

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD
WEDNESDAY, AUGUST 28, 1996 AT 6:00 PM, BRINSON BOARD ROOM,
ADMINISTRATION BUILDING, 1701 W. CARROLL STREET, KISSIMMEE, FLORIDA

Present at the meeting were Chairman Gant, Vice-Chairman Walter, Secretary Lowenstein, Assistant Secretary Guthrie, Vice-Mayor Dorsett, Attorney Brinson, President and General Manager Welsh, and Recording Secretary O'Rourke. Director Hord was absent.

A. MEETING CALLED TO ORDER at 6:00 p.m. by Chairman Gant.

B. AWARDS AND PRESENTATIONS

1. 25-YEAR SERVICE AWARD - TIM SCHER

Mr. Welsh stated that Tim began working at KUA in 1971 as a Utility Worker in the Parks & Recreation department. He then transferred to the electric utility department in 1981 as an Electric Meter Technician. Tim was promoted to Chief Meter Technician in 1985 and continues to hold that position. Mr. Welsh said Tim's division has accomplished many achievements through Tim's leadership and direction. Mr. Welsh stated he is always impressed with Tim's professionalism and dedication. Tim is dependable and one of KUA's finest employees.

Chairman Gant presented Tim with a walnut thermometer/barometer and the other Board members joined him in congratulating Tim.

2. FMEA SAFETY AWARDS

Mr. Welsh stated that Neville Turner, Director of Personnel was accepting the award for Administration and Ben Sharma, Director of Power Supply was accepting one for Power Supply. Mr. Turner said these awards are for no lost-time accidents within a one year period.

3. COMPETITION WEEK TROPHY PRESENTATION

Mr. Welsh stated competition week between KUA and the City of Kissimmee had just been completed. Mr. Welsh said this started back in 1988 with just a softball game and now it has spread to other events. The City won two years and KUA won two years. There has not been a competition week since 1991, but this year the employees decided to do it again. Mr. Welsh said he was very pleased to announce that KUA won this year.

Robin Phillips was the KUA Chairperson for competition week and she presented the trophy that KUA won to the Board of Directors.

4. EMPLOYEE OF THE MONTH - ALLEN STRAIGHT

Mr. Welsh stated that Allen Straight was here for a very special award tonight and that was the Employee of the Month award.

Mr. Welsh said Allen's primary responsibility is to help deliver reliable service to our customers and Allen does that with promptness, efficiency and with the help of a dedicated crew. Mr. Welsh said you could call on Allen anytime and he is more than willing to help you. Allen is well liked and his advice is often sought. Mr. Welsh stated Allen is a great asset to KUA and very deserving of this award. Allen is very helpful, dependable and real pleasant to work with.

Chairman Gant congratulated Allen and presented him with a plaque. Director Lowenstein presented Allen with a check. Allen will receive a special parking space for the month and a day off with pay.

C. HEAR THE AUDIENCE

Mr. Richard Herring stated he resides at 514A Verona Street, Kissimmee, Florida. Mr. Herring said he is very concerned about the expenses for the Board of Directors when they travel. Mr. Herring said these expenses are way out of line with the elected bodies of the City of Kissimmee and the County Commissioners. Mr. Herring stated in 1993 the Board changed the per diem basis that regulated what they could spend and went to what the Board called reasonable. Mr. Herring said for an elected official or an employee of the City of Kissimmee a reasonable dinner by statute is \$24.00. Mr. Herring said if you work for KUA or are an appointed director, \$55.00 for the same meal is reasonable. Mr. Herring said the State of Florida by statute considers \$24.00 to be reasonable. The City of Kissimmee considers lunch with the City Manager and a Commissioner to be reasonable at \$16.00. The KUA Board considers lunch with a Director and the Manager to be reasonable at \$23.00. Mr. Herring said the State of Florida considers \$12.00 to be reasonable. Mr. Herring stated to date the City Commission has not spent any money to eat on City Commission time. However, Mr. Herring said KUA has spent \$283 this year on City Commissioners.

Mr. Herring stated KUA spent \$1,036 to send the President and General Manager to Nashville, Tennessee for a seminar with United Way. Mr. Herring said the City of Kissimmee had a Chairman on United Way the previous fiscal year and they spent zero. Mr. Herring said KUA has spent a total amount of \$2,947 this fiscal year to the Chamber of Commerce. The total KUA has spent on United Way is \$1,247. Mr. Herring stated this is in excess of \$4,000 and no one can show it benefited KUA as a public purpose. Mr. Herring stated what KUA is spending locally is very unreasonable in his opinion.

Mr. Herring stated on January 25, 1995 a Director stated on the record four revenues are just unbelievably higher than most of the public utilities, which would indicate to us that the KUA is one of the leaders in the power business. Mr. Herring said in Osceola County, KUA is one of the leaders in feeding public officials.

D. PUBLIC HEARING**1. NEW GENERAL SERVICE LARGE DEMAND TIME-OF-USE (GSLDT)**

Mr. Welsh stated this was a public hearing for rates that have been on file with the Public Service Commission for thirty days. Mr. Joe Hostetler, Director of Finance, stated he was notified by the Public Service Commission that they approved the GSLDT rate. Mr. Hostetler said the purpose of this rate is to try to shift some of the high peak load to an off peak period and to give savings to large industrial users that could modify their operations to fit that scenario.

Chairman Gant stated this is a rate that will be offered to those businesses who may be able to take advantage of off peak power time. Chairman Gant asked if there was anyone who had any questions or wanted to speak to this issue. There was no reply.

Chairman Gant asked Mr. Hostetler if at this point in time there was anyone who would be taking advantage of this. Mr. Hostetler stated we have not been notified of anyone at this time, but there have been inquiries.

Director Walter made a motion to approve Resolution #96-5 which will become effective September 1, 1996; seconded by Director Lowenstein.

Motion carried 4 - 0

E. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION)**F. OLD BUSINESS****1. INVESTMENT POLICY UPDATE**

Mr. Joe Hostetler, Director of Finance, highlighted the important points of the revised investment policy. Mr. Hostetler stated included in the scope of this policy are those funds that are excluded from the general policy which includes the bonds, CR3 Decommissioning Reserve funds and deferred compensation. Mr. Hostetler said safety, liquidity and yield are the investment objectives and they will be applied in the management of the KUA funds. The standard of care is what is called a prudent person standard which means any person using professional judgement to establish policies and procedures would invest money so that losses would not be incurred. Ethics and conflicts of interest addresses the fact that the investment manager or people doing the investments would not do business on a personal side with the people they are doing KUA business with. Investment performance and reporting states that Mr. Hostetler would report to the Board on an annual basis the portfolio return versus overnight repo and SBA returns, the portfolio components by category and the book value to market comparison.

Chairman Gant questioned the statement Athe KUA investment portfolio shall be designed with the annual objective of exceeding the return as reported by KUA's depository bank on overnight repos and the State Board of Administration (SBA) investment pool.@ Chairman Gant said he does not see anything wrong with this statement because it says exceeds, except he would not like to see KUA limit itself when there are safe investments. Chairman Gant thought the language of this statement might be a little too restrictive for someone. Mr. Hostetler said the SBA's average maturity is between 90-120 days and he has gone far beyond that average. Chairman Gant said he was just trying to make the description a little more aware of the current market. Chairman Gant said with Mr. Hostetler here it would not be a problem, but looking at this policy twenty years from now there might be a problem.

Mr. Welsh said the statement should read Athe objective is of exceeding to the maximum extent possible within the safety guidelines while still minimizing risks in accordance with our investment objectives.@

Mr. Hostetler stated he would operate under the direct supervision of the President and General Manager and that Mr. Hostetler would be responsible for all transactions undertaken.

Mr. Hostetler then went on to briefly discuss authorized investments, reverse repurchase agreements, investment maturity and liquidity, bid policy, risk and diversification, authorized investment institutions and dealers, safekeeping, master repurchase agreement, internal controls and portfolio composition.

Director Lowenstein questioned what type of mutual funds Mr. Hostetler was speaking about. Mr. Hostetler said the investments that are limited in this policy would be the ones he could buy individually. Director Lowenstein asked if the SBA overall is a safer tool. Mr. Hostetler said the SBA is not regulated by the Securities Exchange Commission (SEC) and their policies are fairly internal. Mutual funds are regulated by the SEC and they would be more secure. Mr. Hostetler said the mutual funds are more market driven. Mr. Welsh stated we are talking about mutual funds that only have U.S. Government obligations in them, not the regular mutual funds.

Director Guthrie asked if anywhere in this policy it mentions that the Director of Finance should be bonded. Mr. Hostetler said there was nothing in the policy, but KUA does carry a bond on him.

Mr. Hostetler said it would be a good idea to include the fidelity bond in the policy.

Director Guthrie suggested postponing the approval of this Policy Directive until the next Board meeting so Mr. Hostetler could reword it. Mr. Welsh suggested this be put on the Consent Agenda next month rather than going through a presentation again. Chairman Gant said there were no objections to this.

G. NEW BUSINESS

1. APPROVAL OF FGUS GAS SUPPLY CONTRACT

2. APPROVAL OF FGUS PROJECT SUPPORT CONTRACT

3. APPROVAL OF RESOLUTION NO. R96-4

Mr. Welsh stated these three items are all related and Mr. Ben Sharma, Director of Power Supply, would speak about all three together, but then would like to have separate action on the three of these.

Mr. Sharma stated in July 1996 the Board approved FGUS Amended and Restated Interlocal Agreement which gave the authority to FGU to go out and sell bonds for long-term acquisition of gas reserve for the project participants. Mr. Sharma said by adopting Resolution No. R96-4, the Board automatically approves items 1 and 2. Mr. Sharma said the Gas Supply Contract and the Project Support Contract are drawn in a similar fashion to what FMPA had done while we were going in as a joint action to purchase the Stanton 2 share.

Mr. Sharma stated also included was a letter from Peter Dame of our Bond Counsel's office. Mr. Dame had some comments on the contents of the Gas Supply Contract, but all the comments were business related and nothing to do with the legal side of it.

Director Lowenstein made a motion to approve FGUS Gas Supply Contract and authorize the Chairman and the Secretary to execute the contract; seconded by Director Walter.

Motion carried 4 - 0

Director Lowenstein made a motion to approve FGUS Project Support Contract and authorize the Chairman and the Secretary to execute the same; seconded by Director Walter.

Motion carried 4 - 0

Director Walter made a motion to approve Resolution No. R96-4 and authorize the Chairman and the Secretary to execute the documents; seconded by Director Guthrie.

Motion carried 4 - 0

Chairman Gant stated there is no provision anywhere in the event gas prices go crashing down. Mr. Sharma said we are getting into price risk management with terms such as hedging and swapping.

If gas prices do go down, we can swap this deal for a better one in the future.

Director Lowenstein thanked Mr. Sharma for all the hard work he has put into this and Director Lowenstein said the benefits will be greatly appreciated.

Mr. Welsh stated that Mr. Sharma has been elected to Chair the FGU organization. Mr. Sharma has been very instrumental from day one in setting up FGU and making it go as a member of its Board. Mr. Welsh said with Mr. Sharma as Chairman of FGU, we band together with other cities to maximize our benefit to our customers and minimize our gas cost. Mr. Welsh said he has always felt very comfortable with Mr. Sharma there watching out after our needs. Mr. Welsh stated this is a two year term. Mr. Welsh and the Board congratulated Mr. Sharma.

4. CONTRACT WITH J&B COMPUTER SERVICES

Mr. Welsh stated this is a relatively small contract, but very significant being our first.

Ms. Chris Beck, Director of Customer Relations, stated J&B Computer Services approached us to read the water meters in a small mobile home park here in Kissimmee. For a long time they have had trouble trying to get a reliable meter reading service. Ms. Beck said this is our first foray into the arena of contract meter reading.

Director Lowenstein made a motion to recommending approval for the President and General Manager, Jim Welsh to execute the agreement to read meters for J&B at Kissimmee Gardens; seconded by Director Walter.

Motion carried 4 - 0

Director Lowenstein said this is a very good way to get into industry other than our own and he suggested that we pursue this type of business wherever possible. Ms. Beck said we are planning on it.

H. STAFF REPORTS

1. MONTHLY PROGRESS REPORT ON ENGINEERING PROJECTS

Mr. Welsh said no verbal presentation was planned. Mr. Ken Davis, Director of Engineering, was available for any questions or comments you may have.

2. MONTHLY CONDENSED FINANCIAL REPORT - JULY 31, 1996

Mr. Joe Hostetler, Director of Finance, gave a brief presentation on the monthly financial report. He went over the sales graph and explained that we are 3% below the budgeted sales for the month of July and year to date we are 4% above budget. Mr. Hostetler explained the temperature for July was lower than in previous years.

Mr. Hostetler stated the net reinvested earnings are \$1,000,840 for the month of July and the debt service ratio for the month is 2.32. The net reinvested earnings for the year is \$6.2 million and the debt service ratio for the year is 2.69.

3. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

Mr. Welsh said no verbal presentation was planned. Mr. Ben Sharma, Director of Power Supply, was available for any questions or comments you may have.

Director Lowenstein asked what action is being taken on load management. Mr. Welsh said we are planning a promotional blitz to take effect sometime after the first of the calendar year.

Director Lowenstein asked if there was anything new on Cane Island 3. Mr. Welsh said FMPA has postponed slightly the going out on a joint RFQ. It will not happen in September as we originally envisioned.

4. SELECTED DEPARTMENT HIGHLIGHTS - TRANSMISSION & DISTRIBUTION

Mr. Ken Lackey, Director of Transmission & Distribution, gave a brief presentation on the operational highlights of the department for the past six months. Mr. Lackey also showed slides of the work being done in downtown Kissimmee.

I. CONSENT AGENDA

Chairman Gant asked if there were any questions or comments on any item from the Consent Agenda or if anything needed to be removed.

Director Lowenstein made a motion to approve items 1, 2, 3, 4 and 5; seconded by Director Walter.

- 1. APPROVAL OF MINUTES OF JULY 24, 1996 REGULAR MEETING**
- 2. APPROVAL OF MINUTES OF JULY 25, 1996 SPECIAL MEETING**
- 3. AWARD OF CONTRACT FOR CRA STREET LIGHTING, IFB# 027-96**
- 4. AWARD OF CONTRACT, ANNUAL REQUIREMENT FOR OVHD/UDGD WIRE, IFB# 021-96**
- 5. AWARD OF CONTRACT FOR ANNUAL REQUIREMENTS FOR UNIFORM RENTAL SERVICE, IFB# 023-96**

Motion carried 4-0

J. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

GENERAL MANAGER

Mr. Welsh recognized Richard Herring and stated it is always healthy to have a citizen's review. Mr. Welsh said sometimes it is good to have someone point some things out to you. Mr. Welsh asked Mr. Herring to share a few of the specifics so he could reflect on them thoroughly and Mr. Welsh thanked Mr. Herring for his time and his efforts.

Mr. Welsh stated that Bob Bobroff had a massive heart attack on Sunday and was in ICU in Florida Hospital. Mr. Welsh went to the hospital and spoke to the staff. They allowed Mr. Welsh to visit with Mr. Bobroff. Mr. Welsh said Mr. Bobroff looked a little bit shaken, but quite a bit like you normally would expect to see

Mr. Bobroff. Mr. Bobroff's daughter, Risa, told Mr. Welsh they did not expect Mr. Bobroff to pull through yesterday, but he did.

Mr. Welsh reminded the Board of the dedication of the Richard L. Hord Substation on September 18th at 5 p.m. That evening is also our open house and a walk through of the substation for the public.

Mr. Welsh reminded the Board of the dedication of Stanton II on September 6th at 8 a.m. Mr. Sharma will be our full time representative at this function.

Mr. Welsh reminded the Board of the Quarter Century Club Dinner on October 17th at 6:30 p.m.

ATTORNEY - No comments.

DIRECTORS

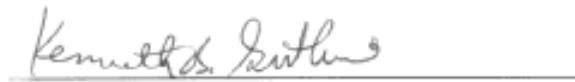
Director Lowenstein stated unfortunately he would not be at the next Board meeting, therefore, he said so long to Dr. Gant. Director Lowenstein said it has been a pleasure and a great privilege to serve with Dr. Gant.

Director Guthrie questioned when the IDO meeting was scheduled. Mr. Welsh said it is scheduled for October 30th and was inadvertently left off the Board's calendar listing.

ADJOURNMENT: Meeting adjourned at 7:40 p.m.

ATTEST:


CHAIRMAN


SECRETARY

