

**Knoxville Utilities Board
Board Meeting
Minutes
Thursday, April 21, 2016, 9:00 a.m.**

Call to Order

The Knoxville Utilities Board met in regular session in the Larry A. Fleming Board Room at 445 S. Gay Street, on Thursday, April 21, 2016, pursuant to the public notice published in the January 2, 2016, edition of the *News Sentinel*. Chair Thompson called the meeting to order at 9:00 a.m.

Chair Thompson welcomed the seven KUB Leadership Development Program employee participants and the program facilitator attending the Board Meeting today and asked the participants to introduce themselves.

Roll Call

Commissioners Present: Jerry Askew, Kathy Hamilton, Celeste Herbert, Sara Pinnell, Nikitia Thompson, Eston Williams, and John Worden

Commissioners Absent: None

Approval of Minutes

The Minutes of the March 17, 2016, Board Meeting were approved as distributed upon a motion by Commissioner Askew and seconded by Commissioner Williams.

Old Business

None

New Business

Resolution 1341, A Resolution to Amend Resolution No. 1329, the Caption of Which is as Follows: "A Resolution Making and Fixing the Annual Budget Appropriations of the Knoxville Utilities Board from the Funds of the Electric Division, the Gas Division, the Water Division, and the Wastewater Division for the Fiscal Year Beginning July 1, 2015, Providing for Expenditures Paid for the Period Beginning July 1, 2015 and Ending June 30, 2016"

April 21, 2016

President Roach introduced Mark Walker, Senior Vice President and Chief Financial Officer, to review the request for additional budget appropriations for the Water Division for the fiscal year ending June 30, 2016.

President Roach recommended adoption of Resolution 1341 on first and final reading. Her written recommendation is included in Attachment 1.

Upon a motion by Commissioner Williams and a second by Commissioner Herbert, Resolution 1341 (*Attachment 1*) was adopted by a roll call vote on first and final reading. The following Commissioners voted "aye": Askew, Hamilton, Herbert, Pinnell, Thompson, Williams, and Worden. No Commissioner voted "nay".

President's Report

None

Other Business

None

Adjournment

There being nothing further to come before the Board, Chair Thompson declared the regular meeting adjourned at 9:20 a.m.

Financial Workshop

President Roach provided an overview of this year's meeting format and reviewed the workshop agenda. She then introduced Mike Bolin, Vice President of Construction, who discussed the electric and natural gas system's infrastructure. John Gresham, Manager and Assistant to the COO, discussed the water and wastewater system's infrastructure. Gabriel Bolas, Manager of Overhead Construction, provided a presentation on being environmentally responsible and investing in environmental initiatives. Susan Edwards, Senior Vice President and Chief Administrative Officer, discussed investing in a skilled, diverse workforce. Mark Walker, Senior Vice President and Chief Financial Officer, concluded the meeting with an overview of the proposed budget for fiscal year 2017. Mr. Walker reviewed the official action items for the May Board Meeting including resolutions for fiscal year 2017 budget and commitment appropriations, bonds for all systems, refunding bonds for the Water System, and a Gas System line of credit.

April 21, 2016

Public Comment

None

Adjournment

Chair Thompson declared the meeting adjourned at 12:30 p.m.


Nikitia Thompson, Chair



Mark Walker, Board Secretary

Attachments

Attachment 1	Recommendation Letter and Resolution 1341, A Resolution to Amend Resolution No. 1329, the Caption of Which is as Follows: "A Resolution Making and Fixing the Annual Budget Appropriations of the Knoxville Utilities Board from the Funds of the Electric Division, the Gas Division, the Water Division, and the Wastewater Division for the Fiscal Year Beginning July 1, 2015, Providing for Expenditures Paid for the Period Beginning July 1, 2015 and Ending June 30, 2016"	<u>Page(s)</u> 7285 – 7289
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Knoxville Utilities Board

April 15, 2016

Knoxville Utilities Board
445 S. Gay Street
Knoxville, Tennessee 37902-1109

Commissioners:

The April 21 Board meeting agenda includes one official action item, requesting additional budget appropriations for fiscal year 2016.

Last May the Board adopted budget appropriations totaling \$888.8 million. At the March 23 meeting of the Board's Audit and Finance Committee, staff discussed the need for additional budget appropriations for the Water Division to cover higher than anticipated expenditures for the current fiscal year.

Based on the latest forecast of cash expenditures, the Water Division is projected to exceed its original budget appropriation by \$3.7 million, due primarily to higher than anticipated capital construction costs for water system work associated with the City's Cumberland Avenue Streetscape project and the acceleration of Century II water system improvements in downtown Knoxville. The Water Division will also have higher than expected debt service payments in fiscal year 2016, the result of accelerating the sale of bonds originally planned for fall 2015 to May 2015 to take advantage of favorable interest rates.

Resolution 1341 provides for an additional \$4 million in budget appropriations for the Water Division. A letter from Mr. Walker, KUB's Chief Financial Officer, has been prepared certifying the availability of these funds.

I recommend the adoption of Resolution 1341 on first and final reading.

Respectfully submitted,

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

Mintha E. Roach
President and CEO

RESOLUTION NO. 1341

**A Resolution to Amend Resolution No. 1329, the Caption of Which is as Follows:
“A Resolution Making and Fixing the Annual Budget Appropriations of the
Knoxville Utilities Board from the Funds of the Electric Division, the Gas Division,
the Water Division, and the Wastewater Division for the Fiscal Year Beginning
July 1, 2015, Providing for Expenditures Paid for the Period Beginning July 1,
2015 and Ending June 30, 2016”**

Whereas, Section 1109 of the Charter of the City of Knoxville provides that “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

Whereas, the Knoxville Utilities Board of Commissioners (hereinafter referred to as the “Board”) adopted Resolution No. 1329, making and fixing the annual budget appropriations for the Electric, Gas, Water, and Wastewater Divisions of the Knoxville Utilities Board (hereinafter referred to as “KUB”) for the fiscal year beginning July 1, 2015; and

Whereas, KUB staff met with the Board’s Audit and Finance Committee and reviewed the need for additional budget appropriations for the fiscal year beginning July 1, 2015; and,

Whereas, the Board has determined it is appropriate to amend the budget appropriations for the Water Division for the current fiscal year, by increasing the amount of expenditures authorized to be paid on or before June 30, 2016; and,

Whereas, the Chief Financial Officer has certified to the Board the availability of funds to fund the proposed increase in budget appropriations.

Now, Therefore, Be It Hereby Resolved by the Board of Commissioners of the Knoxville Utilities Board:

Section 1. That Section 3 of Resolution No. 1329 previously approved by this Board, be amended by adding **\$4,000,000** to the budget appropriations of the Water Division for expenditures to be paid on or before June 30, 2016, thereby increasing the existing budget appropriations of the Water Division from **\$67,046,000** to **\$71,046,000**.

Section 2. That funds will be available for the Water Division to fund the expenditures to be paid for the fiscal year beginning July 1, 2015, as noted in Section 1 of this resolution. The availability of funds has been certified by letter from the Senior Vice President and Chief Financial Officer, whereby said letter is attached to and incorporated by reference as part of this Resolution.

Section 3. That this Resolution shall take effect from and after its passage.

Nikitia Thompson/s
Nikitia Thompson, Chair

Mark Walker/s
Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: 4-21-16
EFFECTIVE DATE: 4-21-16
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Knoxville Utilities Board

April 21, 2016

Knoxville Utilities Board
445 S. Gay Street
Knoxville, Tennessee 37902-1109

Commissioners,

I hereby certify that within the meaning of Section 1109 of the City of Knoxville Charter and Article IX.B.2.e. of the Board's By-Laws there are sufficient funds adequate to fund the proposed additional budget appropriations.

\$4,000,000 for the Water Division, thereby increasing the existing budget appropriations from \$67,046,000 to \$71,046,000 for the fiscal year beginning July 1, 2015.

The availability of funds for budget appropriations is based on general fund cash and all available cash reserves of the respective divisions as of July 1, 2015, and all monies anticipated to come into the general fund of each division on or before June 30, 2016 from utility sales at rates approved by the KUB Board; from other fees, charges, sales proceeds, accounts and notes receivable, or other credits in the process of collection; and from proceeds of authorized debt issues.

Please see the attached worksheet which demonstrates the availability of funds to support the proposed additional Water budget appropriations.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Mark Walker'.

Mark A. Walker
Senior Vice President and CFO

Enclosure

April 2016: Certification of Available Funds - FY 2016 Budget Appropriations

Water Division: Certification of Available Funds

	<u>FY 2016</u>
Beginning General Fund Cash	\$21,304,000
Sales Revenues	\$45,329,000
Other Revenues/Receipts	\$3,262,000
Cash Reserves	\$11,889,000
Bond Proceeds	\$9,930,000
Total	<u>\$91,714,000</u>
FY 2016 Budget Appropriations (Res. 1329)	\$67,046,000
FY 2016 Budget Appropriations (Res. 1341)	<u>\$4,000,000</u>
Available Funds	\$20,668,000

If positive, there are available funds to fund appropriations.

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