

MINUTES OF A SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD WEDNESDAY, OCTOBER 8, 1997 AT 6:00 PM, BRINSON BOARD ROOM, ADMINISTRATION BUILDING, 1701 W. CARROLL STREET, KISSIMMEE, FLORIDA.

Present were Chairman Hord, Vice-Chairman Walter, Secretary Guthrie, Director Ralston, Director Toro, Mayor Attkisson, Attorney Brinson, General Manager Welsh and Recording Secretary Fizer.

**A. MEETING CALLED TO ORDER** at 6:06 PM by Chairman Hord.

**B. INSTALLATION OF NEW MEMBER**

Attorney Ed Brinson administered the oath of office to Domingo Toro, who replaces Harry Lowenstein on the Board. Director Toro will serve a five-year term beginning October 1997. All board members congratulated Director Toro and welcomed him.

**C. ELECTION OF OFFICERS**

Chairman Hord noted that since it was the first meeting of the new fiscal year, it was procedural to hold an election FOR board offices. Chairman Hord nominated Director Walter for Chairman. Motion dies for lack of second.

Vice-Chairman Walter said the chairman should be the board member who has the most experience. **He made a motion to reappoint Director Hord for Chairman. The motion was seconded by Secretary Guthrie.** No other nominations were received.

Motion carried 5 - 0

Vice-Chairman Walter made a motion to reappoint Director Guthrie for Secretary. **The motion was seconded by Director Ralston.** No other nominations were received.

Motion carried 5 - 0

Secretary Guthrie made a motion to reappoint Director Walter for Vice-Chairman. **The motion was seconded by Director Ralston.** No other nominations were received.

Motion carried 5 - 0

Director Toro made a motion to nominate Director Ralston for Assistant Secretary. **The motion was seconded by Secretary Guthrie.** No other nominations were received.

Motion carried 5 - 0

**D. COST REDUCTIONS AND REVENUE RAISING (CR<sub>3</sub>) INCENTIVE PROGRAM**

Chairman Hord said the CR3 program was carried over from the September meeting because there were many questions and concerns that could not be answered in a short period of time.

General Manager Welsh noted that some of the concerns from the Board were how the goals were developed and why they were developed in relation to cost reduction. He indicated that the overall goal of KUA was to reduce costs. He noted that the CR3 goals would establish benchmarks to ensure that KUA is achieving objectives as a department and as a utility, while reducing costs. The other objective is for KUA to meet averages within the industry as reported by American Public Power Association (APPA). Mr. Welsh noted that some of the figures do not apply within KUA.

Former director Bob Bobroff asked the Board to make the number one goal, keeping the customers satisfied.

Mike Geraghty, the credit financial manager in the Marketing Department was introduced as one of the instrumental players in putting together the CR3 presentation. Mr. Geraghty noted that the difference in this presentation compared to the September presentation is that each goal has a justification noted. He said that some of the goals are not related to dollar savings but to quality issues for customers.

Joe Hostetler, director of Finance, gave the highlights of the CR3 program. He indicated that not only had the justifications been added but also the history of the goals. Mr. Hostetler said the main objective of the department goals is to position KUA for future deregulation, by reducing costs and obtaining additional revenues and maintaining a high level of reliability and safety. Mr. Hostetler said that the purpose of the goals is not so much to identify where the cuts are going to come from, but to provide an incentive for the employees to come up with new ideas. The program highlights for the APPA goals are not stringent because KUA is not the average utility.

Mr. Hostetler noted that ten percent (10%) of the cost savings will be allocated to the departments in an incentive pool. Seventy-five percent (75%) of that amount will be distributed to all KUA employees and the remaining twenty-five percent (25%) will be distributed to the departments producing the savings. He said it was important that ninety percent (90%) of the total cost savings will go back to the customer. Mr. Hostetler stressed that the incentives would not be paid to employees unless they meet departmental and organizational goals. He further stated that the first incentives would not be paid until after 1998 numbers are recorded, in December of '98. He said there will be no minimum incentive but the maximum would be 5% of the employee's base pay. Mr. Hostetler said that in the coming years, the goals will be developed as the ten year plan is prepared.

Mr. Hostetler noted that the three organizational goals included maintaining the fiscal policy, realizing positive net income, and no rate increase.

Ben Sharma, director of Power Supply, reviewed the four goals of his department. Questions were asked on the availability of the generating units in both plants. Chairman Hord said it was important that employees realize that if there are decreases in unit availability due to human error or poor maintenance, this will

definitely affect the incentive program and the future budget. General Manager Welsh said this would affect all incentives.

Mr. Welsh said that a lot of the purchase cost and fuel costs are market driven and that is why they have been excluded from the incentive pool.

Dennis Wick, director of Information Systems, reviewed the department's six goals that are not related to direct cost savings but assure quality of service.

Ken Lackey, director of Transmission and Distribution, reviewed the department's five goals. Questions were asked on the power outage reductions, and how the trouble call system would document such outages.

Vice-Chairman Walter asked why the APPA figure is much lower than KUA's cost per circuit mile. Mr. Lackey replied that density is the major factor. General Manager Welsh added that KUA has more customers on fewer miles of line and the overall cost of operating those lines is higher per mile. Mr. Lackey presented figures from a national survey. The average cost per mile in the Southeast was \$2,388, while an average in the nation was \$4,100. KUA's cost is \$3,100 per mile.

General Manager Welsh made the observation that the cost per retail customer is below the APPA average and the cost per mile is above. Director Ralston said that KUA should measure improvement against its own performance from year to year.

Ken Davis, director of Engineering, reviewed the department's six goals. Discussion was held on the goal of identifying the fiber optic system cost values. Engineering's goal of planning and designing the replacement of the 4kv system downtown with a 13kv system was explained in detail.

Mr. Davis explained that the 4kv system has the capacity for downtown but some of the underground cables are more susceptible to failing and reliability becomes an issue.

Chris Beck, director of Marketing, reviewed the eight department goals. Mayor Attkisson and Vice-Chairman Walter initiated a discussion on the second goal of Marketing concerning reducing the flow of calls to the switchboard.

Chris Beck stated that the Marketing department's fourth goal was to reduce customer disconnects by 10%. Discussion was held on the various methods used to meet this goal, including the door hanger program. General Manager Welsh noted that the attitude toward the customer who can not pay their bill has changed over the last decade and the Financial Service Division has become more service oriented.

Mayor Attkisson asked if the extra dollars to implement the door hanger program will increase expenses. Ms. Beck said the field personnel hang these on the doors while they are on regular duties.

Chairman Hord called a short recess at 8:04 P.M.

The meeting resumed at 8:20 P.M.

Ms. Beck resumed her presentation. Vice-Chairman Walter requested more information on the bad debt figures and Ms. Beck provided them.

Ms. Beck explained her eighth goal as keeping the average in handling each customer's account below \$58. Chairman Hord asked why the expense was more for the projected 1998 year. Discussion followed and staff provided more detail. It was noted that when the budget for 1998 was proposed, it was based on 1997 budget, not actual figures.

Joe Hostetler, director of Finance, presented his seven goals, some that were efficiency related, not necessarily cost reductions.

Mr. Hostetler also reviewed the President and General Manager's goals for the Executive department.

More discussion was held on the Marketing department's eighth goal. Chairman Hord asked for more clarification on the \$7 increase per customer as proposed for 1998. He said he would have a problem with the incentive program if the budget was padded to assure there are cost savings. The general manager assured him this was not the case and there is a conscious effort to forecast conservatively.

Vice-Chairman Walter asked if KUA is paying the bonus between what is projected and actual figures. Mr. Welsh said the incentives are based on actual to actual numbers.

Mayor Attkisson said the minutes of the meetings appear to be lengthy. Discussion was held on the possibility of shortening the minutes or making a summary. He pointed out that a backup tape is available for those who want more detail. Director Ralston agreed that a summary of each item discussed and the action taken should be sufficient. Secretary Guthrie said if this approach is taken, it would not be of much benefit to employees (via an intranet) or those not attending the meeting.

Chairman Hord asked that staff review the different methods of preparing minutes. **It was the consensus of the Board to create two sets of minutes for review, one longer version and a summarized version.**

Neville Turner, director of Personnel and Risk Management, reviewed three department goals.

Chris Gent, manager of Communications reviewed the division's goals.

Jim Tillman, director of Materials Management, presented four department goals. Chairman Hord asked if the department follows up with credible companies that do not respond to bids. Mr. Tillman said those companies are called and they are encouraged to submit future bids. Mr. Tillman said that his department could implement a

procedure where companies are notified a day or two before the bid is due as a friendly reminder.

Joe Hostetler reviewed the major points of the overall CR3 program and asked for questions.

Mayor Attkisson asked how much money this program will cost KUA if all departments meet their goals. General Manager Welsh said that of the \$18 million affected, a \$900,000 savings would be optimistic.

Vice-Chairman Walter asked how many positions were unfilled and would part of the savings be calculated on the unfilled positions. General Manager Welsh noted that all positions are looked at on an individual basis as to whether the positions need to be filled or if they need to become part-time.

Vice-Chairman Walter said many questions remain and his concern was that the Board look at the program openly realizing they may need to make changes as the program progresses.

Director Ralston said long term he was concerned about it not being tagged to earnings or to the customer base. He said he did not have a problem for one year on a trial basis.

General Manager Welsh said there will be interpretations and calls that will have to be made throughout the year while administering the plan. He said that this is one reason he excluded himself from the program. He will have to be making decisions on interpretations and adjustments to the program which would otherwise affect his compensation directly.

**A motion was made by Vice-Chairman Walter, seconded by Secretary Guthrie, to accept staff's recommendation and approve the implementation of the CR3 program.**

**Motion carried 5 - 0**

**E. INTERNET SERVICE PROVIDER**

General Manager Welsh noted there may be an opportunity to become an Internet Service Provider. Dennis Wick, director of Information Services, gave many reasons why this service would be beneficial to KUA. He said it would give KUA the ability to enhance loyalty with customers and the capability of customers putting their ISP bill on their electric bill. Mr. Wick also noted that KUA has a very sound financial background that will enable KUA to overcome a major problem other providers have, capitalization. KUA has access to customers and an infrastructure is in place. Staff asked for concurrence from the Board to continue with this conceptual study.

Chairman Hord warned against working with an outside firm that is not reputable. He strongly suggested that if KUA partners with an outside source, make sure their credentials are checked out thoroughly. The Chairman said KUA's reputation is important and that needs to remain intact.

Motion by Vice-Chairman Walter, seconded by Director Ralston, to accept staff's recommendation to examine all options in determining whether there is a valid business case for further consideration.

Motion carried 5 - 0

F. OTHER - None.

G. HEAR GENERAL MANAGER, ATTORNEY AND DIRECTORS  
GENERAL MANAGER

GENERAL MANAGER

The General Manager reminded the Board of the Quarter Century Club Dinner scheduled for Thursday, October 9, 1997 at 6:30 P.M.

ATTORNEY - No comments.

MAYOR ATTKISSON

Mayor Attkisson thanked the staff and Board for discussion on the cost reduction plan. He indicated that he wanted to take the concept of the plan to Lynx for possible implementation.

DIRECTOR TORO

Director Toro thanked the Board for appointing him as director and thanked the staff for their time in preparing the CR3 program.

DIRECTOR RALSTON

Director Ralston also thanked staff for the hard work that went into preparing the CR3 program.

SECRETARY GUTHRIE

Secretary Guthrie welcomed Directed Toro to the Board.

VICE-CHAIRMAN WALTER

Vice-Chairman Walter said he would like the standard ratio chart for other utilities and APPA corrected to be used as a tool.


CHAIRMAN HORD

Chairman Hord also thanked the staff for the development of the CR3 program.

H. ADJOURNMENT - Meeting was adjourned at 9:51 p.m.

  
\_\_\_\_\_  
CHAIRMAN

ATTEST:

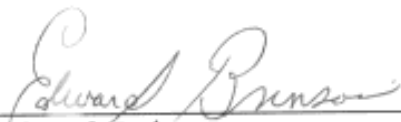
  
\_\_\_\_\_  
SECRETARY

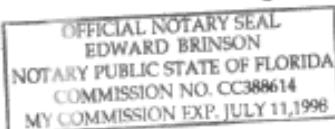
OATH OF OFFICE

I, DOMINGO TORO, do solemnly swear that I will support, protect and defend the Charter and Bylaws of the Kissimmee Utility Authority against all enemies, domestic and foreign, and that I will bear true faith, loyalty and allegiance to the same; that I am entitled to hold office under the Charter; that I will faithfully perform all the duties of the office of Director of the Kissimmee Utility Authority, on which I am about to enter. So help me God.

  
DOMINGO TORO

Sworn to and subscribed  
before me this  
8th day of Oct., 1997.

  
Edward Brinson  
Attorney for the  
Kissimmee Utility Authority



Official Notary Seal

H:\exec\board\oath.dt



