



December 21, 2023

# Payments In Lieu of Taxes

Resolution 1484





# FY 2024 Payments In Lieu of Taxes (PILOTs)

- FY 2024 payments = \$35,319,000
- Increase of \$1,981,319
- Reflects increases in net plant values and operating margins
- \$1M under budget

# PILOTs Governance

	Established by	Approved by	Basis	Paid
Water & Wastewater	City Charter	KUB Board	Net Plant Value	February
Electric & Gas	State Law	KUB Board & City Council	Net Plant Value & Average Operating Margin	June
Fiber	State Law	KUB Board & City Council	Net Plant Value	June

# FY 2024 PILOTs Up \$1,981,319

	FY 2024	FY 2023	Change
Electric	\$18,765,814	\$17,175,635	\$1,590,179
Gas	\$7,259,131	\$7,131,007	\$128,124
Water	\$3,629,904	\$3,646,197	(\$16,293)
Wastewater	\$5,652,868	\$5,383,684	\$269,184
Fiber	\$11,283	\$1,158	\$10,125
Total	<b>\$35,319,000</b>	<b>\$33,337,681</b>	<b>\$1,981,319</b>

# Payments by Jurisdiction

	FY 2024	FY 2023	\$ Change	% Change
City of Knoxville	\$24,101,630	\$22,797,953	\$1,303,677	5.7%
Knox County	\$10,196,324	\$9,489,796	\$706,528	7.4%
Union County	\$532,507	\$365,563	\$166,944	45.7%
Sevier County	\$237,307	\$373,558	(\$136,251)	(36.5%)
Grainger County	\$153,816	\$196,136	(\$42,320)	(21.6%)
Jefferson County	\$74,595	\$92,020	(\$17,425)	(18.9%)
Blount County	\$9,920	\$9,069	\$851	9.4%
Anderson County	\$11,629	\$12,245	(\$616)	(5.0%)
Loudon County	\$1,272	\$1,341	(\$69)	(5.1%)
Total	<b>\$35,319,000</b>	<b>\$33,337,681</b>	<b>\$1,981,319</b>	<b>5.9%</b>

# Resolution 1484

(Electric, Gas, and Fiber PILOTs)

- Requests City Council set electric, gas, and fiber tax equivalent payments for FY 2024 and provide for their distribution
- Total payments = \$26,036,228





December 21, 2023

# Bond Sale Results





# \$75M of New Bonds Sold

- \$55 million in electric and \$20 million in water
- Bonds fund system capital improvements
- Sold competitively on November 15, 2023
- Bonds mature over 30 years
- Sale generated \$78.7M, reflecting premiums and issuance costs
- Large number of bidders
- Rates lower than budgeted
- High-quality bond ratings affirmed



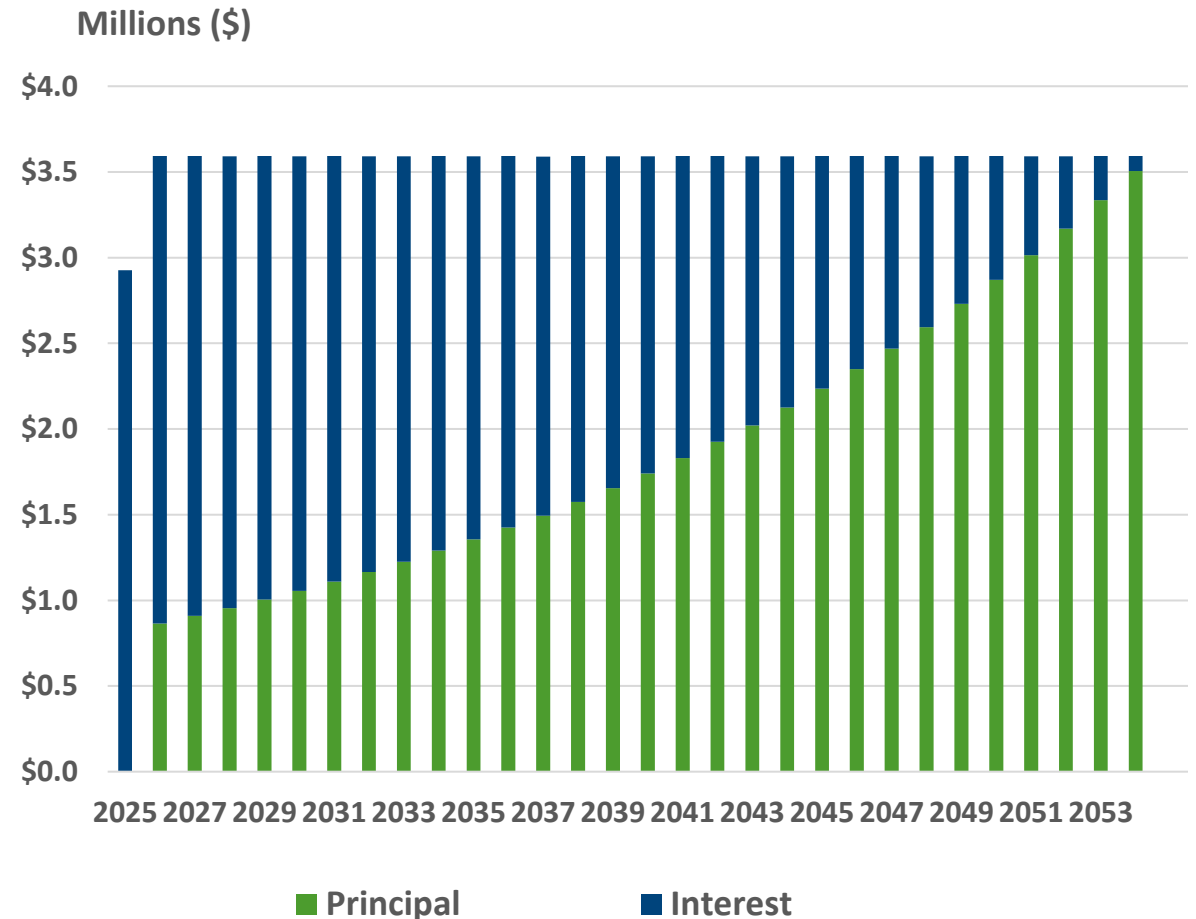
# Bids on \$55M Electric Bonds

Bidder	True Interest Cost %
<b>J.P. Morgan Securities LLC</b>	<b>4.403</b>
UMB Bank N.A.	4.408
Hilltop Securities	4.411
Truist Securities, Inc.	4.421
Raymond James & Associates	4.422
FHN Financial Capital Markets	4.428
BoA Securities	4.430
TD Securities	4.430
Mesirow Financial Inc.	4.431
Robert W. Baird & Co.	4.435
Jefferies LLC	4.440
Wells Fargo Bank, NA	4.449
KeyBanc Capital Markets	4.449

# Electric New Debt Issue Profile

<b>New Bonds</b>	<b>\$55,000,000</b>
<b>Interest Cost</b>	<b>\$52,100,000</b>
<b>New Debt Service</b>	<b>\$107,100,000</b>

- Bonds fully mature in 2053
- Level payback structure
- Callable in 2033
- Total debt outstanding: \$409M





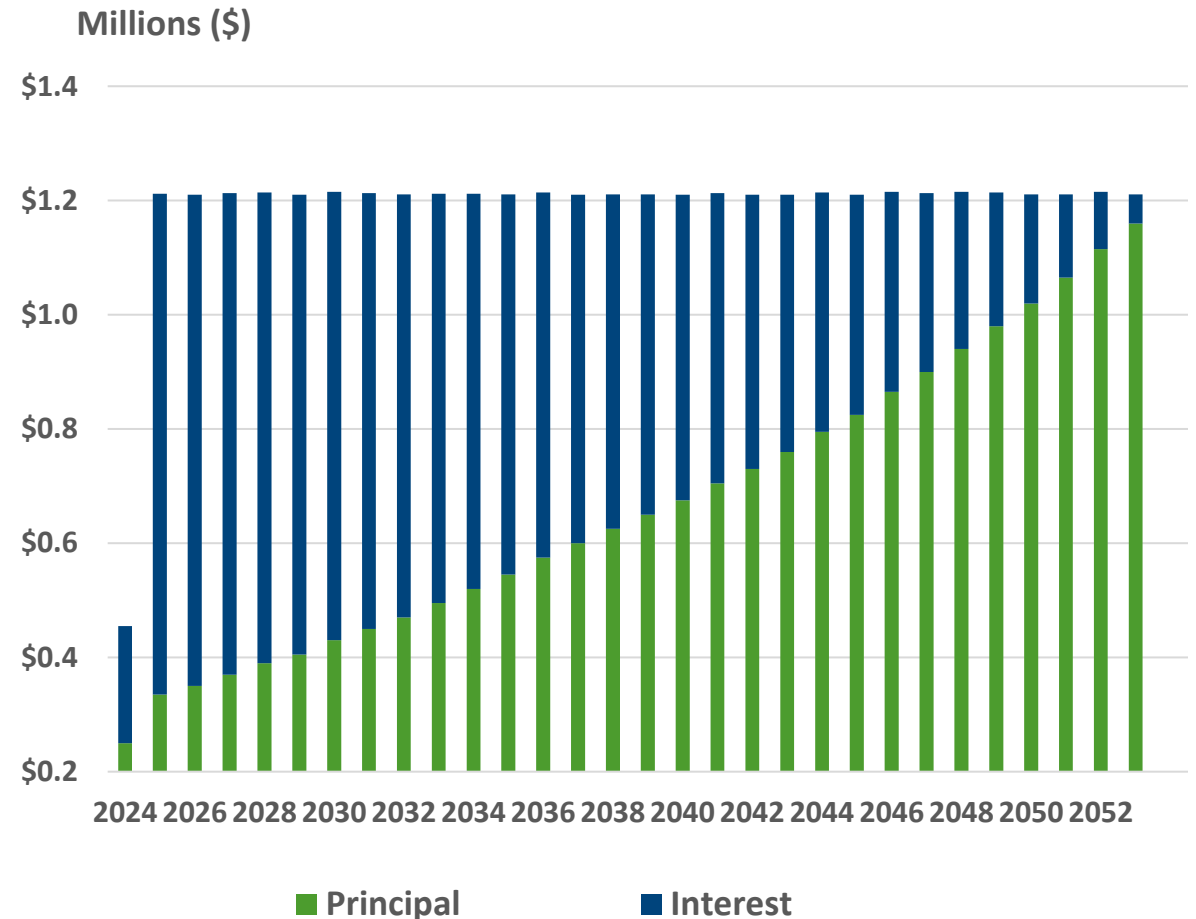
# Bids on \$20M Water Bonds

Bidder	True Interest Cost %
<b>Robert W. Baird &amp; Co.</b>	<b>4.326</b>
Raymond James & Associates, Inc.	4.405
Hilltop Securities	4.429
Wells Fargo Bank, NA	4.455
TD Securities	4.469
J.P. Morgan Securities LLC	4.492
KeyBanc Capital Markets	4.522

# Water New Debt Issue Profile

<b>New Bonds</b>	<b>\$19,995,000</b>
<b>Interest Cost</b>	<b>\$15,610,000</b>
<b>New Debt Service</b>	<b>\$35,605,000</b>

- Bonds fully mature in 2053
- Level payback structure
- Callable in 2031
- Total debt outstanding: \$204M





# Professional Fees for New Bonds

<b>Cost</b>	<b>Professional Firm</b>	<b>Fee</b>
<b>Financial Advisor</b>	<b>Cumberland Securities</b>	<b>\$83,700</b>
<b>Bond Counsel</b>	<b>Bass, Berry &amp; Sims</b>	<b>\$77,500</b>
<b>Rating Agencies</b>	<b>Moody's/Standard &amp; Poor's</b>	<b>\$129,800</b>
<b>Paying Agent</b>	<b>Regions Bank</b>	<b>\$1,400</b>
		<b>\$292,400</b>
<b>Other Costs (POS, OS, Advertising, Misc.)</b>		<b>\$27,000</b>
		<b>\$319,400</b>

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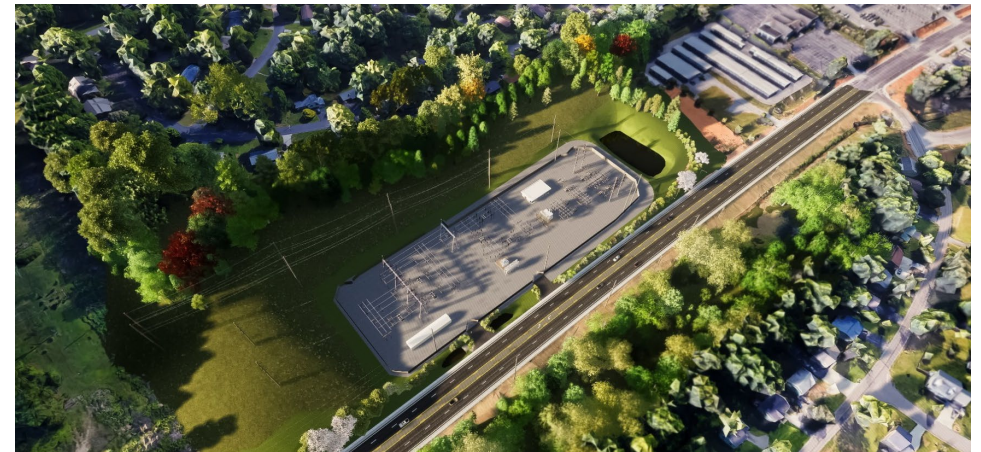
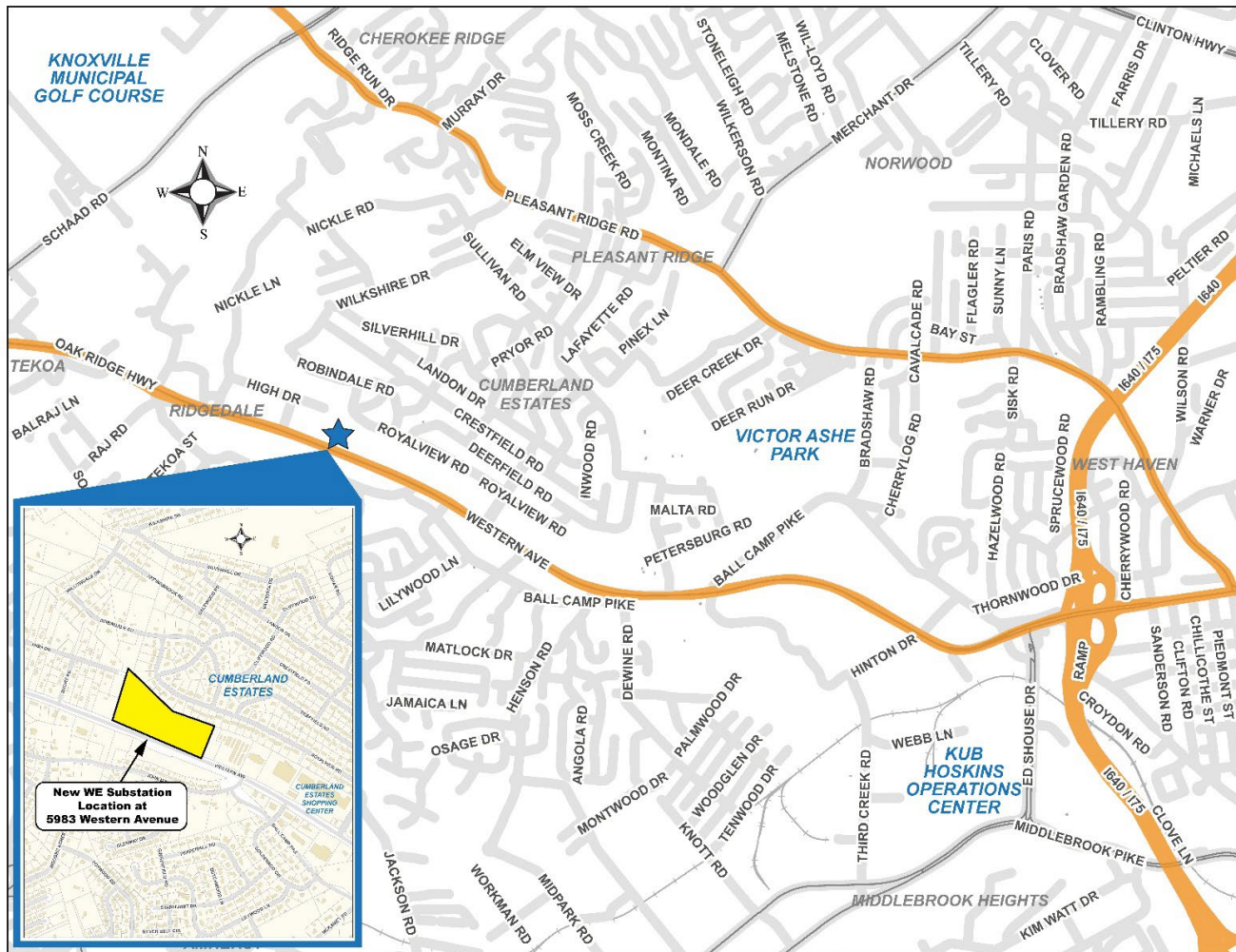
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# Western Avenue Substation – TVA Infeed





# Project Location – 5983 Western Ave.





# Western Avenue Substation in Service

- Began carrying customer load on December 13
- Serves five distribution substations and 22,800 customers
- Partnership with TVA
  - TVA switching station



# Benefits

- Provides system resiliency for upcoming Century II transmission and substation upgrades
  - Adds 330MW of system capacity
- Increases service reliability and system flexibility
- Provides redundant electric service to KUB's Middlebrook Pike campus





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