

MINUTES OF A REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY, WEDNESDAY, DECEMBER 18, 2002, 5:30 P.M., BRINSON BOARDROOM, ADMINISTRATION BUILDING, 1701 WEST CARROLL STREET, KISSIMMEE, FLORIDA.

Present were Chairman Walter, Vice-Chairman Shearer, Director Hart, Director Genskie, Director Toro, Mayor Gant, Attorney Lacerte, General Manager Welsh and Recording Secretary Fizer.

A. MEETING CALLED TO ORDER at 5:30 P.M. by Chairman Walter.

B. PLEDGE OF ALLEGIANCE

The Board and staff recited the Pledge of Allegiance.

C. AWARDS AND PRESENTATIONS

1. PRESENTATION BY KIP WATSON, DIRECTOR OF THE CENTER FOR THE ARTS IN APPRECIATION OF KUA'S SPONSORSHIP

Mr. Watson updated the Board on the 36th Annual Osceola Arts Festival and expressed his appreciation for KUA's sponsorship of the event. He presented the Board with a signed and framed print of the art festival poster to show the Osceola Center for the Arts' gratitude for this important sponsorship. General Manager Welsh thanked Mr. Watson for the yearly memberships to The Center that are given to each of KUA's Employees of the Month.

2. COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AWARD FOR FY 2001

Joe Hostetler, Vice President of Finance & Risk Management explained the process involved in preparing the CAFR each year and noted that KUA has received the award for the report for the past 15 years. Susan Raines, Manager of Accounting, accepted the award on behalf of the Finance staff that worked diligently on the preparation and completion of the report.

3. 20-YEAR SERVICE AWARD – JIM WELSH, PRESIDENT & GENERAL MANAGER, EXECUTIVE DEPARTMENT

Chairman Walter acknowledged General Manager Welsh for his 20-year service with The City and KUA. Chairman Walter presented him with a certificate and a service award. The Board congratulated him. Mr. Welsh said he considered it a real honor to have served the community and KUA for 20 years.

4. EMPLOYEE OF THE MONTH FOR JANUARY – CHARLES LEE

General Manager Welsh congratulated Charles on being selected employee of the month for January 2003. He expressed what an honor it is to be selected by one's peers to represent the company. Mr. Welsh read to Charles comments made by his co-workers and supervisor. Charles was given a plaque by Chairman Walter to commemorate this selection, Director Toro gave Charles a check, Director Genskie awarded him a day off with pay, and Director Hart gave him a special parking space for the month of January. Director Shearer presented Charles with a family one year membership to the Osceola Center for the Arts and Mayor Gant gave Charles a Sonny's barbecue gift certificate.

D. HEAR THE AUDIENCE – None.

E. CONSENT AGENDA

Director Shearer asked that item 2 be removed from the consent agenda for discussion.

ACTION: Motion by Director Hart, seconded by Director Toro to approve the consent agenda with the exception of Item 2.

Motion carried 5 – 0

1. APPROVAL OF MINUTES OF NOVEMBER 20, 2002 REGULAR MEETING

3. FESTIVAL OF RHYTHM AND BLUES SPONSORSHIP

Recommendation: Staff recommends approval of a \$7,500 sponsorship to support the 2003 Festival of Rhythm & Blues. This is a worthwhile effort and worthy of KUA's consideration as part of our sponsorship program.

Director Shearer asked for an explanation on the agreement with Osceola County and how that relates to the relocation of the line. General Manager Welsh and Ben Sharma, Vice President of Power Supply concurred that the agreement for a hiking trail is a concession to the County for removal of trees during the construction of the new line.

ACTION: Motion by Director Shearer, seconded by Director Gemskie, to approve item 2 of the consent agenda.

Motion carried 5 – 0

2. APPROVAL OF BLACK & VEATCH'S PROPOSAL TO PERFORM 2003 AGENCY COMPLIANCE ACTIVITIES AT CANE ISLAND AND HANSEL PLAN

Recommendation: Approve Black & Veatch's proposal to carry out the 2003 Agency Compliance Activities at Cane Island and Hansel Plants for the estimated total price of \$77,050 Not To Exceed.

F. PUBLIC HEARING – None.

G. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION)

1. COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FY 2002

Joe Hostetler gave a brief review of the report and the various elements of change from previous years. He introduced John Vodenicker, Independent Review Partner who noted that KUA had undergone several changes this past year and that had affected the makeup of the report. Mr. Vodenicker also noted that the Governmental Accounting Standards Board's (GASB) new requirements changed the format of the way the report was prepared. He asked that the opinion letter be read into the record. The opinion letter is attached as part of these minutes.

Mr. Vodenicker introduced Michael Pattillo, Audit Senior Manager of Ernst & Young. Mr. Pattillo commended the General Manager, the Finance department and Internal Auditor for the great job they have done in working with the auditors in preparation of this report. He highlighted the audit results, the value of the results, and looking ahead to next year. Director Toro asked if suggestions from last year were included in this year's report and Mr. Pattillo said if they were implemented they would not be mentioned. The Board thanked Mr. Vodenicker and Mr. Pattillo for their presentation.

H. OLD BUSINESS – None.

I. NEW BUSINESS

1. EXCESS LIABILITY INSURANCE

Joe Hostetler reported that KUA's current Excess Liability Insurance coverage expires on December 31, 2002. KUA has had this insurance with AEGIS for the last nine years and based on a recommendation from KUA's insurance consultant, staff agreed not to follow the normal Request For Proposal process in seeking alternative proposals. In order to ensure the rates with AEGIS were competitive, the AEGIS application was sent to Lupfer Frakes so he could shop the marketplace to determine if he could obtain a better premium for KUA. He was able to obtain another quote but it did not include Pollution or Employment Practices Liability coverage.

ACTION: Motion by Director Gemskie, seconded by Director Hart, to approve the renewal of KUA's excess liability insurance coverage policy with AEGIS in the amount of \$161,155 and authorize staff to renew in future years based on favorable renewal provisions.

Motion carried 5 – 0

2. POWER PLANT SUBSTATION ADDITIONS PROJECT #D03E08 ENGINEERING SERVICES

Ken Davis, Vice President of Engineering and Operations explained the project to the Board and noted that it was to replace transformers, breakers and related equipment at the Hansel Power Plant Substation.

Director Hart asked if KUA had talked with the City's engineering staff on what they were proposing at the Lakefront. He said it would be good if the two projects could work together. Mr. Davis said he would be meeting with the city engineer to coordinate any work that would affect their project.

ACTION: Motion by Director Hart, seconded by Director Gemskie, to authorize Black & Veatch to proceed with the engineering services required for the Power Plant Substation Additions Project in the amount of \$345,000.

Motion carried 5 – 0

3. ROOF REPLACEMENT - CARROLL STREET – AWARD OF INVITATION FOR BID #032-02

Discussion was held on roof warranties and Mayor Gant stressed the importance of having the warranty on the roofing material and not only the installation company. Chris Beck, Vice President of Customer Service and Marketing said there is a 2 year warranty on the workmanship and a 20 year warranty on the material.

ACTION: Motion by Director Shearer, seconded by Director Toro, to award the bid IFB# 032-02 to the lowest bidder meeting schedule and specifications to CEI Florida, Inc. in a not-to-exceed amount of \$150,000.

Motion carried 5 – 0

4. AWARD OF CONTRACT TO GENERAL ELECTRIC FOR THE REPAIR OF GENERATOR FIELD WELDINGS – CANE ISLAND UNIT 1

Ben Sharma noted that KUA's property insurer became alarmed at the number of failures of insulation in the field windings of peaking generating units. They discovered this during a recent routine recommended assessment of KUA's power plant equipment. FMPA reported that there is another company that does this type of repair other than the original equipment manufacturer. Ben noted that staff is currently reviewing both proposals to determine the best cost and turnaround time for repairs. Director Toro asked if the unit was down completely and Ben said it was not running to alleviate any possible damage that might incur from continuing to operate the unit.

ACTION: Motion by Director Shearer, seconded by Director Toro, to authorize staff to proceed with the repair work of the Cane Island Unit 1's generator field windings at a cost of \$485,000 Not To Exceed. Also authorize the President & General Manager to award the repair contract either to GE or to the other non-OEM vendor (Industrial Repair Service) based on the most economic and beneficial outcome of the continued negotiation.

Motion carried 5 – 0

J. STAFF REPORTS

1. MONTHLY PROGRESS REPORT ON ENGINEERING & OPERATIONS PROJECTS

This was a written report and no comments were received.

2. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

This also was a written report and no comments were received.

3. CONDENSED FINANCIAL REPORT – OCTOBER 2002

Mr. Hostetler noted that in November he gave an abbreviated report for October. He gave details on the fuel and purchased power, interest revenue, debt service interest, reinvested earnings, and the ISP financial summary.

4. ABBREVIATED CONDENSED FINANCIAL REPORT – NOVEMBER 2002

Joe said that due to the early December meeting, the November report was abbreviated and only reviewed the graph that was included with the packet. Director Hart asked if there was a way staff could compare usage for the hotels from last year to this year. Mr. Hostetler said he would break it down at the next board meeting and report the usage by class.

5. DEPARTMENTAL HIGHLIGHTS – HUMAN RESOURCES/COMMUNICATIONS

Chris Gent, Manager of Corporate Communications gave a presentation on KUA's sponsorship program. He noted the projects, the events and the organizations that benefited from these sponsorships. Director Toro asked what capital community project KUA would be doing this year. Mr. Gent said that it would be detailed in the upcoming budget workshop. Mr. Gent also reported that the cooker is being used and becoming more popular.

K. HEAR THE GENERAL MANAGER, ATTORNEY, DIRECTORS

General Manager Welsh alerted the Board that there had been discussions about a possible Cane Island 4 and more negotiations would be forthcoming after the first of the year with FMFA.

Wilbur Hill was introduced as the new Vice President of Human Resources and Risk Management. He will be replacing Neville Turner who retires on December 31st. Mr. Welsh wished the Board and staff Happy Holidays.

Attorney Lacerte informed the Board that the County may not renew Adelphia's cable franchise. He indicated that this may give KUA an opportunity to lease fiber. He stressed that tax implications and legal implications are two of several issues have to be addressed before any further planning is done.

Mayor Gant suggested that KUA send a copy of the CAFR or a copy of the opinion letter to the City Commissioners. He noted that the City Manager could keep a copy of the entire CAFR for review by the commissioners if needed.

Director Toro wished everyone Happy Holidays.

Director Gemskie reported that she had attended the Executive Committee Meeting of the All Requirements Project recently. She said it was definitely beneficial for her to attend these. Director Gemskie wished all a Happy Holiday season.


Director Hart reported that he had noticed a considerable increase in response time from his laptop to the boardroom monitors. Jef Gray, Vice President of Information Technology said his department had been working on improving the system and will continue to do so. Director Hart wished all Happy Holidays and thanked the staff for their hard work this past year.

Chairman Walter asked Neville Turner to approach the Board and was recognized in his retirement. Chairman Walter read a proclamation from the Board honoring Neville and his years at KUA.

ACTION: Motion by Chairman Walter, seconded by Director Toro, to accept the proclamation naming Neville Turner.

Motion carried 5 – 0

L. ADJOURNMENT – Chairman Walter adjourned the meeting at 7:10 PM.



The image shows two handwritten signatures on a light pink background. On the left is the signature of the Secretary, and on the right is the signature of the Chairman. Below each signature is a printed label: "Secretary" and "Chairman".

Report of Independent Certified Public Accountants

Board of Directors
Kissimmee Utility Authority

We have audited the accompanying balance sheets of Kissimmee Utility Authority (the Authority) as of September 30, 2002 and 2001 and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kissimmee Utility Authority, as of September 30, 2002 and 2001 and its changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the financial statements, effective October 1, 2001, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2002 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The schedule of funding progress and management's discussion and analysis as listed in the table of contents are not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying other supplemental data listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Ernst + Young LLP

November 22, 2002