

**Knoxville Utilities Board
Board Meeting
Minutes
Thursday, January 15, 2015, 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, January 15, 2015, pursuant to the public notice published in the January 10, 2015, edition of the *News Sentinel*. Chair Anderson called the meeting to order at 12:00 p.m.

Roll Call

Commissioners Present: Bruce Anderson, Kathy Hamilton, Celeste Herbert, Nikitia Thompson, and Eston Williams

Commissioners Absent: Sara Hedstrom Pinnell

Approval of Minutes

The Minutes of the December 18, 2014, Board Meeting were approved as distributed upon motion by Commissioner Williams, and second by Commissioner Herbert.

Old Business

None

New Business

Chair Anderson recognized Meridith Worden, and James and Kathleen Thompson, Commissioner-elect John Worden's spouse and father and mother-in-law respectively, in the audience and thanked them for attending.

Oath of Office for John Worden

Chair Anderson welcomed John Worden and asked Bill Coley, Board's General Counsel, to administer the Oath of Office to Mr. Worden.

January 15, 2015

Election of 2015 Officers

Mr. Coley stated that the Nominating Committee met on December 18, 2014, and recommended the following slate of officers for 2015: Nikitia Thompson, Chair; Kathy Hamilton, Vice Chair; and Senior Vice President and CFO Mark Walker as Board Secretary. He asked for other nominations, hearing none, Commissioner Herbert seconded the Nominating Committee's recommendation and the slate of officers nominated by the Nominating Committee was elected by unanimous voice vote.

Commissioner Anderson turned the meeting over to Chair Thompson who thanked Commissioner Anderson for his leadership as Board Chair for the past two years.

Resolution 1323, 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, 2014 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions

President Roach recommended adoption of Resolution 1323 on first and final reading. Her written recommendation is included in Attachment 1.

President Roach recognized Chris Hood, Manager of Accounting, who reviewed the proposed tax equivalent payments and distribution of payments for the electric and gas systems for fiscal year 2015. 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. Hood noted that the proposed electric and gas payments were the maximum amounts permitted by state law.

Upon a motion by Commissioner Williams and a second by Commissioner Hamilton, Resolution 1323 (*Attachment 1*) was adopted by a roll call vote on first and final reading. The following Commissioners voted "aye": Anderson, Hamilton, Herbert, Thompson, Williams, and Worden. No Commissioner voted "nay".

President's Report

Board By-Laws and Board Ethics Disclosure

President Roach recognized Elba Marshall, Manager of Executive Services, to review the proposed changes to the Board's by-laws as well as to review the annual disclosure requirement of the Board.

January 15, 2015

Natural Gas Update

Chair Thompson recognized Paul Randolph, Vice President, to provide an update on the South Loop Natural Gas Project and the Natural Gas System.

Other Business

None

Adjournment

Chair Thompson 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 Thompson declared the meeting adjourned at 12:40 p.m.



Mark Walker, Board Secretary



Nikitia Thompson, Chair

Attachments

Attachment 1	Recommendation Letter and Resolution 1323, 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, 2014 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions	<u>Page(s)</u> 6453 - 6458
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Knoxville Utilities Board

January 9, 2015

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 2015 are \$13,309,981. Tax equivalents for the gas system for Fiscal Year 2015 are \$6,081,256. Both electric and gas tax equivalent payments are the maximum amounts permitted 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 2015 is attached for your information.

I recommend adoption of Resolution 1323, 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, 2015.

Respectfully submitted,

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

Mintha E. Roach
President and CEO

RESOLUTION NO. 1323

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, 2014 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 the maximum electric and gas tax equivalent payments permitted by law for the fiscal year beginning July 1, 2014, totaling \$13,309,981 for the electric system and \$6,081,256 for the gas system (hereinafter referred to as "Tax Equivalents").

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	\$ 6,764,881	\$3,251,836	\$10,016,717
Knox County	5,778,737	2,825,707	8,604,444
Union County	319,995		319,995
Sevier County	255,041		255,041
Grainger County	134,961		134,961
Jefferson County	37,880		37,880
Blount County	11,020		11,020
Anderson County	7,466	2,569	10,035
Loudon County		1,144	1,144
Total	\$13,309,981	\$6,081,256	\$19,391,237

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.

Nikitia Thompson/s
Nikitia Thompson, Chair

Mark Walker/s
Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: 1-15-15
EFFECTIVE DATE: 1-15-15
MINUTE BOOK 34 PAGE 6454-6458

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, 2014 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. 1323 on January 15, 2015, 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, 2014, 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, 2014, at a total of \$19,391,237, representing \$13,309,981 in electric Tax Equivalents and \$6,081,256 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	\$ 6,764,881	\$3,251,836	\$10,016,717
Knox County	5,778,737	2,825,707	8,604,444
Union County	319,995		319,995
Sevier County	255,041		255,041
Grainger County	134,961		134,961
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Loudon County		<u>1,144</u>	<u>1,144</u>
Total	\$13,309,981	\$6,081,256	\$19,391,237

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. 1323 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