Supports Reliability

FY 21 O&M = \$158M

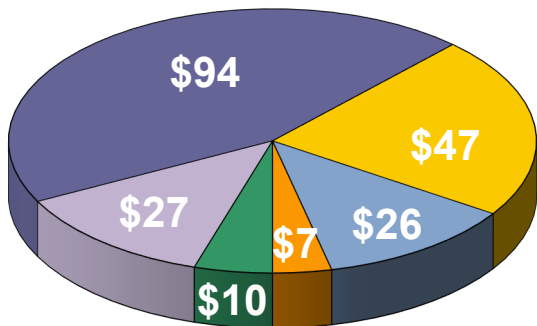


- Labor-related = 48%
- Outside services = 29%
- Materials/other = 23%

- Labor-related costs
 - Payroll \$57M
 - Benefits and training \$11M
 - Post-employment benefits \$ 7M
- Outside services
 - Vegetation management \$11M
 - Facilities maintenance \$ 4M
 - Weatherization \$ 1M
 - Energy/water efficiency \$.75M
- Materials/other costs
 - Utilities \$ 9M
 - Stock materials \$ 5M
 - Chemicals \$ 3M

Capital Budget Continues Century II Programs

FY 21 Capital = \$211M



- Information technology = 5%
- Facilities/equipment = 12%
- System infrastructure = 83%
- System improve/replace = 45%
- Plant improvements = 22%
- Growth = 12%
- Relocations = 4%

\$ in Millions

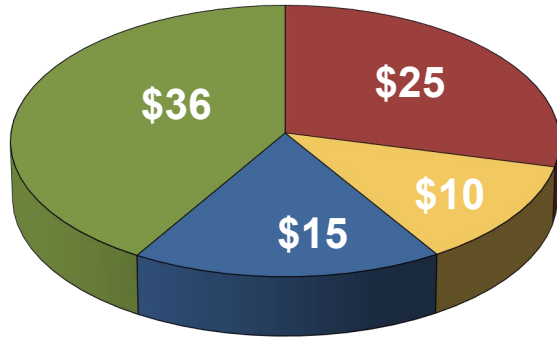
- Distribution system improvements \$94M
 - Electric substation upgrades \$ 10M
 - 13 miles of electric transmission line improvements \$ 10M
 - 1,400 poles \$ 6M
 - 14 miles of natural gas main \$ 11M
 - 17 miles of water main \$ 12M
 - 16 miles of wastewater main \$ 16M

- Plant improvements \$47M
 - Biologically Enhanced High-Rate Clarification Project (CD) \$ 17M
 - MBW Filters \$ 20M
 - Loves Creek Electrical upgrades \$ 4M

- Customer growth \$26M

Debt Budget Reflects Investments in Infrastructure

FY 21 Debt Service = \$86M

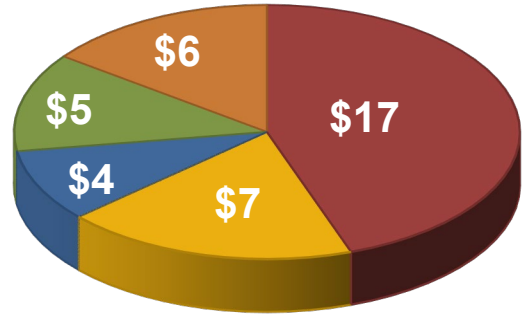


- **Electric = 29%**
- **Natural gas = 12%**
- **Water = 17%**
- **Wastewater = 42%**

- **FY 21 principal: \$45M**
- **FY 21 interest: \$41M**
- **Outstanding bonds: \$1.1B**
- **New bonds proposed for FY 21: \$47M**

KUB Payments In Lieu of Taxes (PILOTs) Support Local Governments

FY 21 Taxes and PILOTs = \$39M



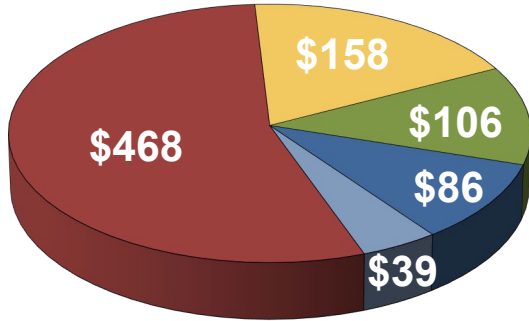
- Electric = 45%
- Natural Gas = 19%
- Water = 9%
- Wastewater = 13%
- FICA = 15%

\$ in Millions

- PILOTs \$33.2M
 - City \$21.5M
 - Knox County \$10.6M
 - Other counties \$ 1.1M
- Payroll tax expense \$5.9M

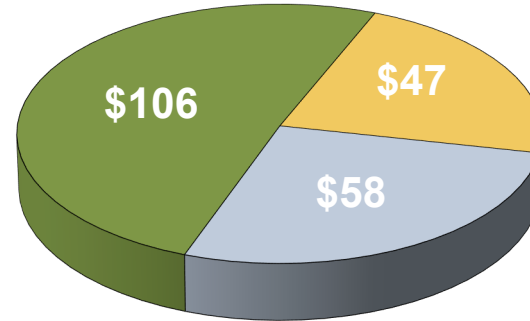
Funding FY 21 Budget

Revenue = \$857M



- Wholesale Energy = 55%
- O&M = 18%
- Capital = 12%
- Debt Service = 10%
- Taxes and Equivalents = 5%

Capital = \$211M



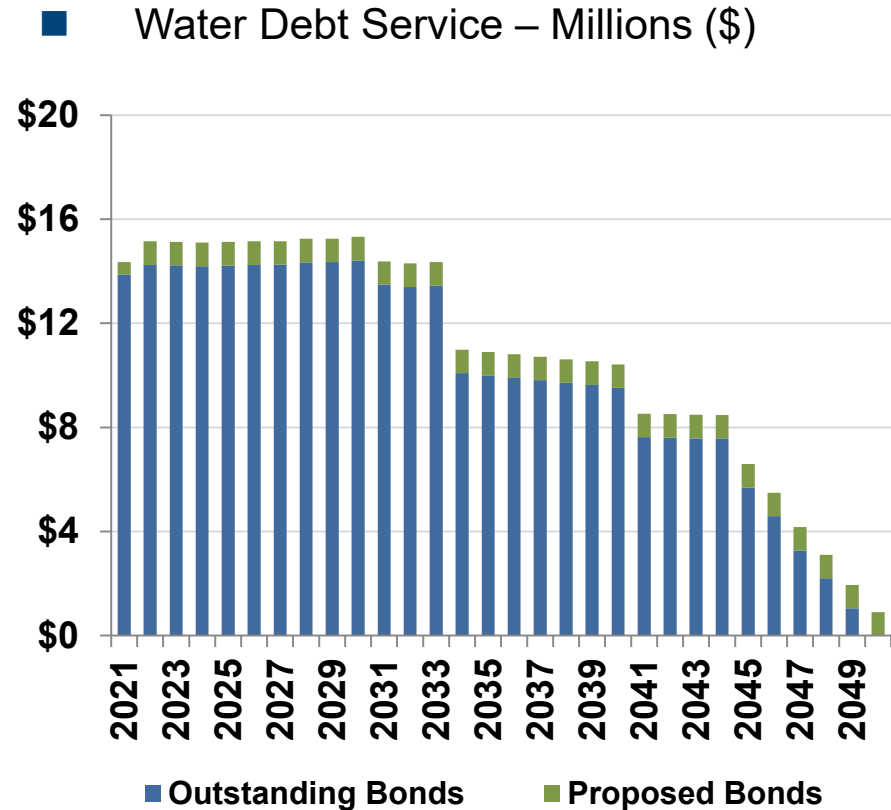
- System Revenues = 50%
- Bond Proceeds = 22%
- General Fund Cash = 28%

New Bonds Will Help Fund System Capital Budgets

- Up to \$47M
- Mature over 30 years
- Budgeted interest rate 3.25%
- Secured by system revenues
- City Council authorization required
- Comply with KUB Debt Management Policy
- Competitive public sale summer 2020

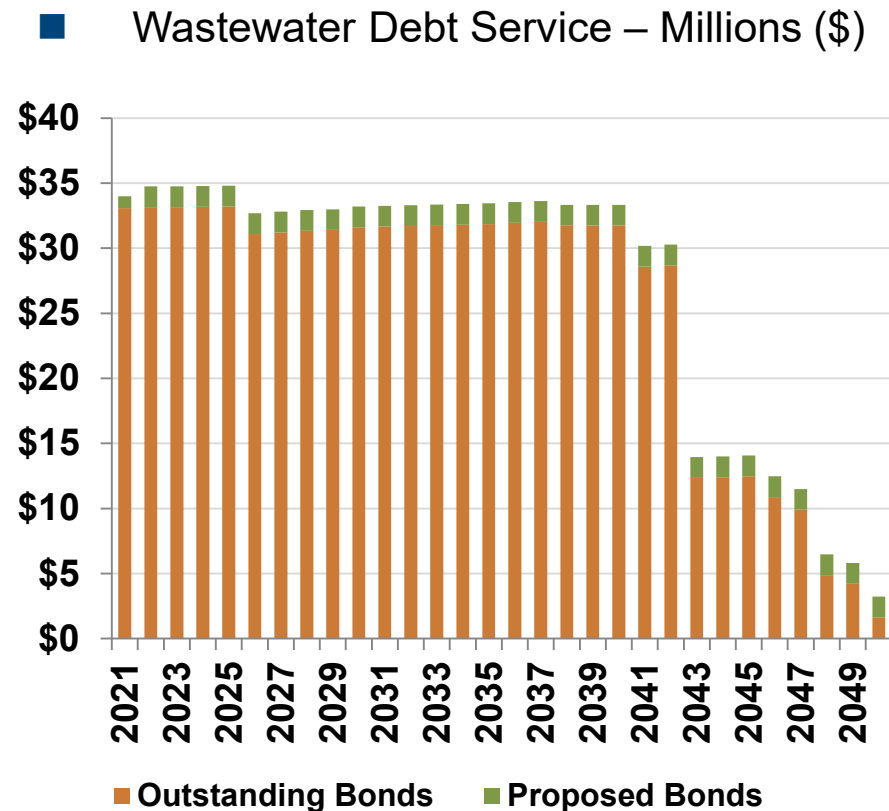
Proposed Water Bonds: \$17M

- Interest cost: \$9.7M
- Mature March 2050
- Water debt ratio: 50%
- Weighted average interest rate: 3.37%
- 40% of total principal repaid in 10 years
- Outstanding bonds rated AAA/Aa1



Proposed Wastewater Bonds: \$30M

- Interest cost: \$17.2M
- Mature April 2050
- Wastewater debt ratio: 59%
- Weighted average interest rate: 3.47%
- 33% of total principal repaid in 10 years
- Outstanding bonds rated AA+/Aa2



Estimated Issuance Costs for Bonds

Cost	Professional Firm	Fee
Financial Advisor	Cumberland Securities	\$75,000
Bond Counsel	Bass, Berry & Sims	\$55,500
Rating Agency	Moody's	\$62,500
Rating Agency	Standard & Poor's	\$58,500
Paying Agent	Regions Bank	\$3,000
		\$254,500
Other Costs (Escrow, POS, OS, Advertising)		\$20,300
		\$274,800

FY 21 Commitment Appropriations

- Authorizes commitment of expenditures subsequent to June 30, 2021, for commitments entered into on or before June 30, 2021
- FY 21 total: \$120.7M
 - Electric \$25.4M
 - Natural Gas \$ 9.0M
 - Water \$50.7M
 - Wastewater \$35.6M

Projects Supporting Need for Commitment Appropriations

- Electric transmission line improvements
- Electric infeed substation
- MBW water plant filters
- Gas distribution steel main replacement
- Wastewater system main replacement
- Utility relocations for highway improvements
- Vehicles and equipment

KUB

Resolution 1411

- Requests City Council authorization of bond issues for the Water and Wastewater Divisions
 - Water up to \$17M
 - Wastewater up to \$30M
- Board adopts all provisions of City Council bond resolutions

Resolution 1412

- Adopts FY 21 budget appropriations
 - Electric \$600.7M
 - Natural Gas \$128.6M
 - Water \$ 94.3M
 - Wastewater \$138.5M

Resolution 1413

- Adopts FY 21 commitment appropriations
 - Electric \$25.4M
 - Natural Gas \$ 9.0M
 - Water \$50.7M
 - Wastewater \$35.6M