



Knoxville Utilities Board

**Knoxville City Charter Excerpts
With Legislative History and By-Laws of the
Knoxville Utilities Board**

Adopted as Restated by Resolution 1390 on February 21, 2019

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¹Charter excerpts contained in this document are included for reference only. The Knoxville City Charter comes from City of Knoxville Ordinance No. O-249-98, § 2, as approved 5-19-98 and ratified 8-6-98. Section 1107 was established by Ord. No. O-331-03, § 3, 8-19-03 and ratified 8-5-04.

Legislative History

The City of Knoxville was incorporated by Chapter 412 of the Tennessee Private Acts of 1923 (the “Act”), which constituted the original Knoxville City Charter. A Department of Public Service was created under the Act that was charged with the construction, maintenance and operation of the city’s streets, sewers, water plants and other city facilities. In 1937, a separate Department of Water was formed which took over operation of the water system.

The Knoxville Utilities Board (KUB) traces its beginnings to Chapter 106 of the Tennessee Private Acts of 1939, which amended the Act to transfer the jurisdiction, control and management of the city’s Department of Water and its electric system to a newly created board called the Knoxville Electric Power and Water Board. In 1945, the board’s responsibilities were expanded to include a Gas Division, and two years later the name of the board was changed to the Knoxville Utilities Board. Two additional changes regarding KUB were made to the Charter in 1951 and 1953 that concern the qualification requirements of commissioners and the procedures for billing and collecting sewer service charges.

On August 5, 1954, the qualified voters of the City of Knoxville adopted “Home Rule” by referendum under Article XI, Section 9 of the Constitution of Tennessee, which transferred the General Assembly’s power to enact local legislation affecting Knoxville to the city’s qualified voters and the city government. Since the adoption of Home Rule, amendments to the Knoxville City Charter are generally proposed by an ordinance of the Knoxville City Council, which must then be approved by public referendum.

Since 1954, four substantive amendments to those charter provisions concerning KUB have been enacted by public referendum. In 1974, the number of commissioners on the KUB Board of Commissioners was increased from five to seven. The second referendum was passed in 1986 to transfer the city’s Waste Water Control System to the Knoxville Utilities Board. In 1996, the selection process for commissioners was changed, requiring the Board to submit five or more nominees, instead of three, to Knoxville’s Mayor.

The most recent changes to the charter provisions concerning KUB occurred in 1998. These amendments changed key language in Article XI of the Charter, in anticipation of deregulation in the electric industry, and to reflect changes in the utility industry as a whole. Other provisions of the Charter were amended, allowing the Board to establish a retirement system for KUB employees separate from the City of Knoxville's Pension Plan and a merit system separate from the Civil Service Merit Board.

Legislative Chronology

1923 Tenn. Private Acts 1483, Chapter 412, House Bill No. 1022 (March 31, 1923) (incorporating the City of Knoxville and providing for the city's Charter which included a Department of Public Service).

1937 Tenn. Private Acts 2145, Chapter 701, House Bill No. 1313 (May 20, 1937) (transferring the water system from the Department of Public Service to a new department called the Department of Water).

1939 Tenn. Private Acts 291, Chapter 106, House Bill No. 253 (January 31, 1939) (creating the Knoxville Electric Power and Water Board, which was given the jurisdiction, control and management over the city's Department of Water and electric system).

1945 Tenn. Private Acts 1219, Chapter 387, House Bill No. 475 (February 27, 1945) (creating a gas division within the Knoxville Electric Power and Water Board).

1947 Tenn. Private Acts 399, Chapter 137, House Bill No. 278 (February 4, 1947) (changing the system's name from the Knoxville Electric Power and Water Board to the Knoxville Utilities Board).

1951 Tenn. Private Acts 1466, Chapter 494, Senate Bill No. 1030 (March 14, 1951) (technical correction to the Private Acts of 1945 regarding requirements for qualifications for commissioners).

1953 Tenn. Private Acts 449, Chapter 123, House Bill No. 338 (March 13, 1953) (adding provisions regarding the billing and collection of sewer service charges and disconnection of service for nonpayment of charges).

City of Knoxville Ordinance No. 5810, enacted by public referendum on November 5, 1974 (increasing the number of commissioners from five to seven and enacting other provisions regarding the board of commissioners).

City of Knoxville Ordinance No. 0-177-82, enacted by public referendum on November 2, 1982 (recodifying the Knoxville City Charter).

City of Knoxville Ordinance No. 0-154-86, enacted by public referendum on November 4, 1986 (transferring the city's Waste Water Control System to the Knoxville Utilities Board).

City of Knoxville Ordinance No. 0-249-96, enacted by public referendum on November 5, 1996, (changing the selection process for commissioners, requiring that five or more nominees are to be submitted to the Mayor by the Board, instead of three nominees).

City of Knoxville Ordinance No. 0-249-98, enacted by public referendum on August 6, 1998, (amending certain provisions of Article XI of the Charter; as well as amending certain provisions of Articles XIII and XI of the Charter, removing KUB's representatives from the City's Pension Board and allowing the Board to create its own retirement system and personnel system).

City of Knoxville Ordinance O-126-03, enacted by public referendum on April 15, 2003 (amending Article III of the Charter; and requiring independent agencies, boards, and commissions to report compliance with Title VI of the Civil Rights Act of 1964).

GENERAL UTILITY LAWS

KUB is regulated by multiple laws on both the state and federal level. Most laws which govern the daily operations of KUB are state laws. The following statutes describe the general power and authority of KUB:

Revenue Bond Law. T.C.A. § 7-34-101, et seq. Grants a municipality the authority to issue bonds or notes to finance the costs of acquisition, purchase, construction, reconstruction, improvement, betterment or extension of a water, sewage, gas or electric system.

Municipal Electric Plant Law of 1935. T.C.A. § 7-52-101, et seq. Generally, describes the powers of municipal electric utilities. Requires a municipal utility to segregate revenues generated from its electric services to pay for the utility's operating expenses. Grants a municipality the right to incur indebtedness for the construction or purchase of an electric plant.

Municipal Electric System Tax Equivalent Law. T.C.A. § 7-52-301, et seq. Establishes a formula for electric utilities which are owned by an incorporated city or town, county, or metropolitan government to make payments in lieu of taxes on their property and operations.

Open Meetings Act. T.C.A. § 8-44-101, et seq. Requires that all meetings of any governing body of any public entity be open to the public at all times, except as provided by the Tennessee Constitution.

Open Records Act. T.C.A. § 10-7-503, et seq. Grants any citizen of Tennessee the right to inspect all state, county, and municipal records during normal hours, subject to certain statutory exemptions.

Change of Municipal Boundaries, T.C.A. §6-51-101, et seq; Comprehensive Growth Plan, T.C.A. §6-58-101, et seq. Details the procedures a municipality must follow to change its boundaries, prepare its plan of services, the acquisition of an utility via annexation, and the extension of utility services which is a result of the annexation.

Municipal Gas System Tax Equivalent Law. T.C.A. §7-39-401, et seq. Generally, describes the powers of municipal gas utilities. Requires a municipal utility to segregate revenues generated from its gas services to pay for the utility's operating expenses. Grants a municipality the right to incur indebtedness for the construction or purchase of its gas system.

Water and Sewerage. T.C.A. §68-221-101 et seq. Provides guidelines for operating water and wastewater systems.

Municipal Powers, Generally. T.C.A. §6-54-101 et seq. Describes the powers of municipal government and its subdivisions. Various other statutes describing governmental and proprietary functions are found in Title 7.

Governmental Tort Liability Act. T.C.A. §29-20-101. Addresses the liability of governmental entities for wrongful acts committed by the government through an employee, agent, or instrumentality under its control.

Adoption of Ethical Standards. T.C.A. §8-17-103. Requires all local government agencies in the state to adopt ethical standards. Knoxville City Code Section 1-17 further requires that City agencies, boards, and commissions adopt a code of ethics that are at least as strict as the City's and that the City's law director approve the code of ethics, in writing.

Local Government Modernization Act of 2005. T.C.A. §9-3-405. Provides direction for local government Audit and Finance Committees, including provisions for entering into confidential, nonpublic executive sessions.

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ARTICLE XI. –KNOXVILLE UTILITIES BOARD

1101. – Created; purpose.

Except as otherwise provided in this charter and in general law, the purchase, production, sale and distribution of utility services by the City of Knoxville, both within and without the limits of the city, and the agencies and facilities used for such purposes, shall be under the jurisdiction, control and management of a board to be known as the "Knoxville Utilities Board," to be constituted as hereinafter set forth.

1102. - Definitions.

The following terms, whenever used or referred to in this article, shall have the following respective meanings unless a different meaning clearly appears from the context:

Board shall mean the Knoxville Utilities Board.

Charter shall mean the Charter of the City of Knoxville.

City shall mean the City of Knoxville.

Commissioner shall mean an individual member of the board.

Division shall mean that part of the system that includes all of one (1) branch of the operation of the system, such as the branch having charge of the electric power operations or the branch having charge of the gas operations.

KUB shall mean the Knoxville Utilities Board.

Public official shall mean any person who is an elected official or an employee of the City of Knoxville or any municipality, county government, or state government except for a notary public, a member of the National Guard of the State of Tennessee, or employee of public education.

System shall mean and shall include the water system, the gas system, the electric system, the wastewater system, and any other utility or related service system that the board is authorized by law to operate or provide and which is approved by the board. To the full extent permitted by law, services may be provided to the customers that are not physically connected to the facilities of the system and all such service shall be deemed to have been provided by the system.

Utility services shall mean electricity, gas, water and wastewater services, all related services thereto, and all other utility services that municipalities or municipal utility boards are authorized by law to provide.

1103. - Members of board.

(A) The board shall consist of seven (7) commissioners. No person shall be eligible to hold the office of the commissioner unless he/she shall have been, for at least three (3) years next preceding his/her appointment, a citizen residing in Knox County and at least twenty-five (25) years of age. No public official as defined by this charter, shall be eligible to be a commissioner. Any commissioner who shall cease to possess any of the qualifications herein enumerated shall forthwith forfeit his/her office. The term of office shall be for a period of seven (7) years and no commissioner shall be elected or serve for more than two (2) such terms, or a maximum of fourteen (14) years, except that each commissioner shall hold office until his/her successor has been elected and qualified by the administrator of the oath for the office of commissioner. In the event of a vacancy during a term, the position shall be filled for the balance of the term as hereinafter provided, and that commissioner shall be eligible for reelection to only one (1) seven-year term thereafter, so as to not violate the fourteen-year maximum period provided herein. The term of office of a commissioner shall commence January 1 of the year first following the November in which the commissioner is required to be nominated.

(B) Prior to the first day of November in each year the board shall submit to the mayor a list of five (5) or more nominees and the mayor shall have forty-five (45) days in which to select one (1) name for nomination to city council. A majority vote of council shall be necessary for the election of such nominee. Should the city council fail to either approve or disapprove a nominee within a period of thirty (30) days following notice

of such nomination to the council, said nominee shall be deemed elected. In the event that a nominee is disapproved by a majority vote of the city council, the nomination procedure shall be repeated, except that the board shall have thirty (30) days from notice of disapproval in which to submit five (5) nominees or more, which may include the four (4) nominees not previously selected by the mayor. In the event a nominee is not approved by city council for a new term, the commissioner occupying said seat may elect to continue into the new term until said council approves a new commissioner to fulfill the seven-year term. Upon election, the new commissioner shall serve whatever portion of the term that remains after the election of the commissioner.

(C) In the event of a vacancy during the term, said vacancy shall be filled for the remainder of the term in accordance with the procedures provided hereunder for nominations, except that the board shall make its nominations to the mayor within thirty (30) days of the occurrence of the vacancy to commence the election process.

(D) The compensation of each commissioner shall be fixed from time to time by resolution of the board, to take effect when the next full term of a commissioner begins following the passage of such resolution.

1104. - System operation.

The board shall adopt and implement an organizational structure for the system to ensure its efficient and effective management. The subdivisions of such structure, the detailed separation of duties within the structure and the creation of the subordinate offices and positions within the structure shall be as required by the board. The board may alter the system's organizational structure as necessary or convenient provided such changes do not violate any general laws, this charter, or any of the system's contractual obligations.

1105. - Meetings and organizations.

(A) The board shall elect from among its members a chair who shall preside over the meetings of the board, and a vice-chair who shall sit for the chair during his/her absence or disability. The board shall also elect a secretary who shall be either a commissioner or a full-time employee of the system. The secretary shall keep the minutes of the meetings of the board and shall perform such other duties as the board may prescribe.

(B) A new election of officers of the board shall be held each year at the first regular meeting of the board held following the regular election of a new commissioner. A commissioner holding an office provided for in this paragraph shall hold office until such officer's successor has been elected and qualified in accordance with the provisions of the bylaws, or until such officer ceases to be a commissioner. If the secretary is not a commissioner, the secretary shall hold office at the will of the board. The board shall have the right to adopt bylaws, not inconsistent with the provisions of this charter.

(C) Bylaws adopted by the board shall provide the time, place and manner of holding both regular and special meetings of the board. All such meetings shall be public and no action shall be taken by the board except by the affirmative vote of at least four (4) commissioners. Four (4) commissioners shall constitute a quorum of the board, but a smaller number may adjourn from day to day. The president and vice presidents provided for herein shall attend all meetings of the board, and shall have a seat and voice but no vote in such meetings. Except as otherwise expressly provided herein, action by the board may be by motion or by resolution passed on a single reading and may be made effective immediately upon passage.

1106. - Powers.

(A) *Independent control.* Except as expressly provided in this article, the board shall have and exercise and is hereby granted all the powers and duties possessed by the City of Knoxville to construct, acquire, expand or operate the system. The board, either by itself or by its duly authorized officers and employees, shall have and maintain full control and complete jurisdiction over the management and operation of the system and may make all contracts and do any and all acts and things that are necessary, convenient or desirable in order to operate, maintain, enlarge, extend, preserve and promote an orderly, economic and business-like administration of the system. Except as expressly provided in this article, the system shall be free from the jurisdiction, direction or control of other city officers, employees, and of the city council.

(B) *Surety bonds.* The board shall require corporate surety bonds from such of the system's officers and employees and in such amounts, as the board shall deem necessary. Premiums for such bonds shall be paid out of the funds of the system.

(C) Rates. The board shall fix rates to be charged for services rendered by the system and shall have the power to enter contracts regarding said rates. All residential rates shall be fair, reasonable and uniform for all customers in the same class. Residential rates within the city may be less, but no greater than rates for the same class of service outside the city. Commercial and industrial rates shall be established in accordance with law.

(D) Contracts, leases and agreements. The board may, in the operation of the system, either by itself or by its duly authorized officers and employees, execute deeds and enter into leases, contracts and agreements, provided the terms of such leases, contracts and agreements shall be limited to not more than twenty (20) years from the date of performance thereunder is to begin, and not more than twenty-two (22) years from the date of the execution thereof. The time limit prescribed in this paragraph for the duration of contracts and agreements shall not apply to bond issues. The authority given the board by this section shall not be construed to give the board authority to sell or lease all or a major part of any division of the system, unless such transaction is approved by the city council by an ordinance, which ordinance shall not be passed as an emergency ordinance.

(E) Advances to system for extensions. The board is authorized to allow any person, firm or public or private corporation, including the city, to pay all or part of the cost of making an extension or extensions of the system to reach customers under an agreement whereby such extension or extensions shall, when made, become the property of the system. The board may agree that the system shall pay a proportionate part of the net or gross receipts accruing to the system from such extension or extensions to the entity advancing the cost thereof, with or without interest on the amount of such advance; provided, however, the board can incur no such obligation for a longer period than fifteen (15) years from the time of the completion of such extension or extensions. Advances or loans made to the system under this paragraph shall not be subject to limitations or restrictions provided for elsewhere in this charter.

(F) Bonds and notes. In addition to any authority to issue bonds or notes granted to the board by state law, the authority given the city to issue bonds or notes may be exercised by the board for the benefit of the system or a part thereof in accordance with the provisions of this charter or in accordance with other statutory authority. All bonds or notes payable out of the revenues of the system or a part thereof shall be approved

by a resolution or resolutions of the board which may be adopted at the same meeting at which introduced and shall take effect immediately upon adoption. Where such bonds or notes are payable only out of the revenues of the system or a part thereof and are not general obligation bonds or general obligation notes of the city, the board, and to the extent its approval is required by law, the city council, shall have full authority to provide for the issuance of such bonds or notes without submitting to electors or taxpayers the question of issuing such bonds or notes, or the resolution authorizing the same.

(G) Rules and regulations. The board shall have authority to make and enforce all necessary and desirable rules and regulations for the efficient use, operation and management of the system.

(H) Shared use of facilities and other property. The board shall have the power to make agreements or contracts with any person, firm or public or private corporation, including the city, for the joint use of poles and other property, belonging either to the system or such other person, firm or corporation or belonging jointly to both parties.

(I) Eminent domain. The board is hereby given the same power and authority to exercise the right of eminent domain on behalf of the system, which power and authority is now possessed by, or may hereafter be given to, the city council.

(J) Investment of surplus funds. The board shall have the power to invest its surplus funds only in such securities and investments as are authorized by state law and the investment policies of the board.

(K) Cooperation of other city departments. The board shall have the right to require the services of the city's purchasing agent, law department, engineering department, or any other officer or department of the city government; provided, however, that if this power is exercised, the board shall pay such part of the expenses of the department used as is agreed to by the board and the director of such department. If the board does not wish to use such departments of the city government, the board is authorized to establish similar departments of its own, which may be entirely independent of the corresponding department of the city government.

(L) Salaries. The board shall have the power to fix the salaries of all officers and employees of the system. Except for the salary of the president, the board may delegate to the president the power to fix the salary of all other officers and employees.

(M) Security for service charges. The board shall have the right to require reasonable deposits or such other security in keeping with the board's rules and regulations for the payment of charges for services rendered by the system. By and with the consent of the owner of the premises served, the board may make such charges a lien on the real property, to the occupants of which such services are rendered.

(N) Promotion expenditures. The board shall have the power to authorize reasonable expenditures for advertising and otherwise promoting the increased use of the services of the system.

(O) Discontinuance of service for nonpayment of charges. The board may discontinue all services of the system to any customer whenever such customer fails to pay for any services of the system.

(P) Authority relative to wastewater service charges generally. The board, at one time or from time to time, is authorized and empowered:

- (1) To meter, bill and collect wastewater service charges as an added designated item on its water service bills, or otherwise;
- (2) To discontinue water service to wastewater users who fail or refuse to pay wastewater service charges;
- (3) Not to accept payment of water service charges from any customer without receiving, at the same time, payment of any wastewater service charges owed by such customer;
- (4) Not to reestablish water service for any customer until such time as all past due wastewater service charges owed by such customer have been paid.

(Q) Merger and acquisitions. To further the purposes of section 1101, the board is empowered to acquire other utility systems by merger, acquisition or other lawful means and to create subsidiaries in accordance with the provisions of this charter and all applicable state and federal laws.

(R) Merger of divisions. The board shall have the power to merge the divisions such as the wastewater division into the water division, or to operate them as separate divisions, as it shall from time to time see fit, whenever such action can be taken without violating any of the board's contractual obligations.

(S) Legal actions. The board shall have the power, either in its own name or that of the City of Knoxville, to sue or be sued and to plead or be pleaded in all courts of law and equity, subject to all applicable requirements of law.

(T) Procurement. The board shall adopt procedures governing purchasing for the system which shall require competition, when practical. In lieu of adopting such procedures, the board may elect to use the competitive bidding and purchasing procedures used by the city.

(U) Personnel system and civil service. The board, either by itself or by its duly authorized officers and employees, shall have and exercise all powers and duties necessary to develop, maintain and manage the personnel system of KUB. This system shall include but not be limited to all matters relative to the efficient use of human resources, policies related to the selection and retention of employees based on merit, and administration of salary and benefits. KUB will be responsible for keeping and maintaining all necessary personnel records regarding its employees. KUB's personnel system shall include policies and procedures for disciplinary action against all employees other than executive employees. Any disciplined employee shall have the right to have any final disciplinary administrative action reviewed by a hearing examiner appointed by the Civil Service Merit Board of the City of Knoxville and said hearing shall be in accordance with the rules for hearings as established by the Civil Service Merit Board. KUB's system for personnel and disciplinary action shall be consistent with applicable state and federal laws. All permanent KUB employees other than executive employees shall be covered by the provisions of this section. This section shall become effective on or after July 1, 1999.

As used herein, the term "executive employee" shall include the position of president, all employees of the president's office, and other positions which the board may deem to be executive employees. The board shall develop criteria for the classification of employees as "executive employees."

As used herein, the term "disciplined employee" shall mean any employee other than an executive employee who has been suspended, demoted, discharged, or whose pay has been reduced.

All present KUB employees in the classified service shall retain their due process rights and shall not have their civil service protection impaired or diminished.

(V) *Other powers.* The board shall also have such additional powers which now or hereafter may be authorized pursuant to state law and the enumeration of particular powers in this charter shall not be construed to be exclusive.

1107. - Duties.

(A) *Separate accounts for separate divisions of the system.* The board shall require that separate books and accounts be kept on the electric, the gas, the wastewater, the water operations, and any other divisions created, so that said books and accounts will reflect the financial condition of each division separately, and may require that the moneys and securities of each division be placed in separate funds to the end that each division shall be self-sustaining.

(B) *Auditing.* An independent certified public accountant, not an employee of the city or the system, shall be employed by the board to make such audits and reports as the board may deem necessary. Before any independent accountant shall be employed by the board in accordance with the provisions of this paragraph, the accountant to be employed shall be approved by the city council.

(C) *Report to city council.* It shall be the duty of the board to furnish to the city council and the mayor a semiannual report of the operation of the system, which report shall be kept on file in the city recorder's office and open to public inspection at all times.

(D) *Sufficient power and gas rates.* The board shall charge sufficient rates respectively for electric power and gas to pay all obligations heretofore or hereafter incurred by the city on account of the ownership and operation respectively of the electrical division and the gas division, including all legal claims or judgments for which the city has heretofore been,

or may hereafter be, liable on account of the ownership and operation of electric division or gas division, and including the payments to the city in lieu of taxes as hereinafter provided. Such obligations, whether in the form of bonds or otherwise, shall be provided for in the respective budgets of the respective electric and gas division and need not be included in the general city budget.

(E) *Payments in lieu of taxes on electric and gas properties.* From the separate revenues of the respective electric and gas division, the board shall pay into the general funds of the city respective sums equal in amount to that which would be the separate respective city real and personal property taxes on the respective electric and gas properties within the city limits of the City of Knoxville if such properties were privately owned. The separate valuations of the respective electric and gas properties for determining the amounts of the respective payments required by this paragraph shall be made by the director of finance of the city at the time tax assessments are made, but the board shall have the right to appeal from the decision of the director of finance in the same manner as any taxpayer who considers a tax assessment excessive. Payments to the city, in accordance with the provisions of this paragraph, shall be made annually before the date when city taxes for each year become delinquent.

From the respective separate revenues of the electric and gas properties, the board may pay an amount or amounts equivalent to the respective amounts that would be payable for state and county real and personal property taxes in each county in which there are electric or gas properties, if said properties were privately owned. The valuation thus fixed by the board shall be final. In order to assist counties in estimating their budget requirements, the board shall fix the valuations upon which any amount or amounts to be paid the state or county is based, not later than the time county budgets are adopted. Payments provided for in this paragraph shall be made annually before the date upon which state and county taxes shall become delinquent.

Payments in lieu of taxes on the electric or gas properties shall be made to the city, county or state only so long as the governmental body to which such payments is made does not levy a property tax upon such electric or gas properties.

(F) *Sufficient water rates.* The board shall charge sufficient rates for water service to pay all obligations heretofore or hereafter incurred by the city on account of the ownership and operation of the water division, including all legal claims or judgments for which the city has heretofore been or may hereafter be liable on account of the ownership and operation of the water division, and including the payment to the city in lieu of taxes as hereinafter provided. Such obligation, whether in the form of bonds or otherwise, shall be provided for in the budget of the water division and need not be included in the general city budget.

(G) *Payments in lieu of taxes on water properties.* From the revenues of the water division, the board shall pay into the general funds of the city a sum equal in amount to that which would be the city real and personal property taxes on the water properties within the city limits of the City of Knoxville if such properties were privately owned. The valuation of the water properties for determining the amount of the payment required by this paragraph shall be made by the director of finance of the city at the same time tax assessments are made, but the board shall have the right to appeal from the decision of the director of finance of the city in the same manner as any taxpayer who considers a tax assessment excessive. Payments to the city, in accordance with the provisions of this paragraph, shall be made annually before the date when city taxes become delinquent.

Payments in lieu of taxes on the water properties shall be made to the city only so long as the city does not levy a property tax on such water properties. The board may pay an amount or amounts to other cities or counties that would be payable for state and county real and personal property taxes in each city or county where the water system or properties are located as if said properties were privately owned.

(H) *Sufficient wastewater rates.* The board shall charge sufficient rates for wastewater service to pay all obligations heretofore or hereafter incurred by the city on account of the ownership and operation of the wastewater division, including all legal claims or judgments for which the city has heretofore been or may hereafter be liable on account of the ownership and operation of the wastewater division, and including the payment to the city in lieu of taxes as hereinafter provided. Such obligation, whether in the form of bonds or otherwise shall be provided for in the budget of the wastewater division and need not be included in the general city budget.

(I) *Payments in lieu of taxes on wastewater properties.* From the revenues of the wastewater division, the board shall pay into the general funds of the city any amount that would be no more than the city real and personal property taxes on the wastewater properties within the city limits of the City of Knoxville if such properties were privately owned.

Payments in lieu of taxes on the wastewater properties shall be made to the city only so long as the city does not levy a property tax on such wastewater properties. The board may pay an amount or amounts to other cities or counties that would be payable for state and county real and personal property taxes in each city or county where the wastewater system or properties are located as if said properties were privately owned.

(J) *Retirement systems.* The board shall design, adopt and implement a financially sound retirement system exclusively for the eligible employees and retirees of the board and their beneficiaries, to become effective on or after July 1, 1999. The board shall be empowered to design, modify, amend, open, close and terminate the plans constituting such retirement system, and to establish such associated trusts as are necessary and prudent for the proper administration, operation and maintenance of the retirement system. The board's retirement system shall comply with all applicable provisions of the Internal Revenue Code, and all assets shall be held for the exclusive benefit of the board's participants, retirees and beneficiaries. The board shall make contributions, and may provide for employee contributions as it determines appropriate, to the retirement system in accordance with generally accepted actuarial and accounting principles. Upon the commencement of benefit accruals under the board's retirement system, its employees shall cease to accrue benefits under the city employees' pension fund. To ensure continuance of the pension benefits and rights of all affected participants, retirees and beneficiaries, the assets and liabilities of the city employees' pension fund attributable to contributions from the board or its employees and former employees shall be determined as of the date of transfer in accordance with the reasonable actuarial and accounting requirements of the City of Knoxville Pension Board. Such assets and liabilities shall thereafter be promptly transferred to the board's retirement system in conformance with all applicable legal and tax qualifications requirements as reasonably determined by the City of Knoxville Pension Board and agreed to by the board. Upon such transfer, which shall occur no later than July 1, 2001,

the assets and liabilities shall be the sole obligation and responsibility of the board and its retirement systems, the board's retirement system shall no longer be part of the city employees' pension fund, and KUB shall cease to have representation on the City of Knoxville Pension Board. The pension rights and benefits of any participant, retiree or beneficiary in any plan in the city employees' pension system shall not be impaired or diminished by the transfer, and the pension rights and benefits of any participant, retiree or beneficiary who is transferred to the retirement system of the board, or becomes a participant, retiree or beneficiary thereafter, shall not be impaired or diminished.

(K) *Obligations under existing contracts.* The board shall cause to be paid as the same come due, all obligations including without limitation obligations of the city, if any, arising or resulting from the ownership and operation of the system. This charter shall not impair any obligations heretofore entered into by the city and shall not change or alter the obligations of any existing contract, all of which insofar as they apply to the system, shall be binding on the board.

(L) *Change of rates and fees.* The board shall make no change in the rates to be charged consumers of electric power, gas, wastewater, and water services unless the resolution providing for such changes has been read and passed at two (2) meetings, the first of which shall be a regular meeting of the board, not less than two (2) weeks apart. Rates shall be determined in accordance with applicable law. The board may adopt within its rules and regulations procedures for establishing and changing other fees and charges. The board shall provide adequate public notice of not less than five (5) days prior to each meeting of the board where a rate change is to be considered.

(M) *Public records.* It shall be the duty of the board to make available to the public, upon request, all public records of KUB, pursuant to the provisions of Article XIV, Section 1411. All board members, officers, and employees of KUB shall be subject to every provision and subsection of Section 1411.

1108. - Obligation of system.

Any obligation incurred or created solely by a division shall be payable only out of the revenues of such division. Obligations incurred or created jointly on account of two (2) or more divisions shall be paid from the revenues of the responsible divisions. All contracts and agreements made by the board or pursuant to authority granted by the board shall contain a provision stating the revenues from which the obligations incurred thereunder are payable, but the failure to include such a provision in any contract shall not prevent the application of the limitation on the system's liability imposed by this paragraph.

1109. - Expenditures and creation of obligations.

No money shall be drawn from the treasury of the system nor shall any obligation for the expenditure of money be incurred except in pursuance of appropriations made by the board and each such appropriation shall constitute authority for the system to make the expenditure and/or incur the obligation so approved. All checks drawn on the funds of the system shall be signed by the vice president of the division of finance, or his/her designee, and countersigned by the president or the president's designee.

1110. - President.

The board shall appoint a president of the system who shall have the executive ability and experience sufficient to perform the duties of chief executive officer of the system. The president shall be responsible to the board and shall serve at the pleasure of the board. The powers and duties of the president shall be:

To see that all resolutions of KUB are enforced.

Except as herein provided, to appoint and remove all vice presidents, subordinate officers and employees of KUB, and in the civil service all appointments and removals to be subject to the civil service provisions of section 1106(U) of this charter.

To exercise control over the system and all divisions and operations thereof created by this charter, or that may hereafter be created by the board except as provided herein.

To see that all contracts of KUB for the benefit of the system or its ratepayers are faithfully kept and performed.

To attend all meetings of the board with the right to take part in the discussion but having no vote.

To recommend to the board for adoption such measures as the president deems necessary or expedient.

To keep the board advised as to the financial conditions and future needs of the system and to prepare and to submit to the board the annual budget estimate.

To perform such other duties as may be prescribed by this charter or be required of the president by general law or by resolution of the board.

1111. - Vice presidents.

The president is hereby empowered and directed to appoint vice presidents as may be deemed necessary for the operation of the system. The vice presidents, subject to the supervision of the president, shall have direct supervision and control of the work of their respective areas of responsibility. The vice presidents shall be immediately responsible to the president. The vice presidents, subject to the approval of the president and the civil service provisions of this act, shall appoint, promote, demote, transfer and remove all employees under their supervision. The powers, rights, and duties of each vice president shall be determined by the president. All vice presidents shall serve at the pleasure of the president and may be disciplined, demoted or discharged at will.

1112. - Removal of commissioners.

(A) Any commissioner may be removed for the causes and in the manner provided by the general ouster law of the state for persons holding an office of trust.

(B) The board may also, by an affirmative vote of four-fifths of its members, remove any commissioner for misconduct, malfeasance, or for any other just and sufficient cause, as authorized by state law, after due trial before the board, following ten (10) days' notice in writing of the specific charges against the commissioner.

MISCELLANEOUS CHARTER PROVISIONS

Article III, Section 306. Annual reports of agencies, boards, and commissions

(A) Each agency, board, and commission of the city shall make an annual report to its board of directors/commissioners certifying that the organization:

- 1) Has not subjected any person to discrimination on the basis of race, color, or national origin under any of its programs or activities,
- 2) Has not excluded any person from participation in any of its programs or activities on the basis of race, color, or national origin, and
- 3) Has not denied any person the benefits of any of its programs or activities on the basis of race, color, or national origin.

(B) A copy of such report shall be provided to the mayor and to each member of the city council on or before May 1 of each year. The first report shall be made on or before May 1, 2005 following the adoption of this charter amendment.

(C) Notwithstanding any other charter provision or ordinance to the contrary, this requirement shall apply to all agencies, boards, and commissions created by this charter or by ordinance, including without limitation the Metropolitan Knoxville Airport Authority, the Knoxville Utilities Board, the Knoxville Transportation Authority, and Knoxville's Community Development Corporation. This requirement shall apply whether or not an agency, board, or commission is required to comply with Title VI of the Civil Rights Act of 1964 because the organization has received federal funds.

(Ord. No. O-126-03, § 2, 4-15-03, ratified 8-5-04)

Article X, Section 1016. Nepotism

No officer or employee elected or appointed by the council, the board of education, the civil service merit board, the Knoxville Utilities Board, or any appointing authority or administrative officer shall be related to any of said members of the council, the board of education, the civil service merit board, the Knoxville Utilities Board, or any appointing authority or administrative officer controlling or having a vote or voice in the election or appointment of said officer or employee within the third degree, either by affinity or consanguinity.

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IV. KUB By-Laws

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I. DEFINITIONS

Words and terms used in these By-Laws shall be defined as set out in Charter Section 1102.

II. PURPOSE, POWER AND DUTIES OF KNOXVILLE UTILITIES BOARD

Section 1101 of the Charter of the City of Knoxville provides that “the purchase, production, sale and distribution of utility services by the City of Knoxville, both within and without the limits of the city, and the agencies and facilities used for such purposes, shall be under the jurisdiction, control and management of the ‘Knoxville Utilities Board’.”

Additionally, Section 1106 (A) of the Charter provides that “the board shall have and exercise and is granted by the Charter all the powers and duties possessed by the City of Knoxville to construct, acquire, expand, or operate the system. The board, either by itself or by its duly-authorized officers and employees, shall have and maintain full control and complete jurisdiction over the management and operation of the system and may make all contracts and do any and all acts and things that are necessary, convenient or desirable in order to operate, maintain, enlarge, extend, preserve and promote an orderly, economic and business-like administration of the system. Except as expressly provided in [Article XI of the Charter], the system shall be free from the jurisdiction, direction, or control of other city officers, employees and of the city council.”

III. REGULAR MEETINGS

The Board shall hold regular meetings at its Corporate Headquarters at noon on the third Thursday of each month, except July, unless otherwise established by the Chair. Any meeting as to which Commissioners are given at least five (5) business days notice served personally or electronically shall be considered a regular meeting. Adequate public notice shall be given of the time and location of all regular meetings of the Board.

IV. SPECIAL MEETINGS

Special meetings of the Board may be called by the Chair or by any two (2) Commissioners upon notice to each Commissioner, served personally or electronically. Generally, such meetings will require at least twenty-four (24) hours notice; however, if the emergency nature of the business to be conducted at the meeting will not allow for (24) hours notice, the maximum practicable notice shall be given. The notice of any such meeting shall

provide the time, place, and purpose thereof, clearly and specifically describing the subject matter of the motions or items of business to be brought up. No official action shall be taken relating to business other than that specifically mentioned in the notice for such meeting.

Adequate public notice shall be given of all special meetings of the Board. Any Commissioner may waive his or her right to notice of a special meeting before, during, or after the meeting. The presence of a Commissioner at such a meeting shall constitute an automatic waiver of the notice requirements.

V. QUORUM

Four (4) Commissioners shall constitute a quorum of the Board, and no action shall be taken by the Board except by the affirmative vote of at least four (4) Commissioners.¹

VI. ORDER OF BUSINESS OF BOARD MEETINGS

A. The order of business at regular meetings will generally be as follows:

1. Call to Order
2. Roll Call
3. Approval of Minutes
4. Official Action
5. President's Report
6. Other Business
7. Public Comments
8. Adjournment

¹Charter of the City of Knoxville, Section 1105(C)

- B. The President and CEO shall be responsible for the preparation and distribution of the agenda for all meetings of the Board.
- C. All resolutions and motions which contemplate the appropriation or expenditure of money, or which make a change in any rate to be charged for services rendered under the jurisdiction of the Board, shall require a roll call vote, and the result of the vote shall be recorded.
- D. In making any change in any rate to be charged to consumers of utility services, the provisions of Charter Section 1107(L) shall be followed.
- E. At any meeting, motions may be made and resolutions may be introduced by any Commissioner, including the Chair, or by the President and CEO. The Chair shall have the right to speak and vote on all matters brought before the Board.
- F. All resolutions shall be in writing when submitted to the Board. The Chair or a majority of the Board may require that any motion be reduced to writing before taking action thereon.
- G. All questions of priority of business, including a change in the order of business, may be decided at any time by the Chair or by a majority of the Board and shall not be subject to debate.
- H. The Board shall provide an opportunity for public comment before a vote to take official action and during the Public Comment portion of the Board meeting. Public comments will be limited to 5 minutes per speaker unless waived by the Board.
- I. All parliamentary procedures not expressly provided for by the Charter or by these By-Laws shall be governed by the then current edition of *Robert's Rules of Order*.

VII. BOARD OFFICERS

A. Officer Elections and Terms

A new election of officers of the Board shall be held each year pursuant to the provisions of Charter Section 1105(B). A Commissioner elected to the office of Chair shall be eligible to serve two (2) consecutive one (1)-year terms or until his or her service as Commissioner ends, whichever comes first; however, this limitation may

be waived by the Board if in its judgment, circumstances exist that would make it in the best interest of KUB for a Commissioner to continue to serve in this capacity. A Commissioner elected to the office of Vice Chair shall not serve successive one (1)-year terms. A Commissioner elected to the office of Secretary shall be limited to two (2) consecutive one (1)-year terms. A member of staff elected to serve as Secretary may hold office at the will of the Board².

Notwithstanding the provisions outlined above, a Commissioner may be reelected to serve as an officer as long as there is a break in service.

B. Officer Vacancies and Absences

1. In the event of an officer's permanent vacancy during a term, the vacancy shall be announced at a regularly scheduled Board meeting. At the next regularly scheduled meeting of the Board, the Nominating Committee shall nominate a replacement to serve the balance of the term. An election of the full Board shall be held immediately thereafter. The newly-elected officer shall be eligible for reelection to one (1) one (1) -year term in the case of Chair or Secretary (if the Secretary is a Commissioner rather than a staff member); a Commissioner elected to complete a partial term as Vice Chair shall not be eligible for immediate reelection.
2. In the event of a temporary absence or disability of the Chair, the Vice Chair shall preside in accordance with Charter Section 1105.
3. In the event of a temporary absence or disability of the Secretary, the Chair may appoint the responsibility to a Commissioner, full-time employee of the System, or KUB's General Counsel.

C. Chair Responsibilities

1. Preside over meetings in a manner consistent with these By-Laws and the Charter.
2. Create committees of the Board and appoint Committee Chairs. In the event of a temporary absence of a Committee Chair, the Chair will designate a temporary Committee Chair.

²Charter Section 1105 (B)

3. Appoint Commissioners to committees of the Board, created either by the Chair or by a majority vote of the Board. In making such appointments, the Chair shall strive to involve all Commissioners in one or more of the various committees of the Board and to rotate their appointments over time so that each Board member acquires a broad range of experience in preparation for future leadership roles on the Board.
4. The Chair may attend Committee meetings and shall have a voice but no vote on actions taken in Committee meetings.
5. Execute on behalf of the Board contracts, resolutions, or other instruments as required in accordance with Charter Section 1106 (D). The Vice-Chair may execute any such documents in the Chair's absence, or the Chair may designate duly authorized officers, employees, or commissioners to execute any such document.
6. Ensure the presence of a quorum at all meetings where official action is to be taken.
7. Ensure adherence to the provisions of the Tennessee Open Meetings Act, Tennessee Code Annotated (TCA) Sections 8-44-101 et seq.
8. Perform such other duties as from time to time are appropriate to the office or are assigned by the Board.

D. Vice Chair

The Vice Chair shall sit for the Chair and perform the duties of the Chair during the Chair's temporary absence or disability and shall perform such other duties as may from time to time be assigned by the Chair or by the Board.

E. Secretary

The Secretary shall be responsible for taking and keeping the minutes of the Board meetings, filing executed minutes of Committees, authenticating official documents of the Board, and performing such other duties as may from time to time be assigned by the Chair or by the Board.

VIII. COMMITTEES OF THE BOARD

Committees of the Board shall include, but not be limited to, the Audit and Finance Committee and the Nominating Committee. All standing committees shall have three (3) members, and each Committee's Chair shall execute minutes of its meetings and resolutions as necessary.

A. The Audit and Finance Committee shall:

1. Oversee financial reporting, risk management, and auditing.
2. Make recommendations to the Board regarding the selection and engagement of an independent, certified public accountant for financial auditing pursuant to provisions set forth by Charter Section 1107 (B).
3. Require the President and CEO to periodically evaluate organizational risks and develop and implement audit plans related to organizational risk.
4. Develop an understanding, by conferring with management and the auditors, of control issues facing the company and address any identified control deficiencies.
5. Meet each year with management and the independent, certified public accountant to review the annual financial audit report.
6. Meet each year in executive session with the independent, certified public accountant to review the annual financial audit report.
7. Review and measure the organization's financial performance.
8. Establish total compensation of the President and CEO.
9. Oversee the operation of the KUB Retirement System as established by Board Resolution 979, by future amendment, or by successor resolutions.
10. Oversee the operation of the Other Post Employment Benefits (OPEB) Trust as established by Board Resolution 1168, by future amendment, or by successor resolutions.
11. Review reports mandated by state law.
12. The Committee may convene in a non-public, executive session pursuant to requirements and procedures set forth in TCA 9-3-405 or in other state law.

B. Nominating Committee.

1. Recommend to the Board a slate of at least five (5) nominees for a Commissioner to fill an existing or impending vacancy on the Board. In discharging this duty, the Nominating Committee shall consult the provisions of Charter Sections 1103(A), (B), and (C).
2. Recommend to the Board nominees for officer positions for consideration at the first regular meeting of the Board following the regular election of a Commissioner and when a permanent vacancy occurs in any office. In discharging this duty, the Nominating Committee shall comply with the provisions of Charter Sections 1103 (C) and 1105(A) and (B) and Bylaws Section VII (B).

IX. DUTIES AND RESPONSIBILITIES OF THE BOARD

A. General.

1. Each Commissioner term shall be for a period of seven (7) years, and no commissioner shall be elected to serve for more than two (2) terms, except as provided by Charter Section 1103 (A).
2. The Board shall provide policy direction to ensure that the System meets the objectives of the Board; shall make all necessary rules and regulations for the efficient use, operation, and management of the System; and shall function as a group to provide responsible, informed policy judgments.
3. Each newly appointed Commissioner shall take an oath of office at the first regular meeting of the calendar year, including instances when a Commissioner is reappointed to serve a second term. In the case of a Commissioner selected to complete a partial term, or who is appointed later than normal, the oath shall be administered at the first regular meeting of the Board following City Council's appointment.
4. Each Commissioner shall stay informed, attend meetings regularly, participate in discussions, and maintain an active, diligent approach to Board responsibilities.
5. Each Commissioner shall discharge his or her duties in good faith, with the care of an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner he or she reasonably believes to be in the best interests of KUB.
6. The Board shall adopt By-Laws, not inconsistent with the Charter, to guide the actions of the Board.
7. The Board shall follow ouster procedures as provided by Charter Section 1112 and state ouster laws.

B. Financial Management.

1. The Board shall ensure that all Charter provisions relating to financial management are followed.
2. Budgeting.
 - a. Each fiscal year, the Board shall require the development of a budget which fairly projects the anticipated revenues and expenditures required to operate and maintain the System during the forthcoming fiscal year.
 - b. The Board shall be furnished the proposed budget at least forty-five (45) days prior to the beginning of the forthcoming fiscal year. The Board may request management furnish additional information related to the proposed budget prior to formal consideration of the budget.

- c. Prior to the approval of budget appropriations, the Board shall require the Chief Financial Officer to certify the availability of funds adequate to fund the proposed budget appropriations.
- d. The Board shall approve budget appropriations for the forthcoming fiscal year no later than fifteen (15) days prior to its beginning, provided the approved budget appropriations shall not exceed the level of funds certified by the Chief Financial Officer to fund the budget appropriations.
- e. The Board may amend budget appropriations at any time during the fiscal year if deemed necessary, provided funds are certified as available by the Chief Financial Officer.

3. Commitment Appropriations

- a. As part of the annual budget process, the Board shall also approve commitment appropriations for the forthcoming fiscal year, authorizing payments for contractual commitments and other obligations incurred on or before the end of the forthcoming fiscal year, but expected to be paid in a subsequent fiscal year.
- b. Prior to the approval of commitment appropriations, the Board shall require the Chief Financial Officer to certify the availability of funds adequate to fund the proposed commitment appropriations, and the Board shall not approve commitment appropriations in excess of the level of funds certified.
- c. The Board may amend commitment appropriations at any time during the fiscal year if deemed necessary, provided funds are certified as available by the Chief Financial Officer.

X. POWERS AND DUTIES OF THE PRESIDENT AND CEO

The powers and duties of the President and CEO shall be as follows:

- A. To exercise such powers and duties as are set out in the Charter, including, but not limited to, Charter Section 1110.
- B. To file suit on behalf of KUB and oversee the defense of suits filed against KUB.
- C. To execute contracts and other documents on behalf of KUB; and to delegate authority to sign contracts and documents.
- D. To fix the compensation and implement wage and salary systems, pay practices, and health and welfare benefits, for all officers and employees of KUB, except as provided in By-laws Section VIII, A(8).
- E. To develop a systematic approach to the creation, implementation, and review of long range plans which shall include strategic, operational, and financial considerations; and to review any such plans with the Board on a periodic basis.
- F. To provide the Board regular financial reports.
- G. To perform such other duties as may be directed by the Board or as are appropriate to the office of President and CEO.
- H. To act in accordance with the requirements of the law and corporate policies, and to further require employees of KUB to comply with the laws and policies that apply to them.

XI. ETHICS AND CONFLICTS OF INTEREST

As a public body, the Board recognizes its responsibility to operate KUB in an ethical manner. Toward that end, Board members shall abide by the tenets expressed by the first KUB Board in Resolution 1, which provided that KUB be managed in a non-political manner with the elimination of any sentiment or influence from political or personal friendship. In addition to the requirements defined in Charter Section 1102, a Board member may not be a current employee or retiree of an energy, water or wastewater utility, energy company, telecommunications utility, or any other utility service provider. Additional provisions include state laws regarding conflict of interest and the Ethics Policy adopted by the Board in Resolution 1152, by future amendment, or by successor resolutions and incorporated by reference herein.

XII. AMENDMENT OF BY-LAWS

These By-Laws may be amended by the Board. An amendment may be proposed at any meeting of the Board but shall not be acted upon at the meeting at which proposed. At any subsequent meeting, the proposed amendment, as originally proposed or as amended, may be adopted by a majority vote of the Board. When a proposed amendment receives less than a majority of the Board, no further action can be taken on such proposed amendment at that meeting; however, the same or a similar amendment may again be proposed at a later meeting.

KUB Board of Commissioners
Resolution No. 1
March 14, 1939

WHEREAS, it appears that the spirit, as well as the purpose, of the law creating the Knoxville Electric Power and Water Board is that the electric and water properties of the city of Knoxville shall be managed as a non-political business and in an efficient, economical and business-like manner; and

WHEREAS, we feel this can be accomplished only by the complete elimination from the management of any sentiment or any political or personal friendship influence;

NOW, THEREFORE, BE IT RESOLVED, as our first official act, that we pledge ourselves to carry out the spirit and purpose of this law as we understand it, to the best of our abilities; and

BE IT FURTHER RESOLVED that we will require a similar pledge from the General Manager and all his appointees.