

MINUTES OF BUDGET REVIEW SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD WEDNESDAY, JUNE 3, 1992, AT 6:00 PM, ADMINISTRATION BUILDING, KISSIMMEE, FLORIDA

Present at the meeting were Chairman Hord, Secretary Bobroff, Assistant Secretary Lowenstein, Director Jones, Mayor Pollet, Attorney Brinson, President & General Manager Welsh and Recording Secretary Rundio. Director Gant was not present.

A. MEETING CALLED TO ORDER at 6:00 PM by Chairman Hord.

B. BUDGET REVIEW

1. INTRODUCTION - JAMES C. WELSH, PRESIDENT & GENERAL MANAGER

Mr. Welsh stated the Financial and Personnel overviews would be highlighted and indicated that the Fiscal Policy condensed operations and cash flow statement related to the budget. Departmental presentations would be made in a broad brush manner and questions answered by staff. He alluded to this as a "tight-fisted" budget.

2. FINANCIAL OVERVIEW - JOE HOSTETLER, DIRECTOR/FINANCE

Mr. Hostetler, using overheads and the FY 1993 Proposed Annual Budget, reviewed the condensed operating and sources of funds statement and budgeted balance sheets. His presentation explained how the various line items related to KUA operations and discussed budgetary constraints. He said this year we have been able to perform all the moderate capital and distribution projects from available sources from current operations and added back to the reserve almost \$400,000.

Director Bobroff expressed concern that there are insufficient reserves in the event of a major catastrophe or fluctuations in purchase power. Mr. Hostetler said we have approximately \$15 million (revenue) in the reserve which could be drawn upon and that we are experiencing very little change in current liabilities. Bond funds might also be available.

Chairman Hord capsulated the bottom line for 1993 being \$400,000 to the good. Discussed tonight were capital expenditures, many under \$100,000, drawn out of cash generated during the fiscal year. He said staff has a good handle on trends over the 12-month period. By our endorsement of the fiscal policy to be used, considering the state of our growth and if the trend tends to go to the negative, he asked whether some of the projected capital items and the year-end surplus would still be transferred. Would cutbacks be made on capital expenditures if the cash just was not there. Mr. Welsh stated that could be accomplished and explained how. Discussion continued.

Mr. Hostetler said we had originally used 4% for the market level adjustment of the budget projects, but recommended 3% based on the survey, thereby adding \$95,000 to the reserve. Also, other large savings were realized.

Following a rundown of the Balance Sheet by Mr. Hostetler, Mr. Welsh observed that from an assets and liability standpoint we are very close to being a quarter billion dollar enterprise. The Condensed Operating Statement ~ Income Cash Flow statement will be tracked and brought to the Board on a monthly basis.

3. **PERSONNEL OVERVIEW - JOE HOSTETLER FOR NEVILLE TURNER**

In the absence of Mr. Turner, Mr. Hostetler made the Personnel presentation. He said that the 1993 KUA's staffing level has dropped to 235, from 241 in 1992. Personnel changes were highlighted showing associated cuts in the budget. Cutbacks were made through attrition, not layoffs. A Salary Survey for FY 1992/93 projected market level adjustment for other utilities, and the Consumers Price Index, were discussed.

Staff's recommendation to the Board was for a 3% market level adjustment for FY 1993. The Goals & Objectives had reflected a 4% increase.

Director Lowenstein felt few such increases are being given these days, but had no difficulty with 3% and felt some action should be taken this year.

Director Jones felt, with today's unemployed and the economic situation where increases are scarce, its hard to say yes to it in our free enterprise, but found the 3% favorable and realistic.

Mr. Welsh said consideration was given towards the overall best interests of all. The 3% is the market level increase, supplemented with performance increases for target employees. Merit employees do not receive the market level adjustment but are judged on a merit system on their anniversary date and receive an increase above or below the 3% based on their performance and salary scale. This is keyed around the one market level increase of 3% for fully acceptable while in the mid-range of an employee's scale.

Mayor Pollet considered this to be a tough issue in tough times. His feelings were that going between 28% to 35% was in the ballpark to keep up with the level of inflation.

Director Lowenstein moved to accept staff's recommendation of a three percent (3%) market level adjustment in the wages, with no changes in the benefits package. Seconded by Director Bobroff.

**Motion carried 4 - 0
Director Gant absent**

4. **DEPARTMENTAL, O&M AND CAPITAL BUDGETS**

a. **POWER SUPPLY - BEN SHARMA**

Mr. Sharma's presentation covered his departmental Budget for FY 93, the Power Supply staffing needs and projects undertaken and completed for FY 1991/92 and FY 1992/93. He noted the personnel changes as well as discussed the Power Supply Capital Improvements Fund for FY 1993. He updated the members on the status of various departmental projects: SEC II, SCADA, Load Management program, Cane Island project, etc. Discussion followed on some items (e.g., copier) being purchased, the reason for the need, and the cost effectiveness. Also under discussion was having a school for the training of mechanics throughout the year for maintaining and seeing equipment installed.

Chairman Hord asked why operating supplies are increasing by \$377,000. Mr. Sharma said we are using purchase power and increasing our running hours considerably. He said the Hansel Power Plant has reached a new landmark, that is, we have crossed more than one million kWh in one 24-hour operating day. Additional questions were responded to by staff.

b. TRANSMISSION & DISTRIBUTION OPTNS. - KENNETH LACKEY

Ken Lackey said T&D now comprises of three new divisions: Distribution, Electrical Maintenance and Transportation and highlighted their responsibilities. He noted that the Operations and Maintenance expenditures for FY 93 increased 5%. Employee staffing was reduced by 3. Several positions were reclassified or eliminated through attrition. Mr. Lackey addressed the Capital Improvements Fund and explained various purchases and expenditures.

c. MATERIALS MANAGEMENT - JAMES TILLMAN

Jim Tillman noted the percentages for various categories, ending with a -3% for total Operations & Maintenance (C&M) expenses. There are no changes in the planned Capital Expenditures from the Goals & Objectives.

Chairman Hord questioned the need for the large transformer inventory, especially with the slowdown. Mr. Lackey responded that this inventory has been reduced recently. The new racking system makes it appear as though there is more inventory.

The meeting recessed from 7:30 - 7:48 p.m.

d. ENGINEERING - KENNETH DAVIS

Ken Davis reported no increases in personnel for 1993. There is a 2% increase overall in O&M costs. The majority of items are shown as decreases. The summary of Engineering's capital improvements totals \$6,842,358. There is a slight change from Goals & Objectives due to some modifications at Marydia.

Brief discussion was had on the lap-top computer for the mapping system to be used in vehicles in the field.

e. CUSTOMER RELATIONS - CHRIS BECK

Chris Beck highlighted some major projects: Load Management, billing, business hours being changed to 7:30 a.m., automated phone system, and Support Services moving to the Administration Building. She gave an overview of capital projects and O&M expenses and status of departmental changes. A bad debt collection history was given and Ms. Beck noted that KUA's bad debt collections personnel are working hand-in-hand with St. Cloud Electric Utilities in exchanging customer information in hopes of both Utilities gleaning bad debt monies. An aggressive in-house bad debt collection program is in effect.

Director Lowenstein suggested Ms. Beck check into obtaining insurance to cover bad debts and, hopefully, recoup some of these losses. It was discussed that most of our bad debts came from skipped accounts as opposed to bad checks for which the insurance is available.

f. FINANCE - JOE HOSTETLER

Mr. Hostetler informed the Board that Information Systems will operate as a separate department in FY 1993, thereby reducing the Finance Department staff by seven positions. The Media Specialist will transfer to the Personnel Department. Total Operating & Maintenance expenses decreased by \$56,863, or 7%. He gave an overview of expenses in other divisions and indicated where cuts/increases were made. Discussion followed on bond counsel and other fees regarding the bond issue. Overall fees were done fairly on an hourly basis and auditing was done.

g. GENERAL MANAGEMENT - JAMES WELSH

Mr. Welsh stated there is no capital in the Administrative office and no significant increases.

Director Bobroff commended Mr. Welsh for negotiating on his own initiative the FMPA/Cane Island project resulting in millions of dollars of savings to KUA.

h. PERSONNEL & RISK MGMT. - JOE HOSTETLER FOR N. TURNER

The Media Specialist and Utility Worker transferred to this Department increasing the staff to six. Mr. Hostetler highlighted the O&M Expenses as increasing by \$107,793, a 35% increase. A brief overview was given on utilizing personnel in Customer Relations for Switchboard duties on a rotating basis, deleting a 1993 Switchboard Operator position from Personnel.

In answer to Director Lowenstein, staff stated that in replacing older computers by new upgraded types, the old computers are either traded in or still utilized.

As part of the Errata, Mr. Hostetler introduced a list of recommendations for a Suggestion Review Committee. This idea came in through our Suggestion Program by an employee for rewarding employees for safety and money-saving ideas by issuing savings bonds in various amounts. A \$5,000 fund would be put aside for this. Mr. Hostetler outlined the requirements and remuneration, whether it be monetary, a Letter of Appreciation, or a full day off with pay, at the discretion of the Committee. Staff said this reward system would not apply if it is a part of one's normal job function. Director Bobroff disagreed with this philosophy until more specific details on this were explained to him.

Director Jones felt this type of recognition was an excellent idea and suggested those employees be recognized by the Board at the monthly meetings.

Mayor Pollet suggested our making a cash donation rather than giving savings bonds for which there is a minimum 6-month waiting period to cash them in.

It was the consensus of members and staff to make this reward optional: the net cost of the bond in cash or the bond itself.

i. INFORMATION SYSTEMS

Dennis Wick, Director/Information Systems, recommended no staffing changes, currently at seven, for this year. In Operations & Maintenance Expenses, there is a 1% increase overall. Professional & Contractual Services dropped 33% due to having to put our documents on microfiche. Concerning the Capital Improvements Fund, there were no changes from the Goals & Objectives, presently totaling \$200,720, of which \$115,000 was attributed to the upgrade of the AS/400 from D50 to D60.

5. CONCLUSION AND SCHEDULE REVIEW

Mr. Welsh stated that the budget process begun at our Goals & Objectives sessions will be concluded at the Public Hearing during the June 24, 1992 meeting. This will conclude from the Board's standpoint the 1993 budget process, thereupon commencement of the 10-Year Planning Process will begin and conclude in December.

A motion on the 1993 Annual Budget will come via a Resolution which will be adopted subsequent to the Public Hearing on June 24.

Subsequent to our Regular Meeting on June 24, a Special Meeting will be held the following evening, June 25, with Coopers & Lybrand to discuss the FASB-71 accounting changes and the reasons for them.

C. OTHER

Attorney Edward Brinson elaborated on the Lyng property as well as the possibility of purchasing additional property in the Boggy Creek area for a future substation.

Mr. Brinson said things are moving nicely on the Lyng property. All the lots, with the exception of two, are ensurable. Mr. Lyng has filed a "quiet title suit" on the two lots and Mr. Brinson feels they will conclude them successfully. He updated the members on the conditional use, the testing of ground water, etc.

The second property (brought to Mr. Brinson's attention by Director Gant) on which Mr. Brinson's office is foreclosing a mortgage for an out-of-state client, encompasses approximately 7-8 acres. This acreage might be suitable to our needs for a future substation in that area and worthy of checking out. Discussion followed on the possibility and advantages of purchasing it at this stage. Some conditions, subject to conditional use, etc., due to bidding on it at "Court House steps" would not be available. An alternative would be condemnation and quick-taking. In-depth discussions continued.

Chairman Hord suggested, if the location and price are right, having our environmental people walk the land and maybe do an environmental study. Mr. Davis said the land must be suitable for construction.

Motion by Director Bobroff, seconded by Director Lowenstein, to place this item on the agenda for discussion on the possibility of acquiring some acreage on the Hiliard Island Road just off Boggy Creek Road.

**Motion carried 4 - 0
Director Gant absent**

Motion by Director Bobroff authorizing staff to employ a firm for a Phase 1 Environmental Study on the above-discussed acreage (off Boggy Creek Road), if it is judged to be desirable. Seconded by Director Lowenstein.

**Motion carried 4 - 0
Director Gant absent**

Chairman Hord suggested that if our Engineer and environmental people like the acreage in question, no appraisal is necessary and could be purchased at Court House steps at a nominal cost.

D. HEAR PRESIDENT & GENERAL MANAGER, ATTORNEY, DIRECTORS

PRESIDENT & GENERAL MANAGER

Mr. Welsh informed the Board that the FMPA did take action on and approved the Cane Island contract at their meeting on May 29, 1992.

ATTORNEY - No comments

DIRECTORS

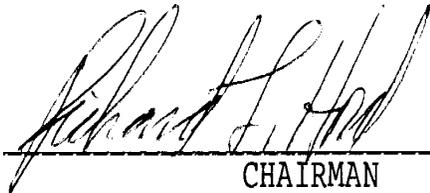
Mayor Pollet said that at the City Commission meeting the

previous night, it was brought up that one of our engines was being retired at the Hansel plant and suggested KUA might consider in its long range plans, if economically feasible, to discontinue operations at the Power Plant and consider moving it out of the downtown area.

Director Lowenstein commended staff on an excellent easy-to-comprehend Annual Budget. Director Bobroff concurred.

Chairman Hord also agreed. He felt there were many decreases in view of our 15% loss of sales revenue. He said we need to keep it "lean and mean" and staff has responded to it and did a good job.

E. ADJOURNMENT: Meeting adjourned at 9:00 p.m.



CHAIRMAN

ATTEST:



SECRETARY