



May 18, 2023

FY23 Appropriations Amendment, FY24 Appropriations, & Funding Recommendations

Resolutions 1476, 1477, 1478, 1479



Proposed FY23 Budget Amendments

- Initial budgets approved by Board in May 2022
- Wholesale energy costs \$75M over budget – driven by higher commodity prices
- Partially offset by lower capital expenditures
- Additional appropriations needed for electric and gas
- Discussed with Board in March

	Electric	Gas
FY23 Budget	\$724.8M	\$140.4M
Additional Appropriations	\$ 35M	\$ 15M
FY23 Budget - Amended	\$759.8M	\$155.4M

Proposed FY24 Budget Reflects Fiber Rollout & Sustains Century II Funding

- Proposed budget \$1.2B
- Up \$73M – reflecting inflation and higher level of capital investment
- Capital budget \$284M
 - \$135M for Century II
 - \$81M for fiber network and services
- \$85M of new bonds help fund capital budget

FY24 Key Programs and Projects

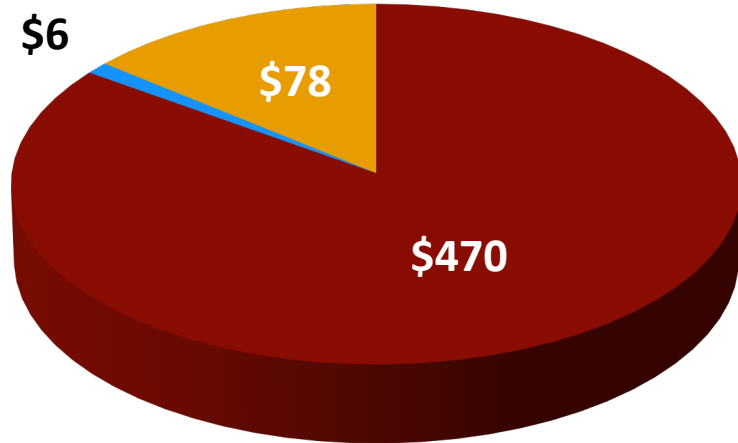
Program/Project	FY24 Appropriations
Fiber Network and Services	\$81.3M
MBW Water Filter Project	\$32.7M
Vegetation Management	\$16.1M
Stadium-Related Utility Infrastructure	\$11.7M
Vehicles and Equipment	\$10.7M
Neyland Drive Wastewater Trunkline	\$ 7.7M
Jones Street WW Pump Station	\$ 3.8M

Proposed FY24 Budget: \$1.2 Billion

	Electric	Gas	Water	Wastewater	Fiber	Total
Energy Cost	\$470.4	\$ 78	\$ ---	\$ ---	\$ 6	\$ 554.4
O&M	\$ 86.3	\$ 27.6	\$ 36	\$ 44.6	\$18.9	\$ 213.4
Capital	\$150.4	\$ 28.7	\$ 55.2	\$ 47.5	\$ 1.7	\$ 283.5
Debt Service	\$ 33.9	\$ 9.6	\$ 14.7	\$ 33.5	\$ 3	\$ 94.7
Taxes and Equivalents	\$ 22.5	\$ 8.8	\$ 5.3	\$ 6.8	\$ 0.4	\$ 43.8
Loan to Fiber	\$ 9					\$ 9
\$ in Millions	\$772.5	\$152.7	\$111.2	\$132.4	\$30	\$1,198.8

Wholesale Energy Budget Driven by Customer Demand

FY24 Wholesale Energy/COGS = \$554M

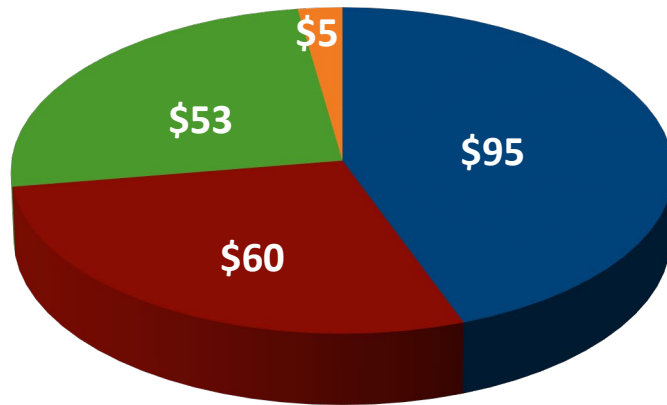


- Electric power = 85%
- Fiber COGS = 1%
- Natural gas = 14%

- Electric power
 - 6 billion kWh
 - 217,000 electric customers
- Natural gas
 - 10.9 million dekatherms
 - 108,000 natural gas customers
- Fiber Cost of Goods Sold (COGS)
 - \$0.2M telephone costs
 - \$5.8M television costs

O&M Budget Supports Systems Reliability

FY24 O&M = \$213M

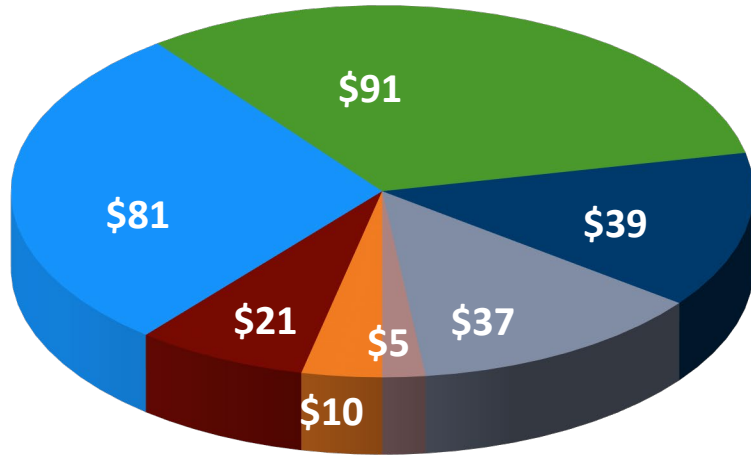


- Labor-related = 45%
- Outside services = 24%
- Materials/other = 27%
- Fiber fees to EL = 4%

- Labor-related costs
 - Payroll \$72M
 - Benefits and training \$16M
 - Post-employment benefits \$7M
- Outside services
 - Vegetation management \$16M
 - Facilities maintenance \$5M
- Materials/other costs
 - Utilities \$10M
 - Stock materials \$10M
 - Chemicals \$4M
- Fiber fees
 - Access fee \$3M
 - Utilization fee \$2M

Capital Budget Continues Century II Programs

FY24 Capital = \$284M

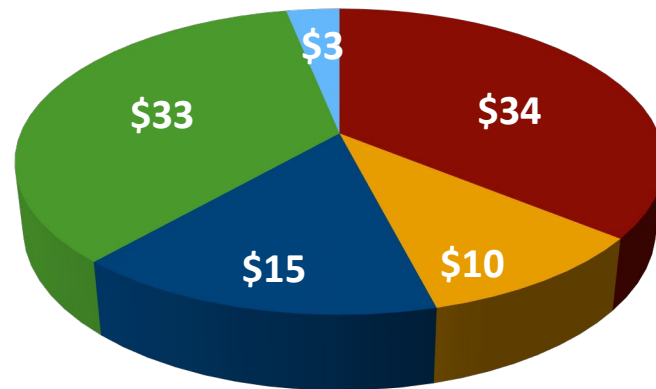


- Information technology = 3%
- Facilities/equipment = 7%
- System infrastructure = 90%
- Fiber network/services = 29%
- System improve/replace = 3%
- Plant improvements = 14%
- Growth = 13%
- Relocations = 2%

- Distribution system improvements **\$91M**
 - Wastewater main replacements \$21M
 - Electric transmission line improvements \$12M
 - Electric substation upgrades \$10M
 - Electric distribution line improvements \$7M
 - Water main replacements \$5M
 - Utility relocation projects \$5M
 - Jones Street Wastewater Pump Station \$4M
 - Natural gas steel main replacements \$4M
 - Pole replacement \$4M
- Fiber network and services **\$81M**
- Plant improvements **\$39M**
 - Water filter project at MBW \$33M
 - Kuwahee Treatment Plant improvements \$2M
 - Loves Creek Treatment Plant improvements \$1M

Debt Budget Reflects Investments in Infrastructure

FY24 Debt Service = \$95M

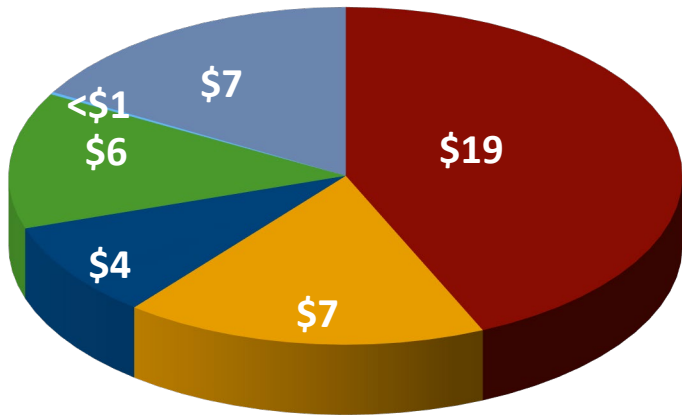


- Electric = 36%
- Natural gas = 10%
- Water = 16%
- Wastewater = 35%
- Fiber = 3%

- FY24 principal: \$49M
- FY24 interest: \$46M
- Outstanding bonds: \$1.1B
- New bonds: \$85M
 - Electric: \$55M
 - Water: \$20M
 - Wastewater: \$10M
- Electric loan to fiber: \$9M

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

FY24 Taxes and PILOTs = \$44M

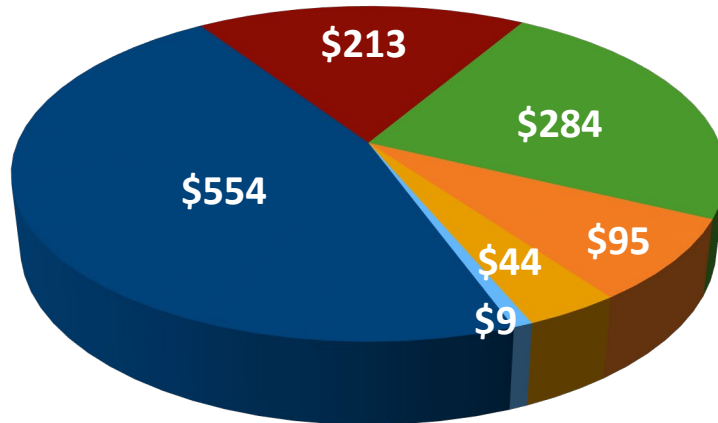


- Electric = 44%
- Natural gas = 17%
- Water = 9%
- Wastewater = 13%
- Fiber = <1 %
- FICA = 17%

- PILOTs \$37M
 - City \$25M
 - Knox County \$11M
 - Other counties \$1M
- Payroll tax expense \$7M

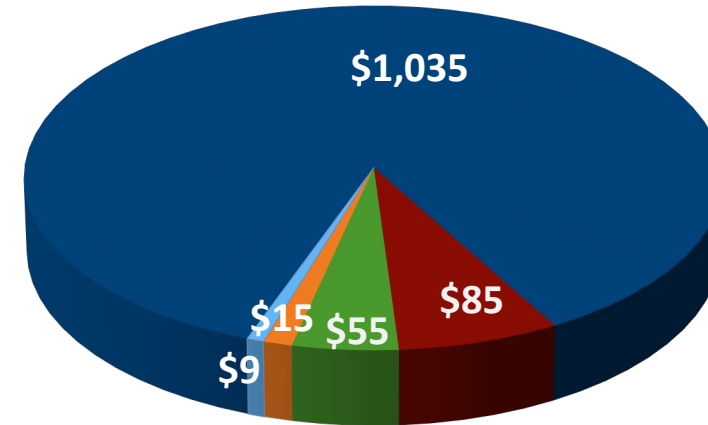
Funding FY24 Budget

Budget = \$1.2B



- Wholesale energy = 46%
- O&M = 18%
- Capital = 24%
- Debt service = 8%
- Taxes and equivalents = 4%
- Loan to fiber = <1%

Funding = \$1.2B



- System revenues = 86%
- Bonds = 7%
- Cash on hand = 5%
- Grants = 1%
- Loan to fiber = <1%

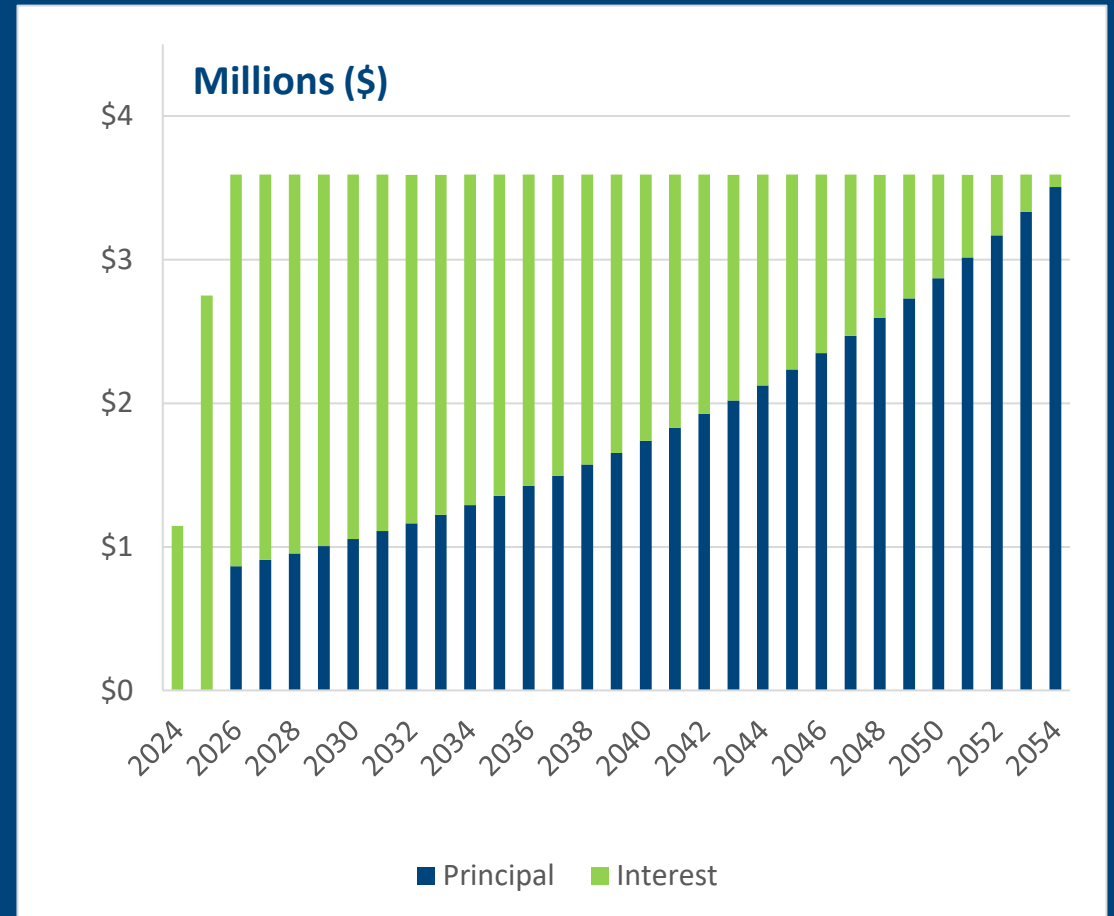
Proposed Sale of \$85M in New Bonds

- Electric \$55M
- Water \$20M
- Wastewater \$10M
- Bonds will mature over 30 years
- Projected interest rate 5%
- Callable for early redemption after 10 years
- Secured solely by issuing system revenues
- Public competitive sale this fall

Proposed New Electric Bonds - \$55M

- Projected interest cost: \$53M
- Fully mature July 2053
- FY end electric debt service: \$665M
 - Bonds \$425M
 - Interest \$240M
- \$293M of total debt service paid over next 10 years (\$154M bonds)

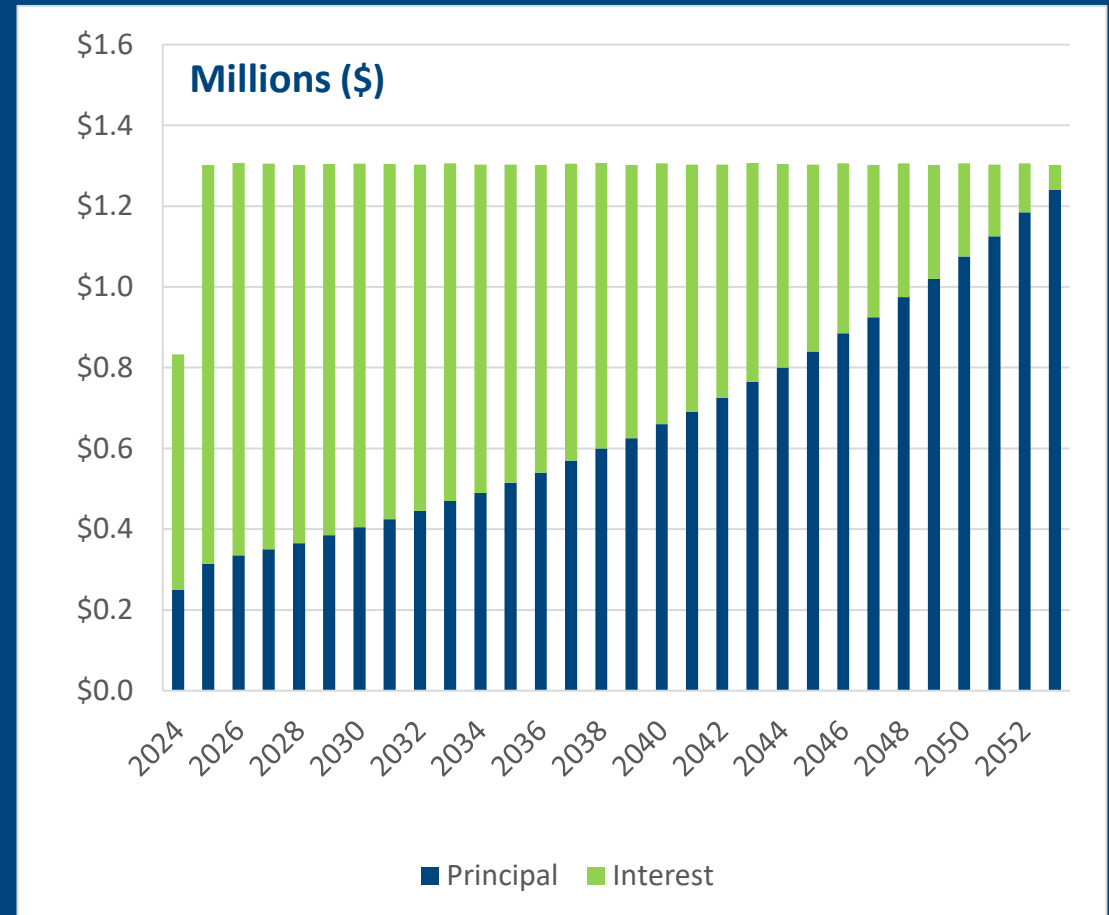
Proposed Debt Service on \$55M New Bonds



Proposed New Water Bonds - \$20M

- Projected interest cost: \$19M
- Fully mature March 2053
- FY end water debt service: \$296M
 - Bonds \$204M
 - Interest \$92M
- \$150M of total debt service paid over next 10 years (\$92M bonds)

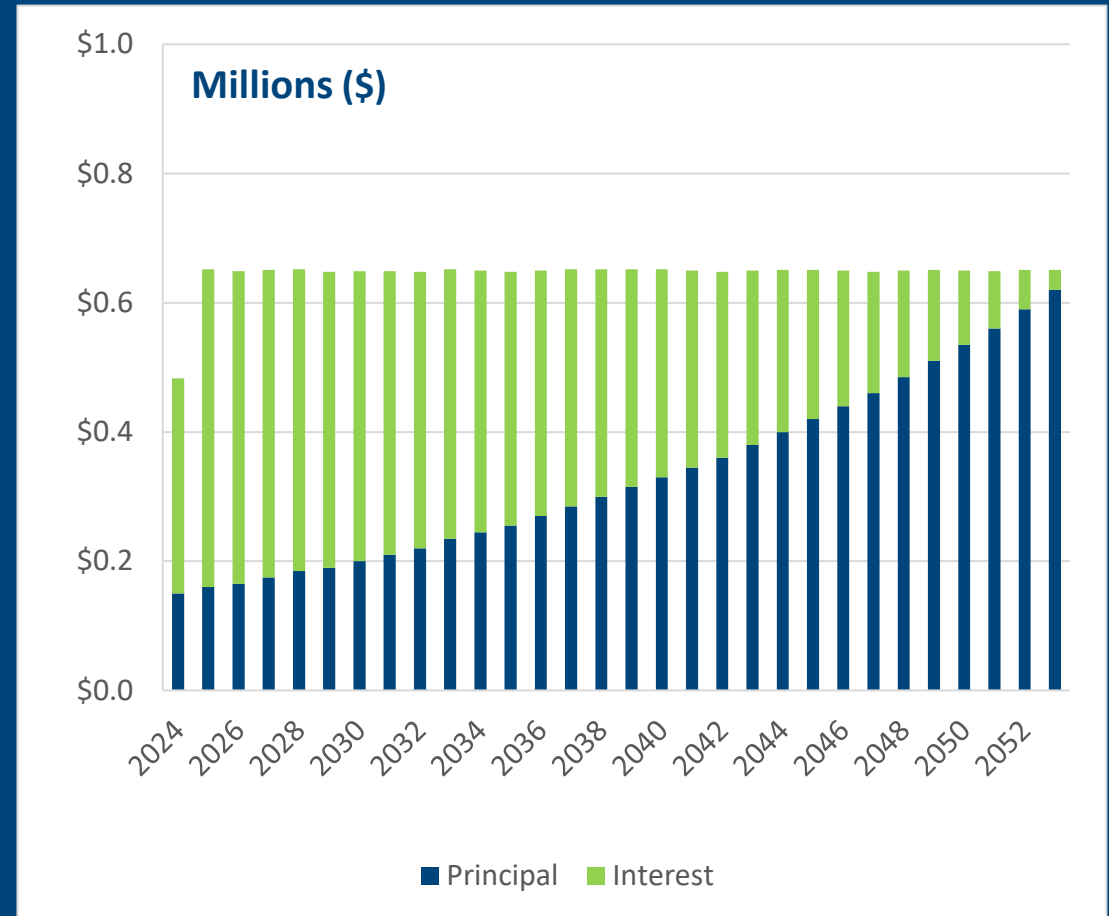
Proposed Debt Service on \$20M New Bonds



Proposed New Wastewater Bonds - \$10M

- Projected interest cost: \$9M
- Fully mature in April 2053
- FY end wastewater debt service: \$726M
 - Bonds \$477M
 - Interest \$249M
- \$330M of total debt service paid over next 10 years (\$168M bonds)

Proposed Debt Service on \$10M New Bonds



Estimated Professional Fees for Bonds

Cost	Professional Firm	\$ Amount
Financial Advisor	Cumberland Securities	\$ 105,000
Bond Counsel	Bass Berry & Sims	\$ 92,000
Rating Agency	Moody's Investors Service	\$ 97,000
Rating Agency	Standard & Poor's	\$ 79,000
Paying Agent	Regions Bank	\$ 2,000
		\$375,000
Other Costs (POS, Advertising, etc.)		\$ 40,000
		\$415,000

FY24 Commitment Appropriations

- Authorizes commitment of expenditures subsequent to June 30, 2024, for commitments entered into on or before June 30, 2024
- FY24 total: \$123.5M
 - Electric \$45.9M
 - Natural gas \$8.6M
 - Water \$37.8M
 - Wastewater \$27.6M
 - Fiber \$3.6M

Projects Supporting Need for Commitment Appropriations

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

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Resolution 1476

- Increases FY23 electric budget appropriations by \$35M
- Increases FY23 gas budget appropriations by \$15M
- Appropriations expire June 30, 2023

Resolution 1477

- Requests City Council authorization of new bonds
 - Electric up to \$55M
 - Water up to \$20M
 - Wastewater up to \$10M
- In compliance with KUB Debt Management Policy
- Board adopts all provisions of City Council bond resolutions

Resolution 1478

- Adopts FY24 budget appropriations
 - Electric \$772.5M
 - Natural gas \$152.7M
 - Water \$111.2M
 - Wastewater \$132.4M
 - Fiber \$30.0M

Resolution 1479

- Adopts FY24 commitment appropriations
 - Electric \$45.9M
 - Natural gas \$8.6M
 - Water \$37.8M
 - Wastewater \$27.6M
 - Fiber \$3.6M

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May 18, 2023

FY24 Financial & Organizational Metrics



FY24 Metrics

The Audit and Finance Committee reviews and measures financial and organizational performance.

Each year, the Audit and Finance Committee reviews proposed metrics and establishes financial and organization metrics for the upcoming year.

FY24 Metrics established May 3 – Resolution AF-91

FY24 Financial Metrics

Metric	Target
O&M	Budget or Less
Cash Generated from Operations	Budget or Greater
Debt Service Coverage	Financial Plan Target or Greater

FY24 Organizational Metrics

- Safety
- Electric reliability
- Century II infrastructure replacement
- Diversity, Equity, and Inclusion
- Call Center service level performance
- Environmental stewardship and sustainability
- Fiber service availability

Safety Performance

FY	Serious, Preventable Injuries	Goal
2020	0	3
2021	0	2
2022	2	1
2023	0*	1
2024	0	0

* Through April

Electric Reliability

FY	Avg Hours w/out Power	Target Goal Duration (Hours)	Avg Occurrence w/out Power	Target Goal Frequency (Events)
2015	1.67	2.15	1.19	
2016	1.82	2.00	1.33	
2017	1.95	1.90	1.28	1.30
2018	1.77	1.90	1.22	1.30
2019	2.42	1.85	1.70	1.25
2020	2.44	1.85	2.01	1.25
2021	1.83	2.10	1.24	1.50
2022	1.89	2.05	1.45	1.45
2023	1.35*	2.00	.97*	1.45
2024		2.00		1.45

* Through April

Century II Replacements

System	Asset	Proposed Plan
Electric	Substation Projects	2 Substations
Electric	Underground Cable	5 Miles
Electric	Transmission Lines	9 Miles
Natural Gas	Low-Pressure Steel Main Replacement	7 Miles
Water	Main Replacement	8.25 Miles
Wastewater	Main Replacement	11.5 Miles

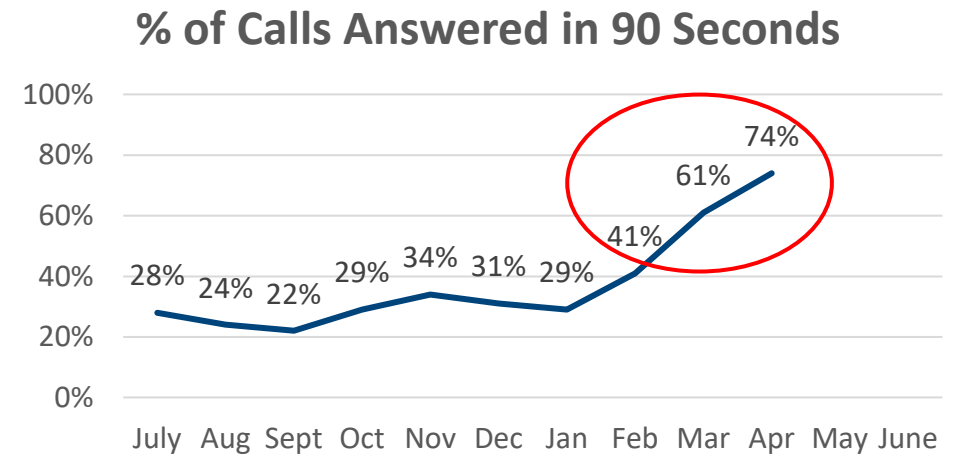
Diversity, Equity, & Inclusion

- Develop recruiting and marketing strategies that build and nurture pipeline partnerships to increase the number of historically underrepresented applicants
- Conduct phase two of DEI training for supervisors/appraisers and all front-line staff

Call Center Service Performance

- Percentage of calls answered in 90 seconds
- Three-year schedule to reach 80% by 2025 approved last year
- FY24 metric is 70%
- Increased staffing and process improvements yielding results this fiscal year

FY	Actual Results	Service Level Goal
2022	49%	-
2023	37%* ↑	60%
2024		70%
2025		80%



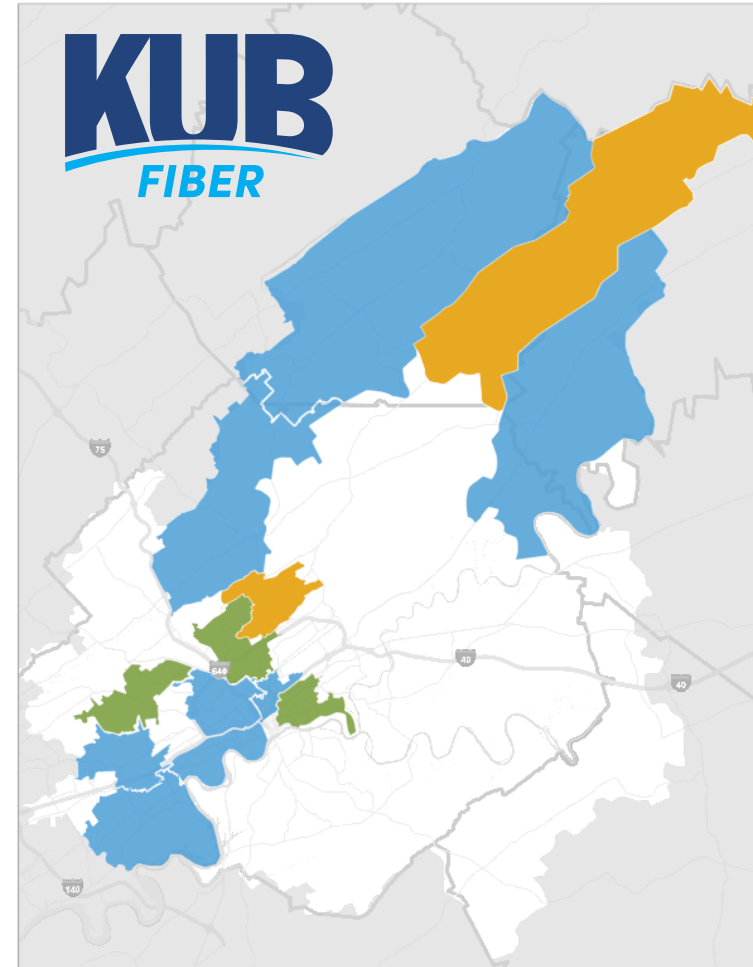
*Through April

Environmental Stewardship & Sustainability

- Weatherize 250 homes
- Achieve 70% subscription rate on KUB Community Solar
- Educate 1,000 customers on energy/water efficiency
- Serve 25 customers through the Water Savers program

Fiber Service Availability

Have KUB Fiber service available to 90,000 customers by the end of FY24



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