

**KUB**  
KNOXVILLE  
UTILITIES BOARD





January 18, 2024

# KUB Board of Commissioners Officer Election





January 18, 2024

# Utility Systems Update





January 18, 2024

# Annual Disclosures



# Background of Ethics Policies

- Pre-2000: City Charter, Resolution 1, general state law
- 2000: Conflict of interest added to By-laws
- 2005: Employee Conflict of Interest Policy and required annual disclosure
- 2006: TN State Ethics Commission established
- 2007: Board adopted Ethics Policy
- 2012: By-laws ethics section updated
- 2013: Annual disclosure requirement adopted

# Ethics Policy Components

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- Aligns with governing statutes and KUB Blueprint
- Certifies compliance with ethical standards
  - Political activity
  - Nepotism
  - Gifts and gratuities
  - Personal and financial interests
  - Improper use of position or authority
  - Improper use of KUB time, facilities, and equipment
- Requires disclosure if a conflict exists

# Annual Disclosure Form

- Annual disclosure occurs in January
- Return forms by February Board meeting

**KNOXVILLE UTILITIES BOARD  
COMMISSIONER CONFLICT OF INTEREST FORM**

COMMISSIONER INFORMATION		
Name		
Home Address		Unit #
City	State	ZIP
Business Name		
Address		Unit #
City	State	ZIP
DISCLOSURE STATEMENTS		
<i>Please initial beside each true statement. Provide a detailed explanation on the next page for any untrue statement.</i>		
1	<input type="checkbox"/>	My residence is within Knox County limits.
2	<input type="checkbox"/>	I do not have a nepotism conflict as defined by Article X, Section 1016 of the City of Knoxville Charter. <sup>1</sup>
3	<input type="checkbox"/>	Other than my position as KUB Commissioner, I am not a Public Official as defined by Section 1102 of the City of Knoxville Charter <sup>2</sup> nor am I an employee or a retiree of an energy, water or wastewater utility, energy company, telecommunications utility, or any other utility service provider.
4	<input type="checkbox"/>	I do not have a personal interest or work for a business or entity which has a financial interest in any business relationship with KUB other than the purchase of utility services as defined by Section 2 of the KUB Ethics Policy (see attached policy).
5	<input type="checkbox"/>	I have not directly or indirectly accepted any money, gift, gratuity, or other consideration or favor of any kind from anyone other than KUB for the performance of an act or refraining from performance of act in the regular course of my duties as a KUB Commissioner.
6	<input type="checkbox"/>	I have not disclosed any confidential information obtained in my capacity as a KUB Commissioner other than as authorized or required by law.
7	<input type="checkbox"/>	I have not used or disclosed information obtained in my capacity as KUB Commissioner in a way that resulted in financial gain for myself or any other person or entity.
8	<input type="checkbox"/>	I have not used or authorized the use of KUB time, facilities, equipment, or supplies for private gain or advantage to myself or any other private person or entity.
9	<input type="checkbox"/>	I have not made any private purchase in the name of KUB.
10	<input type="checkbox"/>	I have not used my position as a KUB Commissioner to secure any privilege or exemption for myself or others not authorized by the Charter, general law, resolution, by-law or policy of KUB.
11	<input type="checkbox"/>	I have not accepted or continued any employment that unreasonably inhibits the performance of any affirmative duty of my position as KUB Commissioner or that conflict with any provision of the KUB Charter, any KUB Resolution, Bylaw or policy.

<sup>1</sup> Charter Article X, Section 1016 says, "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."

<sup>2</sup> 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 notary public, a member of the National Guard of the State of Tennessee, or employee of public education.

# Tennessee Open Meetings Act

- Applies to public body with authority to make decisions or recommendations to a public body
- Requires
  - Adequate public notice
  - Minutes recorded and open to public
  - All decisions or deliberations toward a decision discussed in open meetings
  - Public votes



# Tennessee Public Records Act

- Applies to all records, regardless of physical form or characteristics, made or received during KUB's course of business
- Resolution 1358 established KUB policy
- Provisions include
  - Processes for making and responding to request
  - Naming of public records coordinator
  - Making policy available on website

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# Inflation Response Plan Follow-Up



# Inflation Response Plan Summary

- Inflation has had an undeniable impact on KUB and its customers
- Century II strategy continues to be the best way to provide reliable, affordable, and safe service
  - We've lost some ground over the last few years
  - As our systems age, more funding is needed to maintain a sustainable pace
- Available debt capacity is limited
- Rate increases are needed in all systems
  - Water and wastewater are in line with prior plans
  - Electric and gas require larger shifts

# Additional Funding Requirements (FY23 – FY30)

	<b>Inflation</b>	<b>Century II Renewal</b>
Electric	\$110M	\$133M
Natural Gas	\$42M	\$40M
Water	\$54M	\$14M
Wastewater	\$70M	\$22M
Total	\$276M	\$209M
	<b>Total Combined</b>	<b>\$485M</b>

# Board Feedback from November Workshop

- Pace of Century II renewal (full vs. phased)
- Consider raising level of April 2024 electric rate increase
- Effective date of future electric rate increases

# Staff Recommendations

- Full approach for Electric and Water Century II
- Phased approach for Gas and Wastewater Century II
- No change in April 2024 electric rate increase
- Future electric rate increases effective in April

# IRP Financial Modeling Guidelines

- Meet minimum operating cash levels
- Maintain 60 days restricted contingency cash reserves
- Build up unrestricted cash reserves
- Meet debt-related targets
- Incorporate grant awards
- Update revenue projections

	Electric	Gas	Water	Sewer
Operating Cash	\$50M	\$10M	\$7.5M	\$10M
Restricted Contingency Cash *	\$50M	\$15M	\$20M	\$25M
Unrestricted Contingency Cash **	\$25M	\$15M	\$10M	\$10M
Outstanding Debt **	≤ \$500M	≤ \$50M	≤ \$235M	≤ \$425M
Debt Service Coverage	3.0X	3.0X	2.0X	1.75X

\* Commitment to Bond Rating Agencies – 2 months of operating expenses

\*\* Represent FY30 target levels



# Electric System – Recommended Funding

	Total Funding Increase	New Bonds	FY30 Total Bonds	FY30 Debt Ratio	Rate Increases							
					FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
<b>FY23 Plan</b>	---	\$339M	\$491M	40%	3%*	3%*	---	---	---	---	---	---
<b>Inflation + Century II</b>	<b>\$243M</b>	\$342M	\$498M	35%	3%*	3%*	<b>4%</b>	<b>3%</b>	<b>1%</b>	---	---	---

*\* Previously approved by KUB Board*

# Gas System – Recommended Funding

	Total Funding Increase	New Bonds	FY30 Total Bonds	FY30 Debt Ratio	Rate Increases							
					FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
<b>FY23 Plan</b>	---	---	\$33M	8%	---	---	---	2%	2%	2%	1%	1%
<b>Inflation + Century II</b>	<b>\$73M</b>	\$17M	\$49M	11%	---	---	<b>3%</b>	<b>3%</b>	<b>3%</b>	2%	2%	2%

# Water System – Recommended Funding

	Total Funding Increase	New Bonds	FY30 Total Bonds	FY30 Debt Ratio	Rate Increases							
					FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
<b>FY23 Plan</b>	---	\$85M	\$203M	36%	5%*	5%*	5%*	6%	6%	6%	6%	6%
<b>Inflation + Century II</b>	<b>\$68M</b>	\$117M	\$235M	40%	5%*	5%*	5%*	<b>6%</b>	<b>6%</b>	<b>6%</b>	6%	6%

*\* Previously approved by KUB Board*

# Wastewater System – Recommended Funding

	Total Funding Increase	New Bonds	FY30 Total Bonds	FY30 Debt Ratio	Rate Increases							
					FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
<b>FY23 Plan</b>	---	\$68M	\$414M	45%	4%*	4%*	4%*	2%	2%	2%	1%	1%
<b>Inflation + Century II</b>	<b>\$76M</b>	\$75M	\$421M	43%	4%*	4%*	4%*	<b>2%</b>	<b>2%</b>	<b>2%</b>	2%	2%

*\* Previously approved by KUB Board*

# Recommended Rate Actions

Rate Increases				
	FY25	FY26	FY27	FY28
Electric	4%	3%	1%	
Natural Gas	3%	3%	3%	
Water		6%	6%	6%
Wastewater		2%	2%	2%

Monthly Bill Impacts				
	FY25	FY26	FY27	FY28
Electric	\$5.00	\$3.85	\$1.35	
Natural Gas	\$2.15	\$2.20	\$2.25	
Water		\$2.00	\$2.10	\$2.20
Wastewater		\$1.45	\$1.50	\$1.55

# Next Steps

- Additional feedback from Board
- February Community Advisory Panel
- April financial workshop
- May consideration of
  - FY25 budget
  - Rate increases in all systems
  - Bond issues in all systems

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# NACWA National Environmental Achievement Awards







**National Environmental  
Achievement**  
AWARDS



# KUB Earns Two National Environmental Achievement Awards

- Awards honor outstanding contributions to environmental protection and the clean water community
- Utility Apprentice Program
  - Recognized in Workforce Development category
- Biologically Enhanced High-Rate Clarifier
  - Recognized in Operations & Environmental Performance category

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