

MINUTES OF MANAGEMENT REVIEW SPECIAL MEETING OF KISSIMMEE UTILITY
AUTHORITY, HELD WEDNESDAY, SEPTEMBER 12, 1990, AT 6:00 PM, BOARD
ROOM, ADMINISTRATION BUILDING, KISSIMMEE, FLORIDA.

Present at the meeting were Chairman Hord, Secretary Bobroff, Assistant Secretary Lowenstein, Director Jones, Mayor Van Meter, Attorney Brinson, General Manager Welsh, and Recording Secretary Rundio. Director Gant was absent.

MEETING CALLED TO ORDER at 6:07 P.M. by Chairman Hord.

1. PURCHASE AGREEMENT FOR PROPERTY ADJACENT TO NORTH BERMUDA AVENUE SITE

James C. Welsh, General Manager, highlighted the need to purchase the property adjacent to our North Bermuda Avenue Complex to house the Energy Control Center and Administrative facility. Following almost two years of negotiations, an agreement was reached for the expansion of the Bermuda Avenue site. The closing I will take place on February 28, 1991, with the closing price being determined by an appraisal process. An MAI appraiser would be chosen by KUA and Kelley Properties and if the appraisal prices are within 10% of each other, the average of the two prices would be the closing price of the deal. If they are greater than 10% apart, we would go back to the price we paid for the North Bermuda Avenue property originally and raise it by the average of the escalation rate contained in the two appraisals. If the price is higher than the lower appraisal, this would be the transaction price. If lower than the lower appraised price, then the transaction price would be 5% higher than the lowest original appraised price. This is considered to be a fair pricing mechanism.

Chairman Hord inquired of Attorney Ed Brinson on the possibility of the property posing environmental problems. Mr. Brinson said he had proposed the standard language protecting us but, of course, Kelley Properties rejected it and suggested a compromise which meant that we had a right to have it inspected. Mr. Brinson stated that he had insisted the language include that they had no knowledge of any environmental hazards. Mr. Brinson said we should authorize a Level 1 study. The wording, Mr. Brinson said, "to the best of Owner's knowledge without inquiry", which he considered to be weak language, should be qualified to read "to the best of their knowledge", or "they had no knowledge". "Without inquiry" means that they have not done an exhaustive study. KUA has the option of surveying the property in this respect and if the conditions fail, KUA would be relieved of the terms and conditions of this Agreement and have returned all deposits paid to the Owner.

Mr. Welsh said that staff recommends we proceed on a Level 1 study, The members considered this a cautious, necessary safeguard.

Moved by Director Lowenstein that the Board authorize the Chairman and Secretary to execute the subject purchase agreement for property adjacent to the North Bermuda Avenue site, and pay the sum of \$50,000 to Lawrence E. Dolan, P.A., to be held by it as escrow agent, subject to the terms and conditions of the agreement. Seconded by Director Bobroff.

**Motion carried 4 - O
Director Gant absent**

Mr. Welsh indicated that we will be proceeding on the following undertakings: Test or have the environmental audit done; we have agreed to fence the property for the protection of the adjacent property from a liability standpoint; and proceed to request a scope of services from our architects/electrical/civil team concerning development there, and staff will then bring this back to the Board. We will also engage in a MAI survey for the appraisal.

Closing date will be February 28, 1991. A target date for developing that site and building the Energy Control Center is set for October, 1991, but at this point it seems improbable we can meet that date. Licensing, approvals and permits are necessary.

Discussion followed on the possibility of putting in an internal roadway at the (back) West side of the property as an alternative route from the eventual and anticipated busy N. Bermuda Avenue traffic from John Young Parkway, as well as it possibly being a mutual joint effort entranceway to nearby factories. Mayor Van Meter suggested approaching the City of Kissimmee in sharing costs for building the roadway. Mr. Welsh said three considerations will be the substation site, expansion of facilities, and an Administrative facility.

2. MANAGEMENT REVIEW

Director Bobroff had distributed results of a management survey of comparable municipal utilities. Brief discussion followed.

Chairman Hord said that, as in previous years, the same format would be followed.

Director Bobroff asked the General Manager how much time he spent at home reading electrical journals and other technical material to keep abreast of the latest developments in the electric utility field. Mr. Welsh replied between 2-5 hours per week, which Director Bobroff thought was a low figure. Mayor van Meter commented, not if you're a speed reader.

Chairman Hord inquired into the total sales revenue of KUA during the past three years, as well as the total number of employees during the same period. Mr. Welsh replied the figures were approximately \$49 million in 1989, \$56 million in 1990 and \$64 in 1991 and the total number of employees was 185 in 1989, 200 in 1990 and in 1991 is expected to reach 225. Chairman Hord also asked his business philosophy in a fiscal sense. Mr. Welsh said that we're starting on our Five Year Plan with management staff in our need to look ahead into the future; that personnel-wise we strive to be as conservative as possible. He said he advises his staff to curb all spending unless absolutely necessary; that this operation must be run very efficiently and effectively for the continuance of growth and of the livelihood of our employees. Also, every portion of the budget must be cost justified and he gives direction to his staff at the start of the budgeting process to reduce corrections later on. He concurred with Chairman Hord about running a lean, mean operation.

Mr. Welsh said he felt we have achieved much recently: building and moving into the Distribution Center Complex; developing an efficient Data Processing staff; Purchasing; and Finance is in good shape, including good project reporting. Planning for the future is a foremost goal of KUA staff in terms of generation, generation site, capacity, contacting other utilities, and making plans for an Administrative facility.

Mayor Van Meter stated that KUA has come a long way and that the organization is operated like it should be operated, with a fine Board and good management on the General Manager's staff to stabilize the ups and downs of political whims. Mayor Van Meter said he would encourage KUA to consider whether the water & Sewer segment is something we would want to look at and manage. He said it is vital to the development of this area and is a money-maker and he considered KUA to be strong enough to consider taking this step. It is available under the Charter and would require the City Commission's cooperation. He felt the General Manager is capable of running this entity. Mr. Welsh said that from a business and customer relations standpoint we're basically doing it now. Mr. Welsh stated he would definitely find this a challenging undertaking and it should be looked at. Further discussion continued under "Other".

Continuing with the management review, Mr. Welsh excused himself from the meeting while the members deliberated further.

Chairman Hord stated that the General Manager's total salary compensation in fiscal year 1990 was in the range of \$75,500, of which the base was \$72,500, with a bonus of \$3,000. With the growth in revenue at about 15% per year on average and with the employment increasing between 8-10%, he said the Board should be aware of management's stability; the challenges are present. He reminded them of the General Manager's business and management attributes and contributions to KUA and felt it important that KUA respond in kind through compensation.

Director Bobroff felt that General Manager Welsh was dedicated to the organization and adds stature to KUA by his standing in the community and rapport with management of other utilities.

Moved by Director Bobroff that KUA have a policy where the General Manager be automatically included with all other employees to receive the Cost of Living increase, or decrease, as the case may be, unless it is rescinded, on an annual fiscal year basis. In addition, it was agreed by the Board that six months into the fiscal year a Management Review be held and that the Management Review does not correlate with the start of the fiscal year. Seconded by Director Lowenstein.

Mayor Van Meter translated the above motion to read, as follows, with Director Bobroff's consent:

Moved by Director Bobroff authorizing that the General Manager's salary be tied to the Cost of Living increase, or decrease, as the case may be, unless it is rescinded, that applies to all KUA employees during Budget Review, and that the Board and the General Manager will hold an annual Management Review at the midpoint of the fiscal year. Seconded by Director Lowenstein.

**Motion carried 4 - O
Director Gant absent**

Chairman Hord said a management review was held six months ago and that it be a written rule that whatever the annual increase would be for the employees, that the General Manager would fall into that category automatically, unless it's rescinded. As a Board, he said, we have an obligation to review him aside from the midyear review.

Mayor Van Meter stated that the General Manager be encouraged to enroll in continuing education courses in the area of business management (financial, inventory, etc.), aside from utility oriented seminars.

Mr. Welsh returned to the meeting at 7:12 P.M.

Chairman Hord informed Mr. Welsh that a motion was made that at the start of each Budget year he will be given the same annual cost of living increase as that received by the other KUA employees and that at the midpoint of that fiscal year he will have an annual Management performance review.

Mr. Welsh thanked the Board for their consideration and approval. His base starting point, he was informed, will be \$75,500, to which the Market Level Adjustment will be added as of October 1, 1990.

Chairman Hord said that with this organization's growth, Mr. Welsh might wish to accompany some of his Department Directors to some technical/business management seminars to broaden his horizons. Mr. Welsh said he has attended several such seminars, i.e., APPA and Data Processing at IBM, and found them to be very informative. Several staff members have also attended seminars pertaining to their line of work. Mayor Van Meter stressed that Mr. Welsh and staff attend business oriented, rather than governmental structured, seminars to enhance their jobs and performance.

3. OTHER

Pursuing the earlier Water & Sewer discussion, Mayor Van Meter said the City may study the feasibility of transferring that department under KUA's direction. Chairman Hord suggested that the Mayor act as liaison between KUA and the City Commission, informing the City that Water & Sewer was discussed at a special KUA meeting to see if it was appropriate to be under our direction, and that Mayor Van Meter was only presenting this to the City Commission. The City has to give direction first. Mayor Van Meter said the Water & Sewer Department is taking on a regional concept, expanding in many areas, as well as undergoing involuntary annexing at the request of the property owners. He said there is an undercurrent to have the City annex BVL (Buenaventura Lakes). The Mayor said that Water & Sewer is the biggest single reason for annexation within the City limits. Mayor Van Meter indicated what the proposed lines of demarcation will be. He said KUA is the most appropriate entity to run that department, with revenues ranging between \$20-25 million per year.

Chairman Hord took a straw vote of the members in having Mayor Van Meter approach and pursue this with the City Commission. Director Lowenstein said the avenue needs to be open and felt we should pursue it. If it creates stability and he was 100% for it. Director Bobroff said he was totally for it, for a number of years. Director Jones also said yes. Director Gant was absent; however, the other members felt his feelings would be in the affirmative. Chairman Hord asked that Mayor Van Meter inform the City Commission that KUA would like to enter into discussions on the pros and cons of that type of business. Mr. Welsh said that we want the City Commission to be aware that if they are desirous of KUA taking on the management of Water & Sewer, we are basically agreeable to assist them in that. The Charter and wording is already in place and it would entail some type of transfer from RUA back to the City.

Mr. Welsh said if the City votes and approves this transaction, much work will be involved in this process by those associated with it.

Mayor van Meter indicated that the City is in the process of going out for a Request for Management Study for Water & Sewer. He suggested it was worthwhile to study and look at this to see if it's good for KUA. During the Study might be a good time to approach the City to ascertain if that Department should be managed by KUA.

4. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

GENERAL MANAGER

Mr. Welsh stated he had been in contact with Florida Power Corp. advising them that KUA was desirous in participating in a coal-fired plant which they are planning in 1998 and they said they would seriously discuss this. They anticipated selecting the site, either one or one with a backup, in three to four weeks. If it was mutually good for each of us, there may be a way to participate in a base-loaded plant in the late '90s.

Mr. Welsh distributed copies of the Executive Summary on the Additional Investigations of Cane Island Site, dated September 11, 1990, along with a Preliminary Environmental Survey of the Cane Island Site, dated September 10, 1990, for their perusal prior to the September 13th meeting.

The Board was reminded of and invited to attend KUA's upcoming 5th Birthday party on Monday, October 1st, commencing with a reception at 9:00 a.m. in the Boardroom, Administration Building. City, County and other invited guests will help celebrate our 5th anniversary. Bucket truck rides, tours and electrical demonstrations are scheduled throughout the day for our guests, employees and customers.

The General Manager said that Attorney Ed Brinson received an honorary appointment to the "Ends of Court". Mr. Brinson said this Chapter was modeled after those in England where the Barristers gathered together to learn from each other. He said the Chapter consists of 65 attorneys from Osceola and Orange Counties. He was being honored the following evening at their first meeting. Congratulations were extended to him.

Mr. Welsh expressed thanks to the Board members for their consideration in his Management Review.

ATTORNEY - None

DIRECTORS

Chairman Hord expressed concern regarding the Joint Owners Report submitted by FMPA where Florida Power & Light (FP&L) said the 35-day schedule which was originally set to be the downtime to refuel St. Lucie was an aggressive time frame but the 70-day plan is more like a normal refueling. He was perplexed that FP&L indicated to auditors 35 days when that fact was incorrect, or whether now they are buying time to have the thing down.

Mr. Welsh responded that he did not know the details of this particular incident, but that sometimes during a complicated outage it is difficult to know the exact time frame. Even during refueling, other considerations are brought into play. He said it would be to FP&L's benefit to bring that system back as quickly as possible.

Chairman Hord said that we pay large sums of money to them and he asked staff to find the reason for this change of schedules and to report back to the Board. Mr. Welsh said this would be done.

6. ADJOURNMENT: Meeting adjourned at 7:45 p.m.

ATTEST:



SECRETARY



CHAIRMAN