



**Board Meeting Agenda
Thursday, December 18, 2025
Noon**

Call to Order

Roll Call

Approval of Minutes

Official Action

Resolution 1513 – A Resolution Requesting the City Council of the City of Knoxville to Adopt a Resolution Setting the Tax Equivalent Payments for the Electric, Gas, and Fiber Systems for the Fiscal Year Beginning July 1, 2025 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions

President's Report

Other Business

Public Comments

Adjournment

Note: The Chair may declare a periodic recess in these proceedings as may be necessary for comfort or convenience.



December 12, 2025

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

Commissioners:

The December 18 Board meeting agenda includes a single official action item, a resolution requesting City Council approval of electric, gas, and fiber in lieu of tax payments for fiscal year 2026. An overview of the resolution is set forth below.

Resolution 1513

State law requires City Council, as the municipality's governing body, to pass a resolution setting in lieu of tax payments for KUB's electric, gas, and fiber systems each fiscal year and providing for their distribution to the appropriate taxing jurisdictions.

Tax equivalents for the three systems for fiscal year 2026 total \$25,204,859, including \$18,992,987 for the electric system, \$6,193,691 for the gas system, and \$18,181 for the fiber system. The fiber system amount is small given the relatively low value of fiber system assets in place. The electric, gas, and fiber tax equivalent payments are the maximum amounts provided for under state law. These payments will be made to the respective taxing jurisdictions on the last business day of June.

A summary of all tax equivalent payments for fiscal year 2026 is enclosed for your information. Although it doesn't require official action by the Board or City Council, our presentation will also cover the in lieu of tax payments for the water and wastewater systems.

Resolution 1513, enclosed for your information, requests the City Council of Knoxville to set the in lieu of tax payments for KUB's electric, gas, and fiber systems and to establish the allocation of payments to the various taxing jurisdictions for the fiscal year ending June 30, 2026. I recommend its adoption on first and final reading.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gabriel J. Bolas II".

Gabriel J. Bolas II
President and CEO

Summary of FY 2026 Tax Equivalent Payments

KUB is required under state law and the City Charter to make in lieu of tax payments (tax equivalents) to the taxing jurisdictions in which its utility systems are located. State law sets forth the basis for electric, gas, and fiber system tax equivalents, while the City Charter addresses tax equivalents for the water and wastewater systems.

Under state law, the City Council of Knoxville is required to pass a resolution setting the annual tax equivalent amounts for the electric, gas, and fiber systems, and the allocation of such payments to the respective taxing jurisdictions (i.e., City of Knoxville, Knox County, etc.). The basis for the allocation of payments is also set forth in state law. Since state law is silent on water and wastewater tax equivalents, the KUB Board sets these amounts in a manner prescribed by the City Charter. Water and wastewater payments are made to the City of Knoxville.

Total tax equivalents for FY 2026 are \$34,405,287, representing an increase of \$2,448,609 from last fiscal year, as set forth below.

	FY 2026	FY 2025	Change	% Change
Electric Division	\$18,992,987	\$17,184,661	\$1,808,326	10.52%
Fiber Division	\$18,181	\$15,350	\$2,831	18.44%
Gas Division	\$6,193,691	\$6,044,143	\$149,548	2.47%
Water Division	\$2,968,141	\$2,777,013	\$191,128	6.88%
Wastewater Division	\$6,232,287	\$5,935,511	\$296,776	5.00%
	\$34,405,287	\$31,956,678	\$2,448,609	7.66%

The increase in tax equivalent payments over the prior fiscal year is the result of continued growth in utility system assets, fiber network construction, and higher energy sales margins.

Total payments to the City of Knoxville for FY 2026 will be \$24,142,247. Total payments to Knox County will be \$8,776,040. Total payments to other taxing jurisdictions will be \$1,487,000.

Water and wastewater payments will be paid to the City on February 27, 2026. Electric, gas, and fiber payments will be paid to the respective taxing jurisdictions on June 30, 2026.

RESOLUTION NO. 1513

A Resolution Requesting the City Council of the City of Knoxville to Adopt a Resolution Setting the Tax Equivalent Payments for the Electric, Gas, and Fiber Systems for the Fiscal Year Beginning July 1, 2025 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions

Whereas, in accordance with Section 1101 of the Charter of the City of Knoxville, the purchase, sale, and distribution of electric and gas services by the City of Knoxville are under the jurisdiction, control, and management of the Knoxville Utilities Board (“KUB”); and

Whereas, the state of Tennessee adopted electric and gas tax equivalent statutes in 1987 (TCA Sections 7-52-301 et seq. and Sections 7-39-401 et seq.) in order to gain uniformity with respect to payments in lieu of taxes on the property and operations of all electric and gas systems owned and operated by incorporated cities or towns, by counties, and by metropolitan governments in the state of Tennessee; and

Whereas, the state of Tennessee adopted a tax equivalent statute in 1999 (TCA Section 7-52-606) in order to provide the method for calculation of payments in lieu of taxes on the property and operations of all internet (fiber) or other like systems owned and operated by municipalities in the state of Tennessee; and

Whereas, the statutes provide that every municipality may cause an amount to be paid from its electric and/or gas and/or fiber system revenues for tax equivalents which, in the judgment of the municipality’s governing body (i.e. City Council of Knoxville), after consultation with the supervisory body (i.e. KUB), represents the fair share cost of government to be borne by the electric system and/or gas and/or fiber systems; and

Whereas, the statutes include formulas which establish the maximum annual tax equivalent payment for electric, gas, and fiber systems; and

Whereas, the statutes provide the basis for the allocation and distribution of tax equivalent payments to the various taxing jurisdictions, except to the extent any such payments were allocated and distributed under established arrangements in existence immediately prior to the adoption of the statutes; and

Whereas, KUB had an established arrangement for the allocation and distribution of electric and gas system tax equivalent payments, as defined by the statutes, in existence immediately prior to the adoption of said statutes; and

Whereas, TCA Section 7-52-606 provides that a municipality providing internet (fiber) services shall make payments in the same manner established for its electric system, except as provided in the statute; and

Whereas, KUB has prepared a proposed resolution for passage by the City Council of Knoxville, a copy of which resolution is attached hereto and made a part hereof (hereinafter referred to as the “Proposed Resolution”).

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

Section 1. That the KUB Board of Commissioners (the “Board”), after due consideration, finds that it is in the best interest of KUB and the City of Knoxville to make electric, gas, and fiber tax equivalent payments for the fiscal year beginning July 1, 2025, totaling \$18,992,987 for the electric system, \$6,193,691 for the gas system and \$18,181 for the fiber system (hereinafter referred to as “Tax Equivalents”), with the aforesaid Tax Equivalents being the maximum amounts permitted by law.

Section 2. That this Board, after due consideration, finds that the following allocation and distribution of the aforesaid Tax Equivalents to the following taxing jurisdictions is required under the applicable statutes:

	<u>Electric</u>	<u>Gas</u>	<u>Fiber</u>	<u>Total Tax Equivalents</u>
City of Knoxville	\$10,910,682	\$4,020,572	\$10,565	\$14,941,819
Knox County	6,598,138	2,170,286	7,616	8,776,040
Union County	758,649			758,649
Sevier County	432,611			432,611
Grainger County	162,608			162,608
Jefferson County	89,897			89,897
Blount County	21,298			21,298
Anderson County	19,104	1,669		20,773
Loudon County		1,164		1,164
Total	\$18,992,987	\$6,193,691	\$18,181	\$25,204,859

Section 3. That this Board hereby formally requests City Council to pass the Proposed Resolution, and this Board does hereby adopt, ratify, approve, consent and agree to each and every recital and provision contained in the Proposed Resolution.

Section 4. That this Board finds that the statutory obligation for consultation with the supervisory body (KUB) will be fulfilled by the delivery of this resolution to City Council.

Section 5. That upon City Council's passage of the Proposed Resolution, the President and Chief Executive Officer, or the Chief Financial Officer, is hereby authorized and directed to distribute the Tax Equivalents to the respective taxing jurisdictions in accordance with the Proposed Resolution; provided, however, that the amount of such Tax Equivalents to be paid to any taxing jurisdiction specified in the Proposed Resolution shall be appropriately reduced by the aggregate amount of any qualified state, county, city and other local taxes or charges imposed for such fiscal year by or for the benefit of such taxing jurisdiction, said reduction being required by the statutes.

Section 6. That the President and Chief Executive Officer is authorized to deliver copies of this Resolution to the Mayor and City Council as formal evidence of this Board's action in connection therewith.

Section 7. That this Resolution shall take effect from and after its passage.

Cynthia Gibson, Chair

Mark Walker, Board Secretary

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

RESOLUTION

A Resolution of the Council of the City of Knoxville Setting the In Lieu of Tax Payments for the Electric, Gas, and Fiber Systems of the Knoxville Utilities Board for the Fiscal Year Beginning July 1, 2025 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions

Whereas, under the state of Tennessee electric, gas and internet (fiber) tax equivalent statutes (TCA Section 7-52-301 et seq., Section 7-39-401 et seq. and TCA 7-52-606), the Council of the City of Knoxville, after consultation with the Knoxville Utilities Board (hereinafter referred to as "KUB"), may cause to be paid from KUB's Electric, Gas, and Fiber Divisions an amount for payments in lieu of taxes (hereinafter referred to as "Tax Equivalents") on KUB's electric, gas, and fiber systems and operations which, in the judgment of City Council, shall represent the fair cost of government properly to be borne thereby; and

Whereas, the amount of Tax Equivalents on KUB's electric and gas systems that may be set by City Council is to be in lieu of all state, county, city and other local taxes or charges imposed on KUB's Electric and Gas Divisions for the fiscal year by the various taxing jurisdictions in which the properties of the electric and gas systems are situated, said amount being subject to a maximum limitation that may be paid for a fiscal year; and

Whereas, the amount of Tax Equivalents on KUB's fiber system that may be set by City Council is to be in lieu of all state, county, city or other local taxes or charges imposed on KUB's Fiber Division for the fiscal year by the various taxing jurisdictions in which the properties of the fiber system are situated, except as specifically provided in Section 7-52-606; and

Whereas, the Tax Equivalents are to be distributed to the respective taxing jurisdictions in accordance with a mandatory distribution formula or under established arrangements with taxing jurisdictions in effect immediately prior to the adoption of the statutes, both as provided for in the statutes; and

Whereas, KUB had established arrangements in place with taxing jurisdictions for the allocation and distribution of in lieu of tax payments on KUB's electric and gas systems immediately prior to the adoption of the statutes; and

Whereas, TCA Section 7-52-606 provides that a municipality providing internet (fiber) services shall make payments in the same manner established for its electric system, except as provided in the statute; and

Whereas, KUB, by its passage of Resolution No. 1513 on December 18, 2025, and the delivery of same to City Council, has requested City Council pass a resolution setting the Tax Equivalents for the fiscal year beginning July 1, 2025, and providing for the allocation and distribution of the Tax Equivalents to the affected taxing jurisdictions (hereinafter referred to as "Proposed Resolution"); and

Whereas, City Council, having consulted with KUB regarding the setting of the Tax Equivalents and the allocation and distribution thereof to the affected taxing jurisdictions, hereby finds that KUB's Proposed Resolution is in the best interests of the City of Knoxville and KUB.

NOW THEREFORE BE IT HEREBY RESOLVED BY THE CITY COUNCIL OF THE CITY OF KNOXVILLE:

Section 1. That pursuant to T.C.A. Sections 7-52-301 et seq., Sections 7-39-401 et seq., and Section 7-52-606, the Council of the City of Knoxville hereby sets the Tax Equivalents for KUB's electric, gas, and fiber systems for the fiscal year beginning July 1, 2025, at a total of \$25,204,859, representing \$18,992,987 in electric Tax Equivalents, \$6,193,691 in gas Tax Equivalents and \$18,181 in fiber Tax Equivalents, said amounts being the maximum amount of Tax Equivalents that may be paid from KUB's Electric, Gas, and Fiber Divisions under law.

Section 2. That the aforesaid Tax Equivalents be distributed in accordance with law to the following taxing jurisdictions in the amounts specified below:

	<u>Electric</u>	<u>Gas</u>	<u>Fiber</u>	<u>Total Tax Equivalents</u>
City of Knoxville	\$10,910,682	\$4,020,572	\$10,565	\$14,941,819
Knox County	6,598,138	2,170,286	7,616	8,776,040
Union County	758,649			758,649
Sevier County	432,611			432,611
Grainger County	162,608			162,608
Jefferson County	89,897			89,897
Blount County	21,298			21,298
Anderson County	19,104	1,669		20,773
Loudon County		1,164		1,164
Total	\$18,992,987	\$6,193,691	\$18,181	\$25,204,859

Section 3. That the statutory obligation for City Council to consult with the supervisory body (KUB) was satisfied by the delivery of KUB Resolution No. 1513 to City Council.

Section 4. That KUB be and hereby is authorized and directed to aforesaid amounts of Tax Equivalents to the respective taxing jurisdictions specified above; provided, however, that the amount of such Tax Equivalents to be paid to any taxing jurisdiction shall be appropriately reduced by the aggregate amount of any qualified state, county, city and other local taxes or charges imposed for such fiscal year by or for the benefit of such taxing jurisdiction, said reduction being required by law.

Section 5. That this resolution shall take effect immediately upon its passage, the public welfare requiring it, and a certified copy hereof shall be delivered to the President and Chief Executive Officer of KUB as formal evidence of this Council's action in connection therewith.

Mayor

City Recorder

**Knoxville Utilities Board
Board Meeting Minutes
Thursday, November 20, 2025 Noon**

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, November 20, 2025, pursuant to the public notice published in the January 4, 2025, edition of the *News Sentinel*. Chair Gibson called the meeting to order at 12:00 p.m.

Roll Call

Commissioners Present: Claudia Caballero, Cynthia Gibson, Kathy Hamilton, Celeste Herbert, and Phyllis Nichols

Commissioners Absent: Ron Feinbaum and Dr. Craig Pickett, Jr.

Approval of Minutes

Upon a motion by Commissioner Herbert and a second by Commissioner Caballero, the October 16, 2025 Board meeting minutes were approved by a roll call vote. The following Commissioners voted “aye”: Caballero, Gibson, Hamilton, Herbert, and Nichols. No Commissioner voted “nay”.

Old Business

None

New Business

None

President's Report

Natural Gas Purchasing and Winter Update

President Gabriel Bolas reminded Commissioners that staff provides an update each fall on the natural gas industry and KUB's compliance with natural gas purchasing requirements and a winter energy bill forecast. He recognized Sherri Ottinger, Manager of Rates and Analytical Services, to provide this year's update.

November 20, 2025

2025 United Way Campaign

President Gabriel Bolas advised Commissioners that we recently completed our annual employee-funded United Way campaign. The annual campaign reflects KUB's mission of service and employee commitment to the community. He recognized Kristy Lund, Manager of Fiber Customer Service, to share an overview of this year's campaign.

Mark B. Whitaker Water Treatment Plant Updates

President Bolas reminded Commissioners we provided an update on the main break at the Mark B. Whitaker Water Treatment Plant at last month's meeting. He recognized Kurt Stafford, Vice President of Engineering and Operations, to share details on the repair and provide updates on other projects at the facility.

Annual Report

President Bolas advised Commissioners the 2025 Annual Report is in their portfolios. It provides an overview of our services and finances, along with a comprehensive look at our sustainability efforts, community initiatives, and other accomplishments of KUB employees who are committed to serving our customers.

Other Business

None

Public Comment

None

Executive Session

Chair Gibson recognized Commissioner Hamilton, who in her capacity as Chair of the Audit and Finance Committee, made the motion to enter into Executive Session to discuss IT system security. Commissioner Nichols seconded the motion. She stated that following adjournment of the meeting, the Board would continue with an open lunch session where KUB matters may be discussed. She asked members of the public to exit the Board Room. Chair Gibson declared the Executive Session adjourned at 1:20 p.m.

November 20, 2025

Adjournment

There being nothing further to come before the Board, Chair Gibson declared the Board meeting adjourned at 1:21 p.m.

Cynthia Gibson, Chair

Mark Walker, Board Secretary

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