

MINUTES OF BUDGET WORKSHOP MEETING OF KISSIMMEE UTILITY
AUTHORITY, HELD THURSDAY, JULY 20, 1989, AT 6:00 PM,
ADMINISTRATIVE BUILDING, KISSIMMEE, FLORIDA.

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

A. MEETING CALLED TO ORDER at 6:02 P.M. by Chairman Hord. Mayor Van Meter arrived at 6:10 P.M.

1. RECAP

General Manager Welsh stated this was a continuation of the July 13th Board meeting and he recapped the financial and personnel discussions. He said some specific, unanswered questions of the 1990 Proposed Budget document were the Crystal River #3 (CR #3), and the transportation (maintenance) expense for the 1989 budget year. Also, a decision is pending on the employees market level adjustment. Thereafter, discussion would resume at page 63 on "Customer Relations".

Regarding CR #3 (page 47), Mr. Welsh explained why the nuclear fuel expense was greater in the Proposed 1990 Budget than the 1989 Budget. "Nuclear fuel expense" is not just fuel, but an expense associated with the running of the unit as well as outage expense. Florida Power Corporation (FPC) is planning a refueling outage in 1990, which is why the total is higher. In researching this, it was found that this expense is somewhat overstated. Originally it was planned for October-December, 1989. FPC's budget for CR #3 is on a calendar year basis. In the 1989 budget we had used the number on a monthly basis. Therefore, the three months of 1989 were moved into the 1990 calendar year. Basically, the \$661,400 is overstated by \$100,000, which will be corrected to read \$561,400. In answer to Director Bobroff's inquiry, Mr. Welsh said that decommissioning of the plant is not included in this, the operating portion of the budget. It is included elsewhere.

Discussion was had on refueling annually. Director Gant suggested that staff compare this with previous charges and perhaps take a good look at this refueling through the Florida Municipal Power Agency (FMPPA). We just recently took over an oversight project through FMPPA; CR3's budget is scrutinized annually because of that. **Staff said this would be researched with FMPPA, as well as their oversight responsibilities.**

The Board questioned the summary of activity for CR #3, and whether charges by FPC should have been passed on as COPA. These were responded to by staff. Discussion continued, with Mr. Welsh stating we have an ownership interest in the CR #3 plant, as well as in the Stanton plant.

Referring to the transportation (garage maintenance) expense (page 57) for Kissimmee Utility Authority (KUA), Mr. Welsh reported the following: Garage expenditures for KUA during 1988 were \$73,000. Garage expenditures for the first nine months in FY 1989 were \$62,000. Adjusting this for an entire year equates to approximately \$82,666.

2. FINANCIAL DISCUSSIONS

Joe Hostetler, Manager/Finance & Accounting, made a presentation on what we had proposed in the 1988/89 budget. He said the current amount in the Reserve for Future Capital Outlay is \$6,912,619 as of June 30, 1989. Several capital projects included the two substations underway, \$2 million for a second transformer in Marydia (included in this year's budget), Michigan Avenue (upgrading the transmission line), the North Bermuda Service Center, and others.

KUA's debt service coverage and our debt to equity ratio was discussed. The philosophy is that if we at some point decide to build or buy a plant, and if we have a higher debt service coverage and a lower debt equity ratio the cost of bonding would be less for KUA. Mr. Hostetler indicated, through charts, the percentage ratios of several large utilities and where we stand in comparison. This is the percent of their capitalization that is debt financed. He stated we are below the coverage calculation and also above in our debt to equity ratio as compared with the larger investor-owned utilities in Florida. He confirmed Director Bobroff's statement that the more coverage we have the lower the interest rate. Discussion continued on KUA's triple A insured rating.

Other items discussed were salaries and wages, professional and contractual services (Transmission Study), capital outlay, personnel, etc., for the departments/divisions.

3. PERSONNEL ACTION FINALIZED

Neville C. Turner, Manager/Personnel & Risk Management, highlighted the market level adjustments discussed last week. He then briefed the Board on latest figures of the Consumer Price Index, and referred to the County's proposed 6.5% salary increase for their employees.

Mr. Welsh stated a decision is pending on staff's recommendation at the July 13th Board meeting for a 5.5% market level adjustment. The Board had chosen to think on this.

Moved by Director Bobroff to establish a market level adjustment of 5.5% on the pay scale, effective October 1, 1989. Seconded by Director Lowenstein.

Motion carried 5 - 0

The meeting recessed at 6:40 P.M. and reconvened at 7:00 PM.

4. DETAILED DOCUMENT REVIEW (CONTINUED FROM PAGE 63)

This item is the continuation of Capital Expenditure Detail covering Customer Relations. Explanations were given by Mr. Welsh on professional and contractual services and other operating expenses. Postage costs and possible future postage increases were discussed for envelope billing (and using a lock box system where payments go directly to the bank rather than KUA) to be put into operation in the near future. Envelope billing will enable us to give the customers more detailed information. Mr. Welsh informed the Board this would also provide better cash flow management. Chairman Hord questioned whether we can collect enough revenue on late penalties to offset this "excessive" postage for envelope billing. Mr. Welsh said he thought so, at which point Chairman Hord challenged staff to do that.

The Board's further concerns of various items were discussed, page-by-page, and explained by staff, e.g., services of Coopers & Lybrand in their aiding us with work orders and the unit property records start-up. Director Gant asked for justification in KUA's having three supervising personnel in Finance and Accounting whereas perhaps one supervisor might suffice. Mr. Hostetler explained that it's rare that any one person has the knowledge, job experience and requirements to undertake the responsibilities we might require of them. Also, the volume of work is such to warrant this organizational structure which has been established in previous years.

Director Bobroff suggested postponing discussing the General 1 Manager's salary until the meeting scheduled for September 20, 1989.

Discussed at length was KUA's insurance fund which is intended to provide this organization with a measure of self-insurance, thereby reducing annual premiums.

Mayor Van Meter left the meeting at 8:15 P.M.

Director Bobroff said he is still awaiting copies of the total purchase order detailing the \$325,000, discussed earlier in the year. Staff replied he would be furnished with a complete purchase order. Mr. Welsh stated that amount included the cost of the AS-400 computer.

Director Gant questioned Budget & Audit's salaries and wages in excess of what's budgeted for this year. Staff replied that in this department several positions were unfilled and with recruiting some in the low range and others in the high range, it averages out. Director Gant stated this should be **reflected in** the 1989 amended budget, equaling out. His concern was in our exceeding budget and dipping into the next budget.

Chairman Hord inquired if, barring the exception of having to pay for a higher pay scale, the 1990 Proposed Budget is basically the 1989 figures x 105%, and that merit plus the general raise are in the 10-11% range. Basically, yes, said Staff.

Aside from budget matters, Chairman Hord inquired as to our present philosophy on drug testing. Lengthy discussion followed on KUA's procedures and requirements for drug testing of new employees and staff being alert to any signs of drug abuse amongst its employees. To date none has been found. The Osceola Mental Health Services has offered to provide classes to our employees and assist employees with any psychological, emotional or other problems through instruction and referrals to medical centers.

Director Gant expressed concern about ascertaining into what funds the monies go that are budgeted, but not used, if a decision is made not to purchase an item (e.g., Marydia transformer). Staff responded that such funds revert back into the Project Summary account. **Mr. Welsh stated we're finalizing the Monthly Project Report explaining these projects, which will be a submitted to the Board.**

Director Bobroff expressed interest in the Power Plant's Fire Protection Enhancement System. He indicated we've discussed several systems in the past and we're repeating the process. After discussions with the local Fire Marshall and the Fire Chief, as well as our insurance company, staff indicated we have a clearer picture of our current status and what we want to do.

Jeff Ling, Acting Manager/Power Supply, gave a lengthy presentation and called the Board's attention to our current fire protection system. He stressed the need and costs for future fire protection enhancements. He emphasized employee safety is our primary criteria, along with protection and minimized damage to our plant. Consultations were held with our insurance company with an eye to providing necessary equipment (fire hydrants, stand pipes, etc.), keeping premiums at a conservative level and still have adequate coverage. Staff stated we are still in a discussion stage. Mr. Ling highlighted the equipment and costs being considered for the Plant at \$100,850.

Chairman Hord expressed considerable concern why none of these requirements were necessary in prior years. Two reasons, staff said, were because of operations and dollars. **Director Gant suggested staff reevaluate our needs in that respect and I justifiably convince the Board what specific items are necessary. He further suggested that we approach the insurance company and ascertain what they would like to see us do and request reduced premiums for doing it.** Earlier funds were expended on

July 20, 1989

pre-engineer

Staff is suggesting that some budgetary funds be set aside in order that we can cover what items we do judge necessary.

effluents.

In respo Gant's inquiry, Ken Lackey, Manager/
Distribution Operations, replied that staff's request for addi-
during the next four-year period.

get (amended 1989)
under Finance & Accounting was questioned by Chairman Hord. Mr.
AS-400, building improvements rolled over from the previous year,
miscellaneous. The Monthly Project Report will detail such items,
he said.

turnover for the past two years by division and numbers. Mr.
Mr. Turner said
the turnover for the calendar years 1987 and 1988 was 13% and

In conclusion, Chairman Hord stated we are headed in the
right direction, manufacturing
personnel to serve our customers and serving new customers. In an
economic sense, we are doing well.

ADJOURNMENT: Meeting was adjourned at 9:32 P.M.


CHAIRMAN

ATTEST:


SECRETARY