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**Board Meeting Agenda
Thursday, May 21, 2015
Noon**

Call to Order

Roll Call

Approval of Minutes

Official Action

Resolution 1329 – 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

Resolution 1330 – A Resolution Approving Commitment Appropriations for the Fiscal Year Beginning July 1, 2015, Thereby Authorizing the Commitment of Expenditures to be Paid Subsequent to June 30, 2016, for Contractual Commitments Executed and Other Obligations Incurred on or Before June 30, 2016

Resolution 1331 – A Resolution Authorizing the Issuance of Not to Exceed Ten Million Dollars (\$10,000,000) in Aggregate Principal Amount of Gas System Revenue Anticipation Notes (Nonrevolving Line of Credit) of the Knoxville Utilities Board in Anticipation of the Collection of Revenues of the Natural Gas Distribution System of the City of Knoxville for the Purpose of Paying the Cost of Natural Gas Purchases and Storage and Pipeline Capacity

Resolution 1332 – A Resolution Replacing the Existing Rate Schedule of the Water Division for Public Fire Protection Service with New Rate Schedules to be Effective July 1, 2015 and July 1, 2016

President's Report

Other Business

Public Comments

Adjournment



Knoxville Utilities Board

May 15, 2015

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

Commissioners:

As discussed at the financial workshop in April, the May 21 Board meeting agenda includes official action items related to proposed budget and commitment appropriations for fiscal year 2016, a one-year line of credit for the Gas Division, and proposed public fire protection rates effective for fiscal years 2016 and 2017, respectively.

An overview of each official action item is provided below.

Resolution 1329

Resolution 1329 adopts budget appropriations for fiscal year 2016 totaling \$888.8 million, including \$583.3 million for the Electric Division, \$130 million for the Gas Division, \$67 million for the Water Division, and \$108.4 million for the Wastewater Division.

The proposed budget request provides \$479.9 million for wholesale energy purchases, \$129.6 million for operations and maintenance costs, \$179 million for capital expenditures, \$67.9 million for debt service payments, and \$32.4 million for taxes and tax equivalent payments. Mr. Walker, KUB's Chief Financial Officer, has prepared a letter certifying the availability of funds to fund the proposed budget.

A summary of the proposed budget request for fiscal year 2016 is attached for your information.

Resolution 1330

Resolution 1330 provides commitment appropriations for fiscal year 2016. The proposed request authorizes KUB to execute contracts and incur obligations on or before June 30, 2016 that commit KUB to expenditures subsequent to June 30, 2016. The commitments total \$54.7 million. The Electric Division's commitment appropriations will be \$14 million; the Gas Division's commitment appropriations will be \$7.2 million; the Water Division's commitments will be \$11 million; and the Wastewater Division's commitment appropriations will be \$22.5 million. Mr. Walker has also prepared a letter certifying the availability of funds for the commitment appropriations.

Resolution 1331

Resolution 1331 authorizes the issuance of a one-year line of credit for the Gas Division, not to exceed \$10 million. As you know, the Gas Division is subject to seasonal cash flow variation. While the majority of gas sales come from winter heating, natural gas purchases and other expenses are incurred by the division throughout the year. The line of credit is an effective tool for managing potential cash flow constraints associated with the seasonality of natural gas sales. The proposed line of credit would have a one-year maturity, with any balance drawn repaid prior to the end of the fiscal year.

Resolution 1332

As you know, KUB has designed its water system facilities, including treatment plants, pumps, reservoirs, and water mains, with additional capacity necessary to meet public fire protection service demands. In order to recover its costs associated with this additional system capacity, KUB bills the City of Knoxville an annual public fire protection service charge based on a public fire protection rate adopted by the Board.

Since 2002 the Board, at the request of the City, has adopted the public fire protection rate for periods of three consecutive years, with a true-up at the end of each three-year period to ensure KUB appropriately recovers its costs. The last increase in the public fire protection rate was effective July 1, 2012.

KUB and the City have mutually agreed to end the practice of setting the public fire protection rate for periods of three consecutive years with the understanding the rate will be subject to future changes as determined by the Board, in its sole discretion, consistent with the long-term funding plan of the water system.

Resolution 1332 provides for an increase in the public fire protection rate effective July 1, 2015 and July 1, 2016, respectively, to ensure KUB continues to appropriately recover its costs of providing water system capacity to meet public fire service demands.

A draft of each resolution is enclosed for your review. I recommend adoption of Resolution 1332 on the first of two readings, and the adoption of Resolutions 1329, 1330, and 1331 on first and final readings.

Respectfully submitted,



Mintha E. Roach
President and CEO

Knoxville Utilities Board FY 2016 Budget Request

KUB's proposed budget of \$888.8 million for fiscal year 2016 supports our ongoing efforts to fulfill KUB's vision of providing utility services that are safe, reliable, and affordable for both current and future generations of KUB customers.

KUB's proposed budget represents a slight increase of \$1.6 million or 0.2 percent over the current fiscal year forecast, reflecting expenditures for the deployment of smart meters and debt service associated with new bond issues. Fiscal year 2016 represents the first year of a planned four-year system-wide deployment of smart meters. The new bonds will help fund the upcoming fiscal year's capital budget.

KUB's new ten-year financial plan incorporates several new multi-year strategic initiatives, including smart grid deployment, water system redundancy, workforce planning, environmental sustainability, and improving the downtown electric network, all of which are partially reflected in the proposed budget.

The proposed budget includes \$479.9 million for wholesale energy purchases, \$179 million for capital investment in KUB's four utility systems, \$129.6 million for operations and maintenance (O&M) costs, \$67.9 million for principal and interest payments on outstanding bonds, and \$32.4 million for tax equivalent payments and FICA tax expense.

The proposed \$889 million budget will be funded by \$784 million in systems revenue, \$85 million in bond proceeds, and \$20 million in general fund cash. Rate increases previously approved by the Board will be reflected on customers' bills in August 2015 (electric and water) and November 2015 (natural gas and wastewater). The \$85 million in bond proceeds represents electric, water and wastewater bonds sold in April 2015.

Energy Costs

The largest component in KUB's fiscal year 2016 budget is the cost of wholesale energy purchases, consisting of electric power purchases from TVA and natural gas purchases from multiple gas suppliers. At \$479.9 million, wholesale energy represents 54 percent of KUB's fiscal year 2016 budget.

The proposed budget for purchased power is \$419.3 million, providing for the purchase of 5.7 billion kilowatt hours (kWh) from TVA for resale to KUB's electric customers. The proposed budget for purchased gas cost is \$60.6 million, representing the purchase of approximately 9.4 million dekatherms from suppliers for resale to KUB's gas system customers during fiscal year 2016.

The proposed budget for wholesale energy costs is \$11.9 million lower than the current year forecast, reflecting the colder than normal winter in fiscal year 2015.

O&M

KUB's proposed budget for O&M expenditures for fiscal year 2016 is \$129.6 million, representing 14.6 percent of the total budget request.

The \$129.6 million O&M budget consists of the following:

- \$60.3 million for labor-related expenditures, including \$43.2 million for O&M payroll, \$9.4 million for active employee medical expense, \$6.1 million for our annual contribution to the Pension Trust and for other post-employment benefits, and \$0.9 million for a contribution to the OPEB Trust to help fund post-employment health care benefits.
- \$33.3 million for materials and other costs, including \$7.8 million for utility expense, \$3 million for software licenses, \$2.6 million for chemicals for treating water and wastewater, and \$5.2 million for supplies and tools.
- \$35.9 million for various programs carried out by contractors on behalf of KUB, including \$7.1 million for vegetation management, \$3.4 million for facilities management and maintenance, and \$3.5 million for contract meter reading. Contract meter reading will be phased out over the following four years as KUB transitions to remotely read smart meters.

The \$129.6 million O&M budget represents an increase of approximately \$0.5 million over the current year forecast.

Capital

KUB's proposed capital budget for fiscal year 2016 is \$179 million, representing 20.1 percent of the total budget request. \$159.1 million or 89 percent of the proposed capital budget is directly related to improving, replacing, and expanding our utility system infrastructure.

The \$179 million budget includes the following major projects:

- \$20.8 million for the rehabilitation and replacement of 25 miles of wastewater main.
- \$10.3 million for the deployment of approximately 47,000 smart meters.
- \$4.7 million for water system improvements and \$4.1 million for wastewater system improvements.
- \$1.5 million for Century II downtown electric network projects, \$1.5 million for Lonsdale substation upgrades, and \$1.4 million for Arlington substation upgrades.
- \$13.2 million for completion of the South Loop gas line to the University of Tennessee.
- \$7.3 million for steel and cast iron gas main replacements, representing a total of 11.5 miles.
- \$6.7 million for water system cast iron main replacement, \$4.8 million for galvanized main replacement, and \$1 million for other water system replacement and relocation projects, representing a total of 17 miles.

- \$2 million for new multi-year environmental/sustainability initiatives, including \$1.2 million for heating and cooling system upgrades at the Hoskins Operations Center, and \$0.8 million for a new CNG fueling station. The CNG station, which will serve KUB's fleet and also be available to the general public, has an estimated completion date of December 2016.

The proposed \$179 million capital budget will keep each utility system's Century II program on track in fiscal year 2016.

Debt Service

The proposed budget for KUB's debt service payments for fiscal year 2016 is \$67.9 million, representing 7.6 percent of the total budget request.

The debt service budget includes \$29.3 million in principal payments and \$38.6 million in interest payments for bonds outstanding as of June 30, 2015.

At \$67.9 million, proposed debt service expenditures for fiscal year 2016 represent an increase of \$2.9 million over the current fiscal year forecast, reflecting debt service payments on the \$85 million in new bonds sold in April 2015.

Taxes and Tax Equivalents

The fiscal year 2016 budget also includes \$32.4 million for in lieu of tax payments and FICA labor-related taxes, representing 3.7 percent of the proposed total budget.

KUB is required under state law and the City Charter to make in lieu of tax payments (tax equivalents) to taxing jurisdictions in which its utility systems are located. Tax equivalents account for \$27.9 million of the proposed budget, including \$17.7 million in payments to the City of Knoxville, \$9.4 million in payments to Knox County, and \$0.8 million in payments to other taxing jurisdictions in which KUB's utility systems are located.

In the proposed budget, tax equivalent payments to the City of Knoxville are \$1.1 million higher than the current fiscal year, and payments to Knox County are up \$0.7 million. The higher level of payments reflects capital investment additions for each utility system.

Utility Division Budgets

The information provided above presents the proposed fiscal year 2016 budget on a combined basis. The Board will be requested to adopt budget appropriations for each respective division, including \$583.3 million for the Electric Division, \$130 million for the Gas Division, \$67 million for the Water Division and \$108.4 million for the Wastewater Division.

The following provides an overview of each division's proposed budget.

Electric Division

The proposed fiscal year 2016 budget for the Electric Division is \$583.3 million. The budget includes \$419.3 million for wholesale power purchases, \$55.6 million for O&M, \$73.7 million for capital, \$18.3 million for debt service, and \$16.5 million for taxes and tax equivalents.

The Electric Division's \$55.6 million O&M budget includes \$26.8 million for labor-related expenses, \$19.4 million for programs carried out by contractors (including \$7.1 million for vegetation management), and \$9.4 million for materials and other costs.

The \$73.7 million capital program includes \$49.5 million for system improvements and growth of the electric system, including \$8.5 million for electric transmission line (69 kV) improvements, \$2.9 million for Lonsdale and Arlington Substation improvements and \$6.5 million for the replacement of 2,500 poles. The electric system is expected to add 1,100 new customers in fiscal year 2016. KUB will spend \$7.2 million to relocate electric system utilities to accommodate highway construction projects. The remaining expenditures will provide for \$10.7 million in information technology projects and \$6.3 million in facilities and equipment.

The proposed budget for the Electric Division will be funded by \$542.6 million in electric system revenue, \$35 million in bond proceeds (from bonds sold in April 2015), and \$5.7 million in general fund cash. Proposed budget funding includes \$5.2 million in revenue from a previously approved electric rate increase for fiscal year 2016, which will raise each residential electric customer's monthly bill \$1. The \$1 increase will be reflected on electric customers' bills beginning August 2015.

Gas Division

The Gas Division's proposed fiscal year 2016 budget is \$130 million. The proposed budget includes \$60.6 million for wholesale natural gas purchases, \$19 million for O&M, \$33.2 million for capital, \$9.6 million for debt service payments, and \$7.6 million for taxes and tax equivalents.

The Gas Division's \$19 million O&M budget includes \$9.7 million for labor-related expenses, \$5.2 million for maintenance and other programs carried out by contractors, and \$4.1 million for materials and other costs.

The \$33.2 million capital program includes \$26.2 million for improvements, replacements, and expansions to the natural gas distribution system. The gas system is expected to add 750 new customers in fiscal year 2016. Planned improvements include \$7.3 million for 11.5 miles of main replacements including completion of the cast iron main replacement program and \$13.2 million for completion of the South Loop gas line to the University of Tennessee. The remaining budget will provide \$2.4 million for the relocation of gas utilities to accommodate state and federal highway projects, \$3.1 million for information technology projects and \$1.5 million for facilities and equipment.

The Gas Division's proposed budget will be funded by \$115.9 million in gas system revenue and \$14.1 million in general fund cash. Proposed budget funding anticipates \$1.8 million in revenue from a previously approved rate increase, which will raise each residential gas customer's monthly bill \$1. The increase will be seen on gas customers' bills beginning November 2015. No gas system bond issues are anticipated in fiscal year 2016.

Water Division

The proposed fiscal year 2016 budget for the Water Division is \$67 million. This budget includes \$23.3 million for O&M, \$30.3 million for capital expenditures, \$9.6 million for debt service, and \$3.8 million for taxes and tax equivalents.

The Water Division's \$23.3 million O&M budget includes \$10.8 million for labor-related expenses, \$3.6 million for programs carried out by contractors, and \$8.9 million for materials and other costs.

The proposed \$30.3 million capital budget provides \$18.4 million for water system improvements, replacements, and expansions, including 17 miles of water main replacements. The water system is expected to add 50 new customers in fiscal year 2016. The water capital budget also includes \$4.8 million for plant improvements at the Mark B. Whitaker Water Plant including \$2.7 million for disinfection process improvements. The capital budget provides \$3.9 million for the division's allocated share of information technology projects, and \$1.3 million for facilities and equipment. The remaining budget will provide \$1.9 million to relocate water system utilities for state and federal highway projects.

The Water Division proposed budget will be funded by \$47 million in water system revenue and \$20 million in bond proceeds (from bonds sold in April 2015). Water system revenue includes \$2.1 million in revenue from a previously approved rate increase, which will raise each residential water customer's monthly bill \$1. The increase will be seen on water customers' bills beginning August 2015.

Wastewater Division

The Wastewater Division's proposed budget for fiscal year 2016 is \$108.4 million. The budget includes \$31.7 million for O&M, \$41.8 million for capital, \$30.4 million for debt service, and \$4.5 million for taxes and tax equivalents.

The Wastewater Division's \$31.7 million O&M budget includes \$13.1 million for labor-related expenses, \$7.7 million for programs carried out by contractors, and \$10.9 million for materials and other costs.

The proposed \$41.8 million capital budget includes \$27.2 million for collection system replacement including 25 miles of sewer main replacements and rehabilitation projects. The capital budget also includes \$10.4 million for various treatment plant improvements. The remainder of the proposed capital budget provides \$0.7 million for wastewater pipe

relocations, \$2.1 million for the division's share of information technology projects, and \$1.4 million for general facilities and equipment. The wastewater system is expected to add 150 new customers in fiscal year 2016.

The Wastewater Division budget will be funded by \$78.4 million in wastewater system revenue and \$30 million from bond proceeds (from bonds sold in April 2015). Wastewater revenue includes \$4.7 million in revenue from a previously approved rate increase for fiscal year 2016, which will raise each residential customer's monthly bill \$3. The \$3 increase will be seen on wastewater customers' bills beginning November 2015.

RESOLUTION NO. 1329**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, Article IX.B.2. of the Knoxville Utilities Board of Commissioners (the “Board”) Bylaws provides that: “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 shall require the chief financial officer to certify the availability of funds adequate to fund the proposed budget”; and “the Board shall approve a budget for the forthcoming fiscal year no later than fifteen (15) days prior to its beginning”; and

Whereas, the Chief Financial Officer (CFO) of the Knoxville Utilities Board (“KUB”) has certified the availability of funds to support the proposed budget appropriations pursuant to the Board’s By-Laws; and

Whereas, KUB staff formally presented the proposed budget appropriations for the fiscal year beginning July 1, 2015, to the Board at the Board’s financial workshop on April 16, 2015, and the Board has found their adoption to be in the best interest of KUB and its customers.

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

Section 1. That budget appropriations for the fiscal year beginning July 1, 2015, and ending June 30, 2016, providing for expenditures paid for said fiscal year, be and the same are hereby made from the funds of the Electric Division, for the purposes and in the amount as follows:

Appropriations of the Electric Division (including appropriations for operation, maintenance, construction, administrative expenses, interest, bond retirements, bond funds, and payments in lieu of taxes), of which amount funds for construction may be taken from the proceeds from the sale of any electric system revenue bonds or notes, in the amount of **\$583,323,000.**

Section 2. That budget appropriations for the fiscal year beginning July 1, 2015, and ending June 30, 2016, providing for expenditures paid for said fiscal year, be and the same are hereby made from the funds of the Gas Division, for the purposes and in the amount as follows:

Appropriations of the Gas Division (including appropriations for operation, maintenance, construction, administrative expenses, interest, bond retirements, bond funds, and payments in lieu of taxes), of which amount funds for construction may be taken from the proceeds from the sale of any gas system revenue bonds or notes, in the amount of **\$129,980,000.**

Section 3. That budget appropriations for the fiscal year beginning July 1, 2015, and ending June 30, 2016, providing for expenditures paid for said fiscal year, be and the same are hereby made from the funds of the Water Division, for the purposes and in the amount as follows:

Appropriations of the Water Division (including appropriations for operation, maintenance, construction, administrative expenses, interest, bond retirements, bond funds, and payments in lieu of taxes), of which amount funds for construction may be taken from the proceeds from the sale of any water system revenue bonds or notes, in the amount of **\$67,046,000.**

Section 4. That appropriations for the fiscal year beginning July 1, 2015, and ending June 30, 2016, be and the same are hereby made from the funds of the Wastewater Division, for the purposes and in the amount as follows:

Appropriations of the Wastewater Division (including appropriations for operation, maintenance, construction, administrative expenses, interest, bond retirements, bond funds, and payments in lieu of taxes), of which amount funds for construction may be taken from the proceeds from the sale of any wastewater system revenue bonds or notes, in the amount of **\$108,427,000.**

Section 5. That expenditures for the sole benefit of the electric system shall be charged to the foregoing appropriations and from the funds of the Electric Division. Expenditures for the sole benefit of the gas system shall be charged to the foregoing appropriations and from the funds of the Gas Division. Expenditures for the sole benefit of the water system shall be charged to the foregoing appropriations and from the funds of the Water Division. Expenditures for the sole benefit of the wastewater system shall be charged to the foregoing appropriations and from the funds of the Wastewater Division. All expenditures for the joint benefit of the electric system, gas system, water system, and/or wastewater system shall be charged to the foregoing appropriations and from the funds of such divisions in accordance with the applicable division cost allocations in effect at the time of said expenditure.

Section 6. That in addition to the foregoing appropriations, whenever any sums are due and payable under customers' deposit agreements, under agreements providing for refundable advances to the system in connection with the construction of additions to a system, or for refunds associated with overpayments by customers, the President and CEO of KUB, or her designee, is authorized to refund any or all such sums that are or become due and payable; and all sums necessary to make such refunds shall be and the same are hereby appropriated from the funds of the divisions properly chargeable therewith.

Section 7. That in addition to the foregoing appropriations, whenever any sums are due and payable during the fiscal year beginning July 1, 2015, and ending June 30, 2016, for the entire principal amount of any debt issued during the fiscal year beginning July 1, 2015, and ending June 30, 2016, the President and CEO of KUB, or her designee, is authorized to pay any or all such sums that are or become due and payable, and all sums necessary to make such payments shall be and the same are hereby appropriated from the funds of the divisions properly chargeable therewith.

Section 8. That in addition to the foregoing appropriations, whenever any sums are received by a division on behalf of an external entity, including but not limited to the collection of sales tax, such sums shall be and the same are hereby appropriated from the funds of said division, for the purpose of paying the cost of the functions in connection with which such sums are received.

Section 9. That in addition to the foregoing appropriations, whenever any sums are received by a division on behalf of another division, or through the misapplication of division cost allocations, such sums shall be and the same are hereby appropriated from the funds of said division, for the purpose of paying such sums received to the appropriate division.

Section 10. That the KUB organizational structure, as determined by the President and CEO, which supports the electric, gas, water, and wastewater systems that will benefit from expenditures charged to the foregoing appropriations, is hereby approved and ratified by the Board.

Section 11. That all appropriations made herein shall terminate effective July 1, 2016, and any unexpended balances of such appropriations shall revert to the general funds of the division from which originally appropriated.

Section 12. That funds will be available for each division to fund the expenditures to be paid for the fiscal year beginning July 1, 2015, as noted in Sections 1, 2, 3, and 4 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 13. Be it Further Resolved, that this Resolution shall take effect from and after its passage.

Nikitia Thompson, Chair

Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: _____
EFFECTIVE DATE: _____
MINUTE BOOK ___ PAGE _____



Knoxville Utilities Board

May 21, 2015

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.c. of the Board's By-Laws there are sufficient funds adequate to fund the proposed budget appropriations for the fiscal year beginning July 1, 2015, as provided for in Resolution 1329, as follows:

<u>Division</u>	<u>Amount</u>
Electric	\$ 583,323,000
Gas	\$ 129,980,000
Water	\$ 67,046,000
Wastewater	\$ 108,427,000

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.

Respectfully submitted,

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

Mark A. Walker
Senior Vice President and CFO

Enclosure

May 2015: Certification of Available Funds - FY 2016 Budget Appropriations

Electric Division: Certification of Available Funds

	<u>FY 2016</u>
Beginning General Fund Cash (as of July 1, 2015)	\$24,982,000
Sales Revenues	\$524,019,000
Other Revenues	\$18,622,000
Bond Proceeds	\$35,000,000
Cash Reserves	\$27,022,000
Total	<u>\$629,645,000</u>
FY 2016 Budget Appropriations (Res. 1329)	<u>\$583,323,000</u>
Available Funds (as of June 30, 2016)	\$46,322,000

If positive, there are available funds to fund appropriations.

Gas Division: Certification of Available Funds

	<u>FY 2016</u>
Beginning General Fund Cash (as of July 1, 2015)	\$23,889,000
Sales Revenues	\$109,644,000
Other Revenues	\$6,262,000
Cash Reserves	\$14,116,000
Total	<u>\$153,911,000</u>
FY 2016 Budget Appropriations (Res. 1329)	<u>\$129,980,000</u>
Available Funds (as of June 30, 2016)	\$23,931,000

If positive, there are available funds to fund appropriations.

Water Division: Certification of Available Funds

	<u>FY 2016</u>
Beginning General Fund Cash (as of July 1, 2015)	\$10,125,000
Sales Revenues	\$44,160,000
Other Revenues	\$2,902,000
Bond Proceeds	\$20,000,000
Cash Reserves	\$10,963,000
Total	<u>\$88,150,000</u>
FY 2016 Budget Appropriations (Res. 1329)	<u>\$67,046,000</u>
Available Funds (as of June 30, 2016)	\$21,104,000

If positive, there are available funds to fund appropriations.

Wastewater Division: Certification of Available Funds

	<u>FY 2016</u>
Beginning General Fund Cash (as of July 1, 2015)	\$17,150,000
Sales Revenues	\$78,517,000
Other Revenues	\$4,221,000
Bond Proceeds	\$30,000,000
Cash Reserves	\$30,366,000
Total	<u>\$160,254,000</u>
FY 2016 Budget Appropriations (Res. 1329)	<u>\$108,427,000</u>
Available Funds (as of June 30, 2016)	\$51,827,000

If positive, there are available funds to fund appropriations.

RESOLUTION NO. 1330**A Resolution Approving Commitment Appropriations for the Fiscal Year Beginning July 1, 2015, Thereby Authorizing the Commitment of Expenditures to be Paid Subsequent to June 30, 2016, for Contractual Commitments Executed and Other Obligations Incurred on or Before 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, as of July 1, 2015, the Knoxville Utilities Board (“KUB”) will have previously entered into contractual commitments and other obligations for goods and services to be received after June 30, 2016, resulting in the commitment of expenditures to be paid subsequent to June 30, 2016, for which said commitments were charged against a prior appropriation made by the KUB Board of Commissioners (the “Board”); and

Whereas, the amount of the prior appropriation for such commitments shall terminate as of July 1, 2015; and

Whereas, KUB staff anticipates KUB will enter into additional contracts and obligations during the period beginning July 1, 2015, and ending June 30, 2016, for goods and services to be received subsequent to June 30, 2016, resulting in the commitment of expenditures to be paid subsequent to June 30, 2016; and

Whereas, the appropriations provided for in this Resolution shall provide for the commitment of expenditures from KUB subsequent to June 30, 2016, for goods and services to be received by KUB subsequent to June 30, 2016, resulting from contractual commitments executed and other obligations incurred by KUB on or before June 30, 2016; and

Whereas, the Chief Financial Officer (CFO) has certified the availability of funds to support the proposed commitment appropriations; and

Whereas, the Board has found the adoption of the proposed commitment appropriations to be in the best interest of KUB and its customers.

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

Section 1. That commitment appropriations for the fiscal year beginning July 1, 2015, and ending June 30, 2016, providing for the commitment of expenditures to be paid subsequent to June 30, 2016, for goods and services to be received subsequent to June 30, 2016, resulting from contractual commitments and other obligations incurred on or before June 30, 2016, be and the same are hereby made from the funds of the Electric Division, in the amount of **\$14,000,000**.

Section 2. That commitment appropriations for the fiscal year beginning July 1, 2015, and ending June 30, 2016, providing for the commitment of expenditures to be paid subsequent to June 30, 2016, for goods and services to be received subsequent to June 30, 2016, resulting from contractual commitments and other obligations incurred on or before June 30, 2016, be and the same are hereby made from the funds of the Gas Division, in the amount of **\$7,200,000**.

Section 3. That commitment appropriations for the fiscal year beginning July 1, 2015, and ending June 30, 2016, providing for the commitment of expenditures to be paid subsequent to June 30, 2016, for goods and services to be received subsequent to June 30, 2016, resulting from contractual commitments and other obligations incurred on or before June 30, 2016, be and the same are hereby made from the funds of the Water Division, in the amount of **\$11,000,000**.

Section 4. That commitment appropriations for the fiscal year beginning July 1, 2015, and ending June 30, 2016, providing for the commitment of expenditures to be paid subsequent to June 30, 2016, for goods and services to be received subsequent to June 30, 2016, resulting from contractual commitments and other obligations incurred on or before June 30, 2016, be and the same are hereby made from the funds of the Wastewater Division, in the amount of **\$22,500,000**.

Section 5. That funds will be available for each division to fund the expenditures to be paid subsequent to June 30, 2016, for contractual commitments executed and other obligations incurred on or before June 30, 2016, as noted in Sections 1, 2, 3, and 4 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 6. That all appropriations made herein shall terminate effective July 1, 2016.

Section 7. Be it Further Resolved, that this Resolution shall take effect from and after its passage.

Nikitia Thompson, Chair

Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: _____
EFFECTIVE DATE: _____
MINUTE BOOK ___ PAGE _____



Knoxville Utilities Board

May 21, 2015

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.c. of the Board's By-Laws there are sufficient funds adequate to fund the proposed commitment appropriations for the fiscal year beginning July 1, 2015, as provided for in Resolution 1330 as follows:

<u>Division</u>	<u>Amount</u>
Electric	\$ 14,000,000
Gas	\$ 7,200,000
Water	\$ 11,000,000
Wastewater	\$ 22,500,000

The availability of funds for commitment appropriations is based on general fund cash and all available cash reserves of the respective divisions as of July 1, 2016, and all monies anticipated to come into the general fund of each division prior to the maturity of the contractual commitments and other obligations 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.

Respectfully submitted,

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

Mark A. Walker
Senior Vice President and CFO

Enclosure

May 2015: Certification of Available Funds - FY 2016 Commitment Appropriations

Electric Division: Certification of Available Funds

	FY 2017
Available Funds (as of July 1, 2016)	\$46,322,000
Sales Revenues	\$530,510,000
Other Revenues	\$15,752,000
Total	\$592,584,000
FY 2016 Commitment Appropriations (Res. 1330)	\$14,000,000
Available Funds (as of June 30, 2017)	\$578,584,000

If positive, there are available funds to fund appropriations.

Gas Division: Certification of Available Funds

	FY 2017
Available Funds (as of July 1, 2016)	\$23,931,000
Sales Revenues	\$113,408,000
Other Revenues	\$2,361,000
Total	\$139,700,000
FY 2016 Commitment Appropriations (Res. 1330)	\$7,200,000
Available Funds (as of June 30, 2017)	\$132,500,000

If positive, there are available funds to fund appropriations.

Water Division: Certification of Available Funds

	FY 2017
Available Funds (as of July 1, 2016)	\$21,104,000
Sales Revenues	\$46,185,000
Other Revenues	\$2,506,000
Total	\$69,795,000
FY 2016 Commitment Appropriations (Res. 1330)	\$11,000,000
Available Funds (as of June 30, 2017)	\$58,795,000

If positive, there are available funds to fund appropriations.

Wastewater Division: Certification of Available Funds

	FY 2017
Available Funds (as of July 1, 2016)	\$51,827,000
Sales Revenues	\$82,623,000
Other Revenues	\$3,992,000
Total	\$138,442,000
FY 2016 Commitment Appropriations (Res. 1330)	\$22,500,000
Available Funds (as of June 30, 2017)	\$115,942,000

If positive, there are available funds to fund appropriations.

May 2015 - Commitments for Future Year Expenditures

Electric Division	FY 2017	FY 2018
Lonsdale Substation Improvements	\$750,000	\$5,400,000
Other Substation Improvements	1,050,000	
Highway Relocations	1,775,000	
Underground Cable Replacements	1,125,000	400,000
Transmission Line Improvements	1,530,000	
Downtown Network	500,000	650,000
SCADA Equipment & Other	820,000	
	\$7,550,000	\$6,450,000

Gas Division	FY 2017
Steel Main Replacements	\$3,100,000
Cast Iron Main Replacements	950,000
South Loop Connector	1,000,000
Highway Relocations	2,000,000
Other	150,000
	\$7,200,000

Water Division	FY 2017
MBW Disinfection System	\$2,000,000
Other Plant Improvements	1,700,000
Galvanized & Cast Iron Main Replacements	2,600,000
Water System Redundancy	1,850,000
Downtown Phase III	1,500,000
Highway Relocations	1,250,000
Other	100,000
	\$11,000,000

Wastewater Division	FY 2017
Mini Basin Rehabilitation and Replacements	\$10,600,000
Trunkline Rehabilitation and Replacements	6,350,000
Downtown Phase III	1,500,000
Pump Station Improvements	1,250,000
Fourth Creek Electrical System Improvements	2,250,000
Plant Disinfection System Improvements	400,000
Other	150,000
	\$22,500,000

RESOLUTION NO. 1331

A Resolution Authorizing the Issuance of Not to Exceed Ten Million Dollars (\$10,000,000) in Aggregate Principal Amount of Gas System Revenue Anticipation Notes (Nonrevolving Line of Credit) of the Knoxville Utilities Board in Anticipation of the Collection of Revenues of the Natural Gas Distribution System of the City of Knoxville for the Purpose of Paying the Cost of Natural Gas Purchases and Storage and Pipeline Capacity

Whereas, the Knoxville Utilities Board ("KUB") controls, manages, and has jurisdiction over the natural gas distribution system (the "System") of the City of Knoxville, Tennessee (the "City"); and

Whereas, KUB is engaged in an on-going program of purchasing natural gas for distribution to its customers, purchasing storage for purchased gas and paying pipeline capacity costs; and

Whereas, pursuant to Section 7-34-111(d), Tennessee Code Annotated, KUB is authorized to borrow money for the purpose of financing gas purchases, including the payment of storage and pipeline capacity costs, by the issuance of notes in anticipation of the collection of revenues of the System; and

Whereas, it is in the best interest of KUB to finance said gas purchases and capacity costs through the issuance of revenue anticipation notes and the establishment of a Nonrevolving Line of Credit with one or more local banks; and

Whereas, it is the intention of the Board of Commissioners of KUB (the "Board") to adopt this resolution for the purpose of authorizing such notes, establishing the terms thereof, and providing for the collection of revenues for the payment of principal thereof and interest thereon.

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

Section 1. Authority. The notes authorized by this resolution are issued pursuant to Section 7-34-111(d), Tennessee Code Annotated, and other applicable provisions of law.

Section 2. Definitions. The following terms shall have the following meanings in this resolution unless the text expressly or by necessary implication requires otherwise:

- (a) "Board" shall mean the Board of Commissioners of the Knoxville Utilities Board;
- (a) "Chief Financial Officer" shall mean the Chief Financial Officer of KUB;
- (b) "City" shall mean the City of Knoxville, Tennessee;
- (c) "Code" shall mean the Internal Revenue Code of 1986, as amended;
- (d) "KUB" shall mean the Knoxville Utilities Board;

(e) "Notes" shall mean the not to exceed \$10,000,000 Gas System Revenue Anticipation Notes (Nonrevolving Line of Credit), of KUB, authorized to be issued by this resolution, to be dated the respective dates of delivery thereof or various dates certain, as shall be determined by the Chief Financial Officer;

(f) "1988 Resolution" shall mean Resolution No. R-25-88 of the City Council of the City, adopted February 9, 1988, as supplemented and amended by Resolution No. R-59-88 adopted March 22, 1988, Resolution No. R-227-91 of the City Council of the City adopted June 25, 1991, Resolution No. R-471-92 of the City Council of the City adopted October 13, 1992 (as amended by Resolution No. R-5-93 of the City Council of the City adopted January 5, 1993 Resolution No. R-475-93 of the City Council of the City adopted October 26, 1993, Resolution No. R-22-97 of the City Council of the City adopted January 14, 1997, Resolution No. R-421-98 of the City Council of the City adopted October 20, 1998, Resolution No. R-66-01 of the City Council of the City adopted February 20, 2001, Resolution No. R-150-01 of the City Council of the City adopted March 20, 2001, Resolution No. R-479-01 of the City Council of the City adopted October 30, 2001, Resolution No. R-58-04 of the City Council of the City adopted March 2, 2004, Resolution R-262-05 of the City Council of the City adopted July 5, 2005, Resolution R-79-06 of the City Council of the City adopted February 28, 2006, Resolution No. R-345-07 of the Governing Body adopted August 28, 2007, Resolution No. R-132-10 of the Governing Body adopted May 4, 2010, Resolution No. R-333-2010, adopted November 2, 2010, Resolution No. R-336-2011 of the Governing Body adopted December 13, 2011, Resolution No. R-290-2012 of the Governing Body adopted October 16, 2012, Resolution No. R-322-2012 of the Governing Body adopted November 13, 2012, Resolution No. R-242-2013 of the Governing Body adopted July 23, 2013 and Resolution No. R-82-2015 of the Governing Body adopted March 3, 2015 authorizing the issuance from time-to-time of series of revenue obligations of the City or KUB payable from revenues of the System on a parity with any bonds issued pursuant to its provisions;

(g) "Outstanding Bonds" shall mean the City's outstanding Gas System Revenue Bonds, Series L-2005, dated August 10, 2005, maturing March 1, 2016 and thereafter, the City's outstanding Gas System Revenue Bonds, Series N-2007, dated November 1, 2007, maturing March 1, 2017, the City's outstanding Gas System Revenue Refunding Bonds, Series O-2010, dated June 23, 2010, maturing March 1, 2016 and thereafter, the City's outstanding Gas System Revenue Bonds, Series P-2010 (Federally Taxable Build America Bonds), dated December 8, 2010, maturing March 1, 2017 and thereafter, the City's outstanding Gas System Revenue Refunding Bonds, Series Q-2012, dated April 20, 2012, maturing March 1, 2016 and thereafter, the City's outstanding Gas System Revenue Bonds, Series R-2012, dated December 18, 2012, maturing March 1, 2016 and thereafter, the City's outstanding Gas System Revenue Refunding Bonds, Series S-2013, dated March 15, 2013, maturing March 1, 2016 and thereafter, the City's outstanding Gas System Revenue Bonds, Series T-2013, dated October 1, 2013, maturing March 1, 2016 and thereafter and the City's outstanding Gas System Revenue Refunding Bonds, Series U-2015, dated May 1, 2015, maturing March 1, 2016 and thereafter; and

(h) "System" shall mean the complete natural gas distribution system of KUB located within and without the corporate limits of the City, together with all additions, extensions and improvements hereafter made thereto.

Section 3. Authorization and Terms of the Notes. For the purpose of providing funds to finance the cost of the purchase of natural gas for distribution to the customers of the System and to purchase storage and pipeline capacity in connection therewith, and, in the Chief Financial Officer's discretion, to pay legal, fiscal and administrative costs incident thereto and incident to the issuance of the Notes, there is hereby authorized to be issued interest bearing revenue anticipation notes of KUB in an aggregate principal amount of not to exceed \$10,000,000. The Notes shall be payable to the order of the owner thereof or issued in registered or bearer form as shall be determined by the Chief Financial Officer and shall be known as "Gas System Revenue Anticipation Notes (Nonrevolving Line of Credit)". The Notes shall be dated the respective dates of delivery thereof, or various dates certain as shall be determined by the Chief Financial Officer, shall mature not later than one (1) year from the date of delivery of the first Note delivered hereunder, and shall be issued in \$100,000 denominations or any dollar amount in excess thereof, as shall be determined by the Chief Financial Officer. The Notes shall bear interest at a rate or rates not to exceed the maximum interest rate permitted by law, which may be adjusted from time to time in accordance with an established prime rate, or the equivalent thereof, or any other established index, as determined by the Chief Financial Officer, payable semi-annually, or at such other intervals, and on such dates as shall be determined by the Chief Financial Officer.

The Notes shall state on their face that no transfer of the Notes is permitted without prior written notice to the Chief Financial Officer.

The Notes shall be subject to prepayment prior to maturity at any time at a price of par plus accrued interest to the date of prepayment.

The Notes shall be signed by the Chair of the Board and shall be attested by the Secretary of the Board by their manual or facsimile signatures.

Section 4. Security and Source of Payment for the Notes. The Notes shall be payable solely from and secured by a pledge of and lien on the Net Revenues of the System, as defined in the 1988 Resolution and subject to a prior pledge of such revenues in favor of the Outstanding Bonds and any bonds hereafter issued on a parity therewith, provided that the Chief Financial Officer and the President and Chief Executive Officer are authorized to take such actions as are necessary, in their discretion, for the Notes to be issued on a parity of lien with the Outstanding Bonds and in such case the form of the Note shall be adjusted accordingly. The punctual payment of principal of and interest on the Notes shall be secured equally and ratably by said revenues as above provided without priority by reason of series, number or time of sale and delivery. The owners of the Notes shall have no recourse to the power of taxation of the City.

Section 5. Form of Notes. The Notes shall be in substantially the following form, the omissions to be appropriately completed when the Notes are prepared and delivered, subject to such changes and modifications as shall be requested by the purchaser thereof and agreed to by the Chief Financial Officer:

(Form of Note)

REGISTERED
Number

REGISTERED

UNITED STATES OF AMERICA

STATE OF TENNESSEE
COUNTY OF KNOX
KNOXVILLE UTILITIES BOARD
GAS SYSTEM REVENUE ANTICIPATION NOTE
(NONREVOLVING LINE OF CREDIT)

KNOW ALL MEN BY THESE PRESENTS: That Knoxville Utilities Board ("KUB"), for value received, hereby promises to pay to the order of _____, in the manner hereinafter provided, on _____, the principal amount of _____, or so much thereof as shall be advanced hereunder, with interest on said principal amount at a rate of interest equal to _____ percent (___%) of _____, provided that at no time shall the rate of interest payable on the indebtedness evidenced hereby exceed the maximum interest rate permitted by law. Interest shall be calculated on the basis of a [360-day year of twelve 30-day months] [365-day year over the actual number of days elapsed] on said principal amount at the annual rate of interest hereinabove set forth from the date hereof until the payment in full of the principal amount hereof, said interest being payable on the _____ day of _____ and _____, of each year during the term hereof, commencing the _____ day of _____, 20____, and at maturity or earlier prepayment. This Note, both principal and interest, shall be payable to the holder hereof at _____ or such other location as shall be directed by said holder.

This Note shall be subject to prepayment without notice prior to maturity at any time at the option of KUB at a price of par plus accrued interest to the date of prepayment.

This Note is one of a total authorized issue aggregating \$10,000,000 issued by KUB to finance the cost of the purchase of natural gas for distribution to the customers of the natural gas distribution system (the "System") of the City of Knoxville, Tennessee (the "City"), and to purchase storage and pipeline capacity in connection therewith, and to pay legal, fiscal and administrative costs incident thereto and incident to the issuance of the Notes, under and in full compliance with the constitution and statutes of the State of Tennessee, including Sections 7-34-111(d), Tennessee Code Annotated, and pursuant to a resolution duly adopted by the Board on the _____ day of _____, 20____ (the "Resolution").

This Note is payable solely from and is secured by a pledge of the Net Revenues of the System as provided in the Resolution, subject to a prior pledge of said Net Revenues in favor of the City's outstanding Gas System Revenue Bonds, Series L-2005, dated August 10, 2005, maturing March 1, 2016 and thereafter, the City's outstanding Gas System Revenue Bonds, Series N-2007, dated November 1, 2007, maturing March 1, 2017, the City's outstanding Gas System Revenue Refunding Bonds, Series O-2010, dated June 23, 2010, maturing March 1, 2016 and thereafter, the City's outstanding Gas System Revenue Bonds, Series P-2010 (Federally Taxable Build America Bonds), dated December 8, 2010, maturing March 1, 2017 and thereafter, the City's Gas System Revenue Refunding Bonds, Series Q-2012, dated April 20, 2012, maturing March 1, 2016 and thereafter, the City's Outstanding Gas System Revenue Bonds, Series R-2012, dated December 18, 2012, maturing March 1, 2016 and thereafter, the City's outstanding Gas System Revenue Refunding Bonds, Series S-2013, dated March 15, 2013, maturing March 1, 2016 and thereafter, the City's outstanding Gas System Revenue Bonds, Series T-2013, dated October 1, 2013, maturing March 1, 2016 and thereafter and the City's outstanding Gas System Revenue Refunding Bonds, Series U-2015, dated May 1, 2015, maturing March 1, 2016 and thereafter (collectively, the "Outstanding Bonds"). The punctual

payment of principal of and interest on the Notes of the series of which this Note is one shall be secured equally and ratably by the Net Revenues of the System without priority by reason of series, number or time of sale and delivery. The owners of the Notes shall have no recourse to the power of taxation of the City.

[In the event the Board chooses to comply with the requirements of the resolution authorizing the Outstanding Bonds for issuance of the Notes on a parity and equality of lien with the Outstanding Bonds, the preceding paragraph shall read as follows: This Note is payable solely from and is secured by a pledge of the Net Revenues of the System as provided in the Resolution, on a complete parity and equality of lien with the City's outstanding Gas System Revenue Bonds, Series L-2005, dated August 10, 2005, maturing March 1, 2016 and thereafter, the City's outstanding Gas System Revenue Bonds, Series N-2007, dated November 1, 2007, maturing March 1, 2017, the City's outstanding Gas System Revenue Refunding Bonds, Series O-2010, dated June 23, 2010, maturing March 1, 2016 and thereafter, the City's outstanding Gas System Revenue Bonds, Series P-2010 (Federally Taxable Build America Bonds), dated December 8, 2010, maturing March 1, 2017 and thereafter, the City's outstanding Gas System Revenue Refunding Bonds, Series Q-2012, dated April 20, 2012, maturing March 1, 2016 and thereafter, the City's Outstanding Gas System Revenue Bonds, Series R-2012, dated December 18, 2012, maturing March 1, 2016 and thereafter, the City's outstanding Gas System Revenue Refunding Bonds, Series S-2013, dated March 15, 2013, maturing March 1, 2016 and thereafter, the City's outstanding Gas System Revenue Bonds, Series T-2013, dated October 1, 2013, maturing March 1, 2016 and thereafter and the City's outstanding Gas System Revenue Refunding Bonds, Series U-2015, dated May 1, 2015, maturing March 1, 2016 and thereafter (collectively, the "Outstanding Bonds"). The punctual payment of principal of and interest on the Notes of the series of which this Note is one shall be secured equally and ratably by the Net Revenues of the System without priority by reason of series, number or time of sale and delivery. The owners of the Notes shall have no recourse to the power of taxation of the City.]

Under existing law, this Note and the income therefrom are exempt from all present state, county and municipal taxation in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on this Note during the period such Note is held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of this Note in the Tennessee franchise tax base or any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

This Note shall be deemed to be a registered obligation for purposes of Section 149 of the Internal Revenue Code of 1986. KUB shall cause to be kept records relating to the holder and owner of the Note by and through its Chief Financial Officer, who shall be deemed to be the registration agent hereunder. This Note shall be transferable only upon notice to the Chief Financial Officer and notation on the records of the Chief Financial Officer of the name and address of the transferee of the Note.

It is hereby certified, recited, and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Note, together with all other indebtedness of the City, does not exceed any limitation prescribed by the constitution and statutes of the State of Tennessee.

IN WITNESS WHEREOF, the Board has caused this Note to be signed by its Chair and attested by its Secretary, all as of the ____ day of _____, 2015.

KNOXVILLE UTILITIES BOARD

By: _____
Chair

ATTEST:

Secretary

Section 6. Applicability of the 1988 Resolution. In the event the Notes are issued on a parity with the Outstanding Bonds, all recitals, provisions, covenants and agreements contained in the 1988 Resolution are hereby ratified and confirmed and incorporated herein by reference and, for so long as any of the Notes shall be outstanding and unpaid either as principal or interest, shall be applicable to the Notes, shall inure to the benefit of the owners of the Notes as if set out in full herein, and shall be fully enforceable by the owner of any of the Notes.

Section 7. Certain Covenants Regarding the Notes. So long as any of the Notes are outstanding and unpaid the Board will comply with all covenants set forth in the 1988 Resolution, including the covenant to charge rates for the services of the System and collect therefrom revenues sufficient to pay principal of and interest on all obligations of the City and KUB payable from the revenues of the System, which obligations shall include the Notes.

Section 8. Issuance of Notes. The Chief Financial Officer is hereby authorized to sell the Notes by negotiated sale to one or more banks, and in connection with such negotiated sale, the Chief Financial Officer is authorized, but not required, to request proposals from prospective purchasers of the Notes. In connection with such sale of the Notes, the Chief Financial Officer is authorized to negotiate with the purchaser(s) of the Notes as he shall deem appropriate the terms of the Notes and in connection therewith is further authorized to agree to such terms, covenants and documents with the purchasers of the Notes as the Chief Financial Officer deems necessary in connection with the sale of the Notes in order to achieve the most favorable financing terms for KUB. The terms as so negotiated shall be ratified, confirmed and approved by the President and Chief Executive Officer. The issuance of any Notes under this Resolution shall be contingent upon KUB receiving written approval from the Office of the Comptroller of the State of Tennessee to issue the Notes pursuant to Section 7-34-111(d) Tennessee Code Annotated. The Notes may be issued in one or more series at one or more times with one or more banks, but shall mature not later than one (1) year from the dated date of the initial series of Notes. The Chief Financial Officer at his discretion may renew or remarket all or any of the Notes at any time following the initial delivery of the Notes but prior to one (1) year thereafter, pursuant to the terms hereof and upon such rates and terms as shall be acceptable to the Chief Financial Officer, so long as the final maturity date of the Notes so renewed or remarketed is not later than one (1) year after the date of delivery of the initial series

of Notes, the aggregate principal balance of all the Notes at any time issued does not exceed \$10,000,000, and any such renewal and remarketing are subject to Board approval. Upon the initial sale or upon any renewal or remarketing of the Notes, the Chair and Secretary of the Board are authorized to cause the Notes to be executed and delivered to the purchaser(s) thereof, and the Chair and Secretary of the Board, the Chief Financial Officer and the President and Chief Executive Officer of KUB, or any of them, are authorized to execute, publish, and deliver all certificates and documents as they shall deem necessary in connection with Notes and line or lines of credit.

Section 9. Disposition of Note Proceeds. The proceeds of the Notes may either be drawn as needed for the purposes described herein and, in the Chief Financial Officer's discretion, to pay the costs of issuance of the Notes, or, at the discretion of the Chief Financial Officer, drawn in their entirety and deposited with a bank or trust company regulated by the Federal Deposit Insurance Corporation in a special fund known as the "Gas Purchase Fund" to be kept separate and apart from all other funds of the City and KUB. The funds in the Gas Purchase Fund shall be disbursed solely for the purposes set forth herein and, in the Chief Financial Officer's discretion, to pay the costs of issuance of the Notes, including necessary legal, accounting and fiscal expenses, printing, advertising and similar expenses, administrative and clerical costs and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Notes. Money in the Gas Purchase Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said Gas Purchase Fund. Monies in the Gas Purchase Fund shall be expended only for the purposes authorized by this resolution. Moneys in the Gas Purchase Fund shall be invested as directed by the Chief Financial Officer in such investments as shall be permitted by applicable law.

Section 10. Federal Tax Matters. KUB recognizes that the purchasers and owners of the Notes will have accepted them on, and paid therefor a price that reflects, the understanding that interest thereon will not be included in gross income for purposes of federal income taxation under laws in force on the date of delivery of the Notes. In this connection, KUB agrees that it shall take no action which may render the interest on any of the Notes includable in gross income for purposes of federal income taxation. It is the reasonable expectation of the City and KUB that the proceeds of the Notes will not be used in a manner which will cause the Notes to be "arbitrage bonds" within the meaning of Section 148 of the Code, and to this end the said proceeds of the Notes and other related funds established for the purposes herein set out, shall be used and spent expeditiously for the purposes described herein. In the event Section 148(f) of the Code shall require the payment of any investment proceeds of the Notes to the United States government, KUB will make such payments as and when required by said Section 148(f) and will take such other actions as shall be necessary or permitted to prevent the interest on the Notes from becoming taxable. The Chair and Secretary of the Board, the President and Chief Executive Officer and Chief Financial Officer of KUB, or any of them, are authorized and directed to make such certifications in this regard in connection with the sale of the Notes as either or both shall deem appropriate, and such certifications shall constitute a representation and certification of KUB.

Section 11. Resolution a Contract. The provisions of this resolution shall constitute a contract between KUB and the registered owners of the Notes, and after the issuance of the Notes, no change, variation or alteration of any kind in the provisions of this resolution shall be made in any manner until such time as the Notes and interest due thereon shall have been paid in full.

Section 12. Separability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

Section 13. Repeal of Conflicting Resolutions and Effective Date. All other resolutions and orders, or parts thereof, in conflict with the provisions of this resolution, are, to the extent of such conflict, hereby repealed and this resolution shall be in immediate effect from and after its adoption.

Nikitia Thompson, Chair

Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: _____
EFFECTIVE DATE: _____
MINUTE BOOK ___ PAGE _____

RESOLUTION NO. 1332**A Resolution Replacing the Existing Rate Schedule of the Water Division for Public Fire Protection Service with New Rate Schedules to be Effective July 1, 2015 and July 1, 2016**

Whereas, the Knoxville Utilities Board (“KUB”) has designed its water system facilities, including treatment plants, pumps, reservoirs, and water mains, with the additional capacity necessary to meet public fire protection service demands, while maintaining its ability to meet normal customer requirements and system growth; and

Whereas, KUB incurs a cost for providing facilities to meet public fire service demands, including both capital investment and the cost of maintaining those facilities; and

Whereas, the KUB Board of Commissioners (the “Board”) has previously adopted a rate for public fire protection service (the “Public Fire Protection Rate”), expressed in the terms of a rate for each KUB owned public fire hydrant located within the jurisdictional boundaries of a governmental entity providing public fire protection service; and

Whereas, since 2002 KUB and the City of Knoxville (the “City”) have been parties to a Memorandum of Understanding (the “Memorandum”), which, at the request of the City, adopted the Public Fire Protection Rate for periods of three consecutive years, and included a true-up mechanism to ensure KUB appropriately recovers its costs associated with providing facilities to meet public fire service demands; and

Whereas, pursuant to Resolution 1267, the Board last increased the Public Fire Protection Rate effective July 1, 2012, and the three-year period for charging the City the current Public Fire Protection Rate will end June 30, 2015 upon the expiration of the Memorandum; and

Whereas, KUB and the City have mutually agreed to end the practice of adopting the Public Fire Protection Rate for three-year periods with the mutual understanding the Public Fire Protection Rate will be subject to future changes as determined by the Board in its sole discretion consistent with the long-term funding plan of the water system; and

Whereas, KUB and the City have mutually agreed that any true-up amount resulting from public fire protection charges billed the City for the three-year period ending June 30, 2015, will be amortized over a three-year period commencing with public fire protection charges for the fiscal year beginning July 1, 2015; and

Whereas, the Board has determined that an increase in the Public Fire Protection Rate is necessary to ensure that KUB continues to appropriately recover its cost of providing facilities to meet public fire service demands; and

Whereas, the Board desires to increase the Public Fire Protection Rate effective July 1, 2015, and July 1, 2016, respectively, which will place the Public Fire Protection Rate on schedule with previously approved increases for all other rate schedules of the Water Division; and

Whereas, in accordance with Section 1107(F) of the Charter of the City of Knoxville (“Charter”), the Board is required to charge sufficient rates for water service to pay all obligations of the Water Division; and

Whereas, in accordance with Section 1107(L) of the Charter, KUB has provided the required public notice of not less than five (5) days prior to a meeting of the Board when a rate change is to be considered.

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

Section 1. That the Water Division Rate Schedule entitled “Schedule D – Public Fire Protection Service” as set forth in Section 3 of Resolution 1060, as heretofore amended, is hereby deleted in its entirety and replaced with the rate schedule set forth in Exhibit A to this Resolution, to be effective July 1, 2015.

Section 2. That the Water Division Rate Schedule entitled “Schedule D – Public Fire Protection Service” as set forth in Section 3 of Resolution 1060, as heretofore amended, is hereby deleted in its entirety and replaced with the rate schedule set forth in Exhibit B to this Resolution, to be effective July 1, 2016.

Nikitia Thompson, Chair

Mark Walker, Board Secretary

APPROVED ON 1st
READING: _____
APPROVED ON 2nd
READING: _____
EFFECTIVE DATE: _____
MINUTE BOOK _____ PAGE _____

RESOLUTION 1332
EXHIBIT A
PUBLIC FIRE PROTECTION SERVICE RATE SCHEDULE
EFFECTIVE JULY 1, 2015

SCHEDULE D – PUBLIC FIRE PROTECTION SERVICE

Availability

Service under this schedule shall be available only to a governmental entity that undertakes to provide public fire protection service for an area that contains at least four square miles. KUB reserves the right to require any applicant for service under this schedule to execute a contract specifying, among other things, a minimum bill and minimum term for service.

Rate

For public fire protection service rendered, the governmental entity shall pay KUB a fire protection service charge at the rate of \$413.30 per year for each KUB owned public fire hydrant located within the jurisdictional boundaries of the governmental entity and within areas provided public fire protection service by such governmental entity. In addition to the fire protection service charge, the governmental entity shall pay for all water used for fire fighting at rates set forth in the Water General Service – Nonresidential Rate Schedule.

KUB may contract with other utility providers to supply public fire protection service to an eligible governmental entity in any service area (or portion thereof), where KUB determines it desirable to do so. Charges to a governmental entity for fire protection service provided under such a contract shall be at the same rate specified above, and the hydrants of the utility provider utilized under such a contract shall be deemed to be facilities owned by KUB for the sole purpose of calculating charges under this schedule.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

RESOLUTION 1332
EXHIBIT B
PUBLIC FIRE PROTECTION SERVICE RATE SCHEDULE
EFFECTIVE JULY 1, 2016

SCHEDULE D – PUBLIC FIRE PROTECTION SERVICE

Availability

Service under this schedule shall be available only to a governmental entity that undertakes to provide public fire protection service for an area that contains at least four square miles. KUB reserves the right to require any applicant for service under this schedule to execute a contract specifying, among other things, a minimum bill and minimum term for service.

Rate

For public fire protection service rendered, the governmental entity shall pay KUB a fire protection service charge at the rate of \$433.97 per year for each KUB owned public fire hydrant located within the jurisdictional boundaries of the governmental entity and within areas provided public fire protection service by such governmental entity. In addition to the fire protection service charge, the governmental entity shall pay for all water used for fire fighting at rates set forth in the Water General Service – Nonresidential Rate Schedule.

KUB may contract with other utility providers to supply public fire protection service to an eligible governmental entity in any service area (or portion thereof), where KUB determines it desirable to do so. Charges to a governmental entity for fire protection service provided under such a contract shall be at the same rate specified above, and the hydrants of the utility provider utilized under such a contract shall be deemed to be facilities owned by KUB for the sole purpose of calculating charges under this schedule.

Rules and Regulations

Service is subject to Rules and Regulations of KUB.

**Knoxville Utilities Board
Board Meeting
Minutes
Thursday, April 16, 2015, 8:30 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 16, 2015, pursuant to the public notice published in the January 10, 2015, edition of the *News Sentinel*. Chair Thompson called the meeting to order at 8:30 a.m.

Roll Call

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

Commissioners Absent: None

Approval of Minutes

The Minutes of the March 19, 2015, Board Meeting were approved as distributed upon a motion by Commissioner Williams and second by Commissioner Anderson.

Old Business

None

New Business

Resolution 1327, A Resolution to Amend Resolution No. 1313, 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, 2014, Providing for Expenditures Paid for the Period Beginning July 1, 2014, and Ending June 30, 2015”

Resolution 1328, A Resolution to Amend Resolution No. 1314, the Caption of Which is as Follows: “A Resolution Approving Commitment Appropriations for the Fiscal Year Beginning July 1, 2014, Thereby Authorizing the Commitment of Expenditures to be Paid Subsequent to June 30, 2015, for Contractual Commitments Executed and Other Obligations Incurred on or Before June 30, 2015”

April 16, 2015

Chair Thompson stated that Resolutions 1327 and 1328 are related to additional budget and commitment appropriations and therefore would be discussed together before being considered individually.

President Roach recommended adoption of Resolutions 1327 and 1328 on first and final reading. Her written recommendation is included in Attachment 1.

President Roach recognized Jamie Davis, Manager of Procurement and Assistant to the CFO, who advised the Board that the Electric, Gas, and Water Divisions would need additional budget appropriations to fully fund the projected cash expenditures for fiscal year 2015. Mr. Davis also reviewed a proposed amendment to fiscal year 2015 commitment appropriations for the Electric and Water Divisions, which will enable KUB to execute all necessary contracts on or before June 30, 2015. Mr. Davis further advised the Board that staff had previously discussed the need for additional budget appropriations with the Board's Audit and Finance Committee.

Upon a motion by Commissioner Herbert and a second by Commissioner Anderson, Resolution 1327 (*Attachment 1*) was adopted by a roll call vote on first and final reading. The following Commissioners voted "aye": Anderson, Hamilton, Herbert, Pinnell, Thompson, Williams, and Worden. No Commissioner voted "nay".

Upon a motion by Commissioner Hamilton and a second by Commissioner Williams, Resolution 1328 (*Attachment 2*) was adopted by a roll call vote on first and final reading. The following Commissioners voted "aye": Anderson, Hamilton, Herbert, Pinnell, Thompson, Williams, and Worden. No Commissioner voted "nay".

President's Report

TVA Award

President Roach introduced Ed Medford, Manager of Economic Development and Government Relations, who introduced the following individuals from TVA; Cindy Herron, Vice President of EnergyRight and Renewable Solutions; Robbie Ansary, Customer Service Manager, and Christy Cagle-Brooks, Northeast District Customer Relations Manager. Ms. Herron presented the Top Performer Award for EnergyRight Programs to Chair Thompson on behalf of KUB.

Round It Up Update

President Roach recognized Eddie Black, Senior Vice President, who summarized preparations leading up to the kick-off of the Round It Up program in May.

April 16, 2015

Other Business

None.

Public Comment

Louise Gorenflo – Climate Knoxville – Knoxville, TN

Adjournment

There being nothing further to come before the Board, Chair Thompson declared the regular meeting adjourned at 9:00 a.m.

Financial Workshop

President Roach provided an overview of this year's meeting format and reviewed the financial workshop agenda. She then introduced Susan Edwards, Senior Vice President and Chief Administrative Officer, who discussed KUB's Workforce Initiatives. Tracy Hayes, Manager of Construction, provided an update of each system's planned Century II programs for the next ten years. Gabriel Bolas, Manager of Environmental Programs and Assistant to the Chief Operating Officer, reviewed current and planned environmental and sustainability initiatives. Mark Walker, Senior Vice President and Chief Financial Officer, concluded the workshop portion of the meeting with an update of each utility system's ten year financial plan and provided an overview of the proposed budget for fiscal year 2016. Mr. Walker reviewed the official action items for the May Board Meeting including resolutions for fiscal year 2016 budget and commitment appropriations, a gas system line of credit, and for the adoption of public fire protection rates.

Public Comment

None

Adjournment

Chair Thompson declared the meeting adjourned at Noon.

Nikitia Thompson, Chair

Mark Walker, Board Secretary

Attachments

Attachment 1	Recommendation Letter and Resolution 1327, A Resolution to Amend Resolution No. 1313, 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, 2014, Providing for Expenditures Paid for the Period Beginning July 1, 2014, and Ending June 30, 2015"	<u>Page(s)</u> 6799-6804
Attachment 2	Resolution 1328, A Resolution to Amend Resolution No. 1314, the Caption of Which is as Follows: "A Resolution Approving Commitment Appropriations for the Fiscal Year Beginning July 1, 2014, Thereby Authorizing the Commitment of Expenditures to be Paid Subsequent to June 30, 2015, for Contractual Commitments Executed and Other Obligations Incurred on or Before June 30, 2015"	6805-6808



April 10, 2015

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

Commissioners:

The April 16 Board meeting agenda includes official action items related to additional budget and commitment appropriations for fiscal year 2015.

An overview of each official action item is provided below.

Resolution 1327

Resolution 1327 provides for additional budget appropriations for fiscal year 2015. Last May the Board adopted budget appropriations totaling \$867.6 million. At the March 26 meeting of the Board's Audit and Finance Committee, staff discussed the need for additional budget appropriations for the Electric, Gas, and Water Divisions to cover higher than anticipated expenditures for the current fiscal year.

Based on the latest forecast of cash expenditures, the Electric Division is expected to exceed its original budget appropriation by \$9.1 million due to a higher level of electric power purchased from TVA to meet customer demand last winter. The Gas Division is forecasted to exceed its budget appropriation by \$11.2 million due to higher than estimated expenses for construction of the South Loop gas pipeline project as well as higher than expected customer demand due to the colder than normal winter. The Water Division will exceed its original budget by \$0.1 million, reflecting costs associated with the repair of main breaks resulting from weather conditions in February.

Resolution 1327 provides for an additional \$15 million in budget appropriations for the Electric Division, an additional \$15 million for the Gas Division, and an additional \$0.5 million for the Water Division. A letter from Mr. Walker, KUB's Chief Financial Officer, has been prepared certifying the availability of these funds.

Resolution 1328

Commitment appropriations cover any contracts executed or other obligations incurred over the course of a fiscal year that commit KUB to cash expenditures beyond the fiscal year. Last May the Board adopted commitment appropriations totaling \$63.8 million for fiscal year 2015. Staff has reviewed commitments made and to be made for the current fiscal year, and is recommending an increase in commitment appropriations for the Electric and Water Divisions. Resolution 1328 provides for an additional \$2.2 million in commitment appropriations for the Electric Division and an additional \$450,000 for the Water Division. A letter from Mr. Walker has been prepared certifying the availability of funds for the additional appropriations.

I recommend adoption of Resolution 1327 and 1328 on first and final readings.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mintha E. Roach". The signature is written in black ink and is positioned above the printed name.

Mintha E. Roach
President and CEO

RESOLUTION NO. 1327

**A Resolution to Amend Resolution No. 1313, 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, 2014, Providing for Expenditures Paid for the Period Beginning July 1, 2014, and
Ending June 30, 2015”**

Whereas, the Knoxville Utilities Board of Commissioners (hereinafter referred to as the “Board”) previously adopted Resolution No. 1313, 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, 2014; 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, 2014; and

Whereas, the Board has determined it is appropriate to amend the budget appropriations for the Electric Division, Gas Division, and Water Division for the current fiscal year by increasing the amount of expenditures authorized to be paid on or before June 30, 2015; and

Whereas, the Chief Financial Officer has certified to the Board the availability of funds to support 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 1 of Resolution No. 1313 previously approved by this Board, be amended by adding **\$15,000,000** to the budget appropriations of the Electric Division for expenditures to be paid on or before June 30, 2015, thereby increasing the existing budget appropriations of the Electric Division from **\$570,252,000** to **\$585,252,000**.

Section 2. That Section 2 of Resolution No. 1313 previously approved by this Board, be amended by adding **\$15,000,000** to the budget appropriations of the Gas Division for expenditures to be paid on or before June 30, 2015, thereby increasing the existing budget appropriations of the Gas Division from **\$127,147,000** to **\$142,147,000**.

Section 3. That Section 3 of Resolution No. 1313 previously approved by this Board, be amended by adding **\$500,000** to the budget appropriations of the Water Division for expenditures to be paid on or before June 30, 2015, thereby increasing the existing budget appropriations of the Water Division from **\$62,756,000** to **\$63,256,000**.

Section 4. That funds will be available for each division to fund the expenditures to be paid for the fiscal year beginning July 1, 2014, as noted in Sections 1 through 3 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 5. 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: 4-16-15
EFFECTIVE DATE: 4-16-15
MINUTE BOOK 34 PAGE 6801-6804



Knoxville Utilities Board

April 16, 2015

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 for the fiscal year beginning July 1, 2014, as provided for in Resolution 1327, as follows:

An additional \$15,000,000 in budget appropriations for the Electric Division, thereby increasing the budget appropriations for the fiscal year beginning July 1, 2014 from \$570,252,000 to \$585,252,000.

An additional \$15,000,000 in budget appropriations for the Gas Division, thereby increasing the budget appropriations for the fiscal year beginning July 1, 2014 from \$127,147,000 to \$142,147,000.

An additional \$500,000 in budget appropriations for the Water Division, thereby increasing the budget appropriations for the fiscal year beginning July 1, 2014 from \$62,756,000 to \$63,256,000.

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, 2014, and all monies anticipated to come into the general fund of each division on or before June 30, 2015 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.

Respectfully submitted,

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

Mark A. Walker
Senior Vice President and CFO

Enclosure

April 2015: Certification of Available Funds - FY 2015 Budget Appropriations

Electric Division: Certification of Available Funds

	<u>FY 2015</u>
Beginning General Fund Cash	\$31,472,000
Sales Revenues	\$518,916,000
Other Revenues/Receipts	\$16,058,000
Cash Reserves	\$27,022,000
Bond Proceeds	\$85,000,000
Total	<u>\$678,468,000</u>
FY 2015 Budget Appropriations (Res. 1313)	\$570,252,000
FY 2015 Budget Appropriations (Res. 1327)	<u>\$15,000,000</u>
Available Funds	\$93,216,000

If positive, there are available funds to fund appropriations.

Gas Division: Certification of Available Funds

	<u>FY 2015</u>
Beginning General Fund Cash	\$44,014,000
Sales Revenues	\$115,279,000
Other Revenues/Receipts	\$2,578,000
Cash Reserves	\$14,116,000
Bond Proceeds	\$0
Total	<u>\$175,987,000</u>
FY 2015 Budget Appropriations (Res. 1313)	\$127,147,000
FY 2015 Budget Appropriations (Res. 1327)	<u>\$15,000,000</u>
Available Funds	\$33,840,000

If positive, there are available funds to fund appropriations.

Water Division: Certification of Available Funds

	<u>FY 2015</u>
Beginning General Fund Cash	\$22,178,000
Sales Revenues	\$41,848,000
Other Revenues/Receipts	\$2,323,000
Cash Reserves	\$10,963,000
Bond Proceeds	\$28,000,000
Total	<u>\$105,312,000</u>
FY 2015 Budget Appropriations (Res. 1313)	\$62,756,000
FY 2015 Budget Appropriations (Res. 1327)	<u>\$500,000</u>
Available Funds	\$42,056,000

If positive, there are available funds to fund appropriations.

RESOLUTION NO. 1328

**A Resolution to Amend Resolution No. 1314, the Caption of Which is as Follows:
“A Resolution Approving Commitment Appropriations for the Fiscal Year
Beginning July 1, 2014, Thereby Authorizing the Commitment of Expenditures to
be Paid Subsequent to June 30, 2015, for Contractual Commitments Executed
and Other Obligations Incurred on or Before June 30, 2015”**

Whereas, the Knoxville Utilities Board of Commissioners (hereinafter referred to as the “Board”) adopted Resolution No. 1314, approving commitment appropriations for the Electric, Gas, Water, and Wastewater Divisions of the Knoxville Utilities Board for the fiscal year beginning July 1, 2014; and

Whereas, the Board has determined it is appropriate to amend the commitment appropriations for the Electric and Water Divisions for the current fiscal year, by increasing the commitment of expenditures to be paid subsequent to June 30, 2015, for contractual commitments and other obligations incurred on or before June 30, 2015; and

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

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

Section 1. That Section 1 of Resolution No. 1314, be amended by adding **\$2,200,000** to the commitment appropriations of the Electric Division for contractual commitments executed and other obligations incurred on or before June 30, 2015, resulting in expenditures to be paid subsequent to June 30, 2015, thereby increasing the existing commitment appropriations from **\$11,500,000** to **\$13,700,000**.

Section 2. That Section 3 of Resolution No. 1314, be amended by adding **\$450,000** to the commitment appropriations of the Water Division for contractual commitments executed and other obligations incurred on or before June 30, 2015, resulting in expenditures to be paid subsequent to June 30, 2015, thereby increasing the existing commitment appropriations from **\$10,100,000** to **\$10,550,000**.

Section 3. That funds will be available for the Electric and Water Divisions to fund the expenditures to be paid subsequent to June 30, 2015, for contractual commitments executed and other obligations incurred on or before June 30, 2015, as noted in Sections 1 and 2 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 4. 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: 4-16-15
EFFECTIVE DATE: 4-16-15
MINUTE BOOK 34 PAGE 6805-6808



Knoxville Utilities Board

April 16, 2015

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 commitment appropriations for the fiscal year beginning July 1, 2014, as provided for in Resolution 1328 as follows:

An additional \$2,200,000 in commitment appropriations for the Electric Division, thereby increasing the commitment appropriations for the fiscal year beginning July 1, 2014 from \$11,500,000 to \$13,700,000.

An additional \$450,000 in commitment appropriations for the Water Division, thereby increasing the commitment appropriations for the fiscal year beginning July 1, 2014 from \$10,100,000 to \$10,550,000.

The availability of funds for commitment appropriations is based on available general fund cash and all available cash reserves of the respective divisions as of July 1, 2014, and all monies anticipated to come into the general fund of each division prior to the maturity of the contractual commitments and other obligations 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.

Respectfully submitted,

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

Mark A. Walker
Senior Vice President and CFO

Enclosure

April 2015: Certification of Available Funds - FY 2015 Commitment Appropriations

Electric Division: Certification of Available Funds

	<u>FY 2016</u>
Available Funds	\$93,216,000
Sales Revenues	\$524,019,000
Other Revenues	\$18,622,000
Bond Proceeds	\$0
Total	<u>\$635,857,000</u>
FY 2015 Commitment Appropriations (Res. 1314)	\$11,500,000
FY 2015 Additional Commitment Appropriations (Res. 1328)	<u>\$2,200,000</u>
Available Funds	<u>\$622,157,000</u>

If positive, there are available funds to fund appropriations.

Water Division: Certification of Available Funds

	<u>FY 2016</u>
Available Funds	\$42,056,000
Sales Revenues	\$44,160,000
Other Revenues	\$2,902,000
Bond Proceeds	\$0
Total	<u>\$89,118,000</u>
FY 2015 Commitment Appropriations (Res. 1314)	\$10,100,000
FY 2015 Additional Commitment Appropriations (Res. 1328)	<u>\$450,000</u>
Available Funds	<u>\$78,568,000</u>

If positive, there are available funds to fund appropriations.