

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY HELD ON
WEDNESDAY, MAY 26, 1993 AT 6:00 PM, BOARD ROOM, ADMINISTRATION BUILDING,
1701 W. CARROLL STREET, KISSIMMEE, FLORIDA

Present at the meeting were Chairman Hord, Vice-Chairman Gant, Secretary Bobroff, Assistant Secretary Lowenstein, Mayor Pollet, Attorney Brinson, President & General Manager Welsh, and Recording Secretary Rundio. Director Jones was absent.

A. MEETING OPENED at 6:00 P.M. by Chairman Hord.

B. AWARDS AND PRESENTATIONS

1. DISTINGUISHED BUDGET PRESENTATION AWARD

For the sixth consecutive year, KUA has been presented with the Distinguished Budget Presentation Award for the development and publishing of the KUA Annual Budget for the Fiscal Year beginning October 1, 1992. To earn this award a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communication device.

Joe Hostetler, Director of Finance, as well as his staff, was presented this award by Chairman Hord and the members, with their congratulations.

Mr. Hostetler thanked Pete Perrino, Manager of the Budget Division, and the other Department Directors for their significant contributions in this endeavor.

2. 10-YEAR SERVICE AWARD - EARL COPELAND

3. 10-YEAR SERVICE AWARD - CHARLES ABSHER

4. 5-YEAR SERVICE AWARD - KATHLEEN WILSON

5. 5-YEAR SERVICE AWARD - MITCHELL WATFORD

6. 5-YEAR SERVICE AWARD - HELENA HUSTON

Mr. Welsh stated that all the above employees had a conflict for a variety of reasons and were unable to be in attendance. The Department Heads would be presenting their awards personally at a later time.

7. EMPLOYEE OF THE MONTH - ROBIN WARD

Robin Ward, Secretary/Information Systems, was selected as Employee of the Month by fellow employees and the Employees Organization. This is a special honor and we are delighted to have Robin with us and appreciate her professionalism and dedication. Robin began employment December 2, 1991 and has been instrumental in assisting her Supervisor, Dennis Wick, in getting our systems together.

Chairman Hord presented Robin with an Employee of the Month plaque and Secretary Bobroff presented her with a \$100 Savings Bond. Robin will also receive a reserved parking space and a day off with pay.

C. HEAR THE AUDIENCE - None

D. PUBLIC HEARING - None

E. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION)

General Manager Welsh stated at this time we are readying to enter the bond market, strategically waiting until next week or beyond and that our financing team was in attendance for an update.

Mr. Hostetler said the market wasn't strong enough to date to do a refunding issue on its own. Recently we received an interpretation of a ruling by Bond Counsel. They concurred with the interpretation of the rules that allows us to use some interest earnings on some escrow money to add to or include in the analysis for the refunding which would bring us to the 3.0% present value savings. There is a loophole in the law right now which will be closed June 30th. The idea would be presented tonight to get the Board's concurrence so that if we do enter the market, assuming the market is still there, we would like to do the new money issue and refunding at the same time.

Bill Jahnes, Merrill Lynch, Clearwater, Florida, gave an overall update as to where we are as the market keeps changing. They had the Bond Counsel do a thorough analysis. He stated that one of the challenges staff would have to deal with after the bond issue was over, with regard to the money borrowed to fund the Cane Island project, is that the available yield on the market is 3.89%, whereas the financing cost and the rules under the IRS basically allow you to earn as much as 5.73%. This is known as negative arbitrage or underyielding condition which amounts to \$1.9 million over the life of the balance of the construction period.

Jahnes highlighted the high and low interest rates and where we're at and what their financing strategy would be. They would take the refunding issue and project financing for Cane Island and move forward in the combined issue. The negative arbitrage on the construction is \$1.9 million; however, the securities that can be purchased to fund the escrow for the refunding bonds have the capability of earning an additional \$658,000 over and above the allowable arbitrage true interest cost, which the IRS says is the maximum you can earn on the escrow. This ruling has been in effect since 1986. The new regulations to be effective July 1st would not allow this type of blending to occur.

Director Bobroff inquired if the IRS sees this ruling the same way as the attorneys do. Mr. Jahnes said that at the present time they do and explained the process.

What Mr. Jahnes was asking now was to get the Board's permission in terms of a recommendation to proceed with the financing on a combined basis, and to establish revised dual savings objectives. They asked for direction to allow them to establish a revised present value savings target on a stand alone basis and on a combined basis, taking into account the additional monies generated through this yield blending technique and allow them to move forward with a combination of these two objectives and bring back to the Board a financing which will save more than 3%. The stand alone refunding present value today was 2.55%. Blending in the additional benefit on the construction fund would increase it to 3.67%.

The finance team hopes to enter the market as early as Tuesday of next week, if the market is strong. It would be the first issue into the market and hopefully they could capture some very aggressive rates for us. They also asked that a Special Meeting be called next week, June 2nd, with the signing on the afternoon of June 16th and the securities would be exchanged on the morning of the 17th. A quorum is necessary and Chairman Hord, Secretary Bobroff and General Manager Welsh would be required to sign the documents. It would take place here to minimize the logistical constraints and concerns. A Special Meeting would be called on Wednesday, June 2, for the bond resolution.

Motion by Director Bobroff, second by Director Lowenstein, that this item be agendaed for discussion and action.

Motion carried 4 - 0
Director Jones was absent

Director Lowenstein moved to consider accepting the recommendation of Merrill Lynch to proceed as stated, to wit:

- Proceed with the Combined Issue
- Establish Revised Dual Savings Objectives
 - PV Savings for Refunding Alone
 - PV Savings Including Reduction in Negative Arbitrage in Construction Fund

Seconded by Director Bobroff.

Discussion followed. Mr. Welsh gave his understanding of the process on the level of savings and negative arbitrage. He said the direction we had from the Board was 3.0% present value savings and that we would not recommend that we do it for 2.5%. It is staff's recommendation that if we can't achieve the 3.0% we need to hold off and hope that we can at some point, otherwise it's not worth doing the deal.

Mr. Jahnes wants to reach the targets that are favorable to KUA.

Motion carried 4 - 0
Director Jones absent

Attorney Brinson asked if a quorum would be available between June 1st and 4th. The response was affirmative.

F. OLD BUSINESS - None

G. NEW BUSINESS

1. CARROLL STREET TO BERMUDA AVENUE COMMUNICATIONS

Ken Davis, Director of Engineering, had been evaluating the feasibility of installing our own communications circuits between Carroll Street and Bermuda Avenue facilities. Mr. Davis stated we want to provide Bermuda Avenue facilities with phone service and extensions off the existing switch and data circuits. He elaborated on the analysis and anticipated cost savings to KUA by avoiding the United Telephone leasing costs for off-premise extensions for circuits between these buildings. In-depth discussion ensued on the various scenarios of paying for voice only, data only or voice and data, and the estimated capital cost and payback period were highlighted.

Chairman Hord asked if it was possible to doing the trench work, buying the fiber optic cable, putting in the copper cable, hooking up the voice and defer buying the expensive electronic equipment and hold off that capital expenditure until we actually need it, perhaps two years hence. Mr. Davis said that certainly could be done. Chairman Hord is in favor of the concept but hesitates doing more than necessary at this time.

A third alternative, suggested Chairman Hord, would be to do the trench work and labor and buy the fiber optic cable and put it in at the same time. He preferred deferring the \$50,000 electronic expenditure, excluding the fiber optic portion, until a later time. We could spend \$25,000 plus labor (via voice only) with a return in about two-and-a-half years. He said we have several alternatives and following further research it should be brought back to the Board showing various scenarios. He felt we could try deferring a large capital expense and go the lease purchase route over five years. Discussion followed.

Mr. Davis said we could also look at leasing the electronic to offset our cost to United Telephone. He would obtain the break-out of the copper and fiber, lease costs of equipment, and other issues.

Chairman Hord flatly stated he would vote against this in the manner presented tonight but would prefer having additional information at hand.

Director Lowenstein said we should table this and bring it back to the Board. Director Gant felt it was a great concept.

2. BUDGET AMENDMENTS

Mr. Welsh stated that it is our goal to bring this year's budget in line with some current happenings.

Mr. Hostetler said the result of this budget amendment will be to take out an additional \$1.2 from the Reserve for Future Capital Outlay. He recapped the various changes that have occurred under the new method of accounting. He wanted to true-up the budgets so the variances make more sense. We will not realize the sales as budgeted and our COPA costs have been consistently above what was budgeted, so he would true that up. He went over the summary of mid-year amendments as included in the agenda item and responded to questions by the Board.

Chairman Hord asked what the real advantage is of amending the budget. Mr. Hostetler explained he can now project more accurately during the remaining five months than he could a year ago and it shows what we could make in reinvested earnings this year. The comparison between actual and where we should be is much more accurate, basically its a revised projection.

Motion by Director Bobroff to accept Staff's recommendation that we approve the Budget Amendment, as presented, and to show the Amended Budget with the original Budget still remaining, for the record. Seconded by Director Lowenstein.

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

Mayor Pollet left the meeting at 7:10 p.m.

3. ACCEPTANCE OF CSX RAILROAD CROSSING PERMIT FOR CANE ISLAND SITE

Mr. Welsh said this agreement from CSX permitting the construction of a new railroad crossing is essential to our Cane Island site. However, several changes were incurred recently allowing for more favorable conditions, which were incorporated in the agreement of which the Board members were not cognizant as yet.

Ben Sharma, Director of Power Supply, stated that through numerous negotiations, various changes in our favor were incorporated in this contract for the purpose of obtaining this permit. Of importance was the reduction of our commercial liability insurance to \$1 million from \$3 million, saving KUA considerable monies over two to three years. A termination clause was inserted which stated that the Railroad wanted anytime within 30 days, they can terminate the agreement and we had no recourse for cross-overs. This change stipulates that if they find any breach on our part they will give us time to rectify it. The Railroad has agreed to make the changes.

Discussion followed. Director Bobroff felt if the Railroad terminated the agreement, we would be in a position to have to remove the crossing and we would be at the mercy of the Railroad. Attorney Brinson asked that Mr. Sharma read the improved version of paragraph 12.1 (pg. 8 of the agreement) for the Board. This clause gives us time to cure, e.g. if there were a safety hazard.

Staff recommends that the Board approve this agreement and ask that the Chairman and Secretary execute same.

Attorney Brinson stated that during a conference call with Myron Rollins, Black & Veatch, it came up that at present there is a public crossing. That's an agreement between the Railroad and the County Commissioner. It was an insurance policy we received when we purchased the land. In order to insure land and get title insurance you have to have legal access. There is nothing in this agreement that requires that crossing to be closed. He vaguely recalled there was a commitment that Ross Lanier would have access to his doublewide trailer. Using the present crossing would keep him from interfering with ours. Mr. Brinson suggested fencing off and maintaining the fence at the public crossing. Chairman Hord said from a liability standpoint that his not using our crossing would be good for KUA. Mr. Brinson said he found nothing in this agreement requiring us to approach the County to have that public crossing closed. Further discussion followed.

Bill Heston, Black & Veatch, was asked by Mr. Brinson whether the application which contained a statement about closing a private crossing, commits us to approach the County Commissioners to close that public crossing. Mr. Heston said yes and that he believed the Railroad considered our application part of this agreement.

Mr. Welsh stated our intent is not to close the crossing but to move it. Mr. Brinson was not sure whether Mr. Lanier could cross on this private crossing. Mr. Brinson read an excerpt from the agreement, "...hereby grants the licensee right or licensee construct, use and maintain a private road at grade across the track right-of-way at or near so and so..." you're going to have to cross it. He further quoted, "... this agreement gives personal license to the licensee except for the licensee's employees, agencies or family, agents, servants, patrons and/or invitees." Mr. Brinson added that you cannot be landbound.

Director Gant stated we should solve this problem, that the County Commissioner never intended to make it inconvenient for Mr. Lanier. We must deal with this and resolve it.

Chairman Hord inquired whether we can take action on this and not have the Chairman and Secretary sign it until our Attorney reviews this first. Mr. Brinson stated that Mr. Sharma requires authorization because they will order supplies right away. Mr. Brinson wanted to make sure, for the record, that we give Mr. Lanier access.

Motion by Director Gant to accept Staff's recommendation to approve the agreement with CSX Railroad permitting the construction of a grade level railroad crossing and authorize the Chairman and Secretary to execute the agreement. Seconded by Director Lowenstein.

Brief discussion followed on the width requirements of the crossing. Mr. Brinson reiterated we have a definite commitment to Mr. Lanier. Mr. Heston was not sure if we would get by with that, but an amendment might be made. Director Bobroff felt it was a matter between Mr. Lanier, the County and the Railroad, not us. Mr. Brinson said we could not have been issued the title policy without ensuring the right-of-way; it was and still is a dedicated right-of-way and only the County Commissioner can close the crossing.

Motion carried 4 - 0
Director Jones absent

Mr. Welsh introduced a late item to be agendaed.

4. OSCEOLA PARKWAY/RR OVERPASS LINE RELOCATION BID AWARD
TRANSMISSION LINE STRUCTURES BID NO. 029-93

Motion by Director Lowenstein, seconded by Director Gant, to agenda this item.

Motion carried 4 - 0
Director Jones absent

Engineering Director Ken Davis gave a brief presentation on this straightforward bid. It is for the structure relocation of the 230 kV between Taft and Marydia on the overpass at the railroad tracks on Osceola Parkway. One of the three bids, the Valmont bidder withdrew due to not being able to meet the requirements, so the bid went to the next low bidder, Power Structures, Inc. for \$41,464 which staff recommended.

Motion by Director Lowenstein, seconded by Director Bobroff, to accept staff's recommendation to award bid No. 029-93, Transmission Line Structures, to low evaluated acceptable bidder, Power Structures, inc., for the contract price of \$41,464 contingent on negotiation of a satisfactory contract; and authorize the Chairman and Secretary to execute the required contract documents.

Motion carried 4 - 0
Director Jones absent

It was noted (Table 1) that we are required to pay certain state sales tax on some particular items.

H. STAFF REPORTS

1. MONTHLY PROGRESS REPORT ON ENGINEERING PROJECTS

Brief discussion took place on item 7.0, the Osceola Parkway/535 Overpass Relocation Project, where Mr. Davis said we have to elevate the structures and relocate some distribution circuits.

2. CONDENSED FINANCIAL REPORT

Joe Hostetler, Director of Finance, gave a brief update on these financials.

3. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

At the request of Chairman Hord and Director Lowenstein, Ben Sharma, Director of Power Supply, gave an update on the current status of the SCADA situation.

Mr. Sharma said our situation is improving. Two of our people spent a month there attending the Factory Acceptance Test. The hardware test passed; however, several of the software portions did not. Mr. Sharma said that Ed Nobrega called today and said more testing will be required. Our employees have returned for the time being.

Director Bobroff stated that this firm is alleged to be experienced in this equipment and why all the problems. This is custom equipment, Mr. Welsh said. Mr. Sharma said other factors come into play.

Chairman Hord expressed serious concern on the time and the extra expense incurred by a responsible business. He was told the equipment was scheduled for delivery in October, 1992. Two people were being trained for two weeks, plus travel expense, etc., and asked how much over budget are we.

About \$20,000 expense was incurred because they misled us in coming out there.

Attorney Brinson said our personnel was there considerably longer than specified. We are finalizing the costs and intend to put them on notice to hold back perhaps the 10% retainage. The total being spent with Landis & Gyr is \$786,000.

Chairman Hord inquired how this affects us monetarily because we don't have the SCADA unit on board. Attorney Brinson said so far the old system is working though it is not completely dependable; however, the anxious moments in the interim are not compensable. Chairman Hord said some compensation should be in order due to such delays.

The Board put Mr. Sharma on notice that KUA intends to make a claim for reimbursement of additional costs incurred by KUA because of delays and futile visits of our people at the FAT and because they did not have sufficient staff. When questioned by the Board, Mr. Welsh and Mr. Sharma said there were frequent turnovers by the Landis & Gyr staff, causing additional delays. Discussions continued.

Staff Reports 4 and 5 were reversed in order that Director Bobroff might leave early.

5. LEASING OF CARROLL STREET BUILDING SPACE

Mr. Welsh stated the bottom line is we did our space planning and determined we can't project under our current organization needing the space on the third floor for the next ten years.

Ken Davis gave a brief presentation on square footage available and the estimated costs per square foot for other areas of consideration. Discussion followed on what the fees for a finished and unfinished area would be, who might best utilize the third floor, parking available, etc. It might be possible to get a return of \$1.2 million over ten years.

Chairman Hord said we have \$440,000 invested in the third floor and asked what kind of investment could we get. Improve it and add it to the price of the lease or let the lessee do it.

Mr. Welsh suggested we have our own people utilize this building than lease out the space to City departments or other agencies, thereby having the 8 Broadway personnel in this building and avoiding the constant travel between buildings as is done now. He said it would be preferable having our people come here rather than outside functions and leave the City's functions downtown. That would mean having Customer Service and the public paying their bills here. Renovations would be required on the first floor to accommodate such changes, but it would be possible. He felt there was considerable merit to having either the City or County utilizing the 8 Broadway Building.

Following much discussion on the pros and cons of going different routes, Chairman Hord asked whether its the Board's pleasure to pursue leasing some of our assets, whether they be on Carroll Street or 8 Broadway.

Director Bobroff was fully in favor of having the City occupy the 8 Broadway building and moving those functions here. He said we are losing sight of why we built the third floor to begin with, to have space available for future expansion.

Director Lowenstein said his original thought had been to glean some income for the vacant third floor space.

Director Gant did not desire to have approximately 18,000 customers coming to this facility and favored some other agency lease here which would also down on traffic.

Chairman Hord said the question is, would you agree to rent, not can it be rented. Director Bobroff said no. Director Lowenstein said he would go for a five-year period without question because we don't need it for five years and breaking it out over five years we would get our money back.

Chairman Hord asked if it was the philosophy of the Board to consider leasing it or not leasing it.

Motion by Director Bobroff that we direct Staff to contact the City of Kissimmee and see if they would choose to lease or purchase the building at 8 Broadway. Motion died for lack of a second.

Director Gant believes in the philosophy of leasing the third floor of this building for ten years and maintaining the downtown facility as is. Director Lowenstein concurred. The consensus was that three Board members felt the way Director Gant does; one did not.

Board's direction to Staff was to contact the City, the Osceola School Board and the Osceola County to see if they would entertain leasing the 20,000 sq.ft. on the third floor of the Administration Building. Then we can pursue the next step. Director Bobroff would prefer having water & Sewer lease the third floor.

Mr. Welsh assured the Board he would contact the three agencies as to their interest in leasing the third floor. That we have 22,000 sq.ft. of unimproved space and we would be willing to discuss or having them improve it on a ten-year type lease if they have such needs along these lines.

Director Bobroff left the meeting at 8:45 p.m.

4. CUSTOMER RELATIONS DEPARTMENT HIGHLIGHTS

Chris Beck, Director of Customer Relations, gave a presentation on several subjects, one of which was on a decision the Board made several years ago to purchase the Itron electronic meter reading system with a

cost of about \$59,000. She displayed the meter and remote reader. With the increased growth we wanted to increase the accuracy of our reads and decrease the rereads. She highlighted the advantages of using this system which has proven very beneficial in giving statistics and has proven to be cost effective in saving approximately \$170,000 over a three-year period, paying for itself. Discussions followed.

Ms. Beck highlighted the many programs in place in Customer Service which inform our customers of the many ways they can conserve energy and save dollars. Pamphlets on these programs were distributed to the members.

The current status was discussed on Load Management.

Ms. Beck was thanked for her thorough and informative presentation.

I. CONSENT AGENDA

Director Gant moved to approve items 1, 2, 3 and 6 of the Consent Agenda. Items 4 and 5 were pulled by Director Lowenstein and Chairman Hord, respectively.

1. APPROVAL OF MINUTES OF APRIL 19, 1993, SPECIAL MEETING
2. APPROVAL OF MINUTES OF APRIL 28, 1993, REGULAR MEETING
3. APPROVAL OF MINUTES OF APRIL 29, 1993, SPECIAL MEETING
6. AWARD OF CONTRACT FOR THE SUPPLY OF MOTOR CONTROL CENTERS FOR CANE ISLAND UNIT 1 - IFB #024-93

Motion carried 3 - 0
Director Jones absent
Director Bobroff absent

4. AGREEMENT WITH CITY OF KISSIMMEE ALLOWING KUA'S GAS PIPELINE TO BE HUNG FROM EFFLUENT LINE PIERS

Director Lowenstein inquired what was meant by "being hung" in this item. The response was the gas pipeline was "suspended" from the pilings, the effluent line piers.

Motion by Director Lowenstein, seconded by Director Gant, to approve item 4.

Motion carried 3 - 0

5. AWARD OF CONTRACT FOR THE SUPPLY OF THE GENERATOR BUS DUCT - CANE ISLAND UNIT 1 - IFB #018-93

Chairman Hord questioned how there could only be a \$107 difference in the evaluated cost of the two bids submitted. He asked how the almost identical costs of \$37,489 and \$37,382 were arrived at.

Mr. Sharma elaborated on this. Controlled Power Corp. did not provide spare parts that Calvert Company did. Other factors were also taken into consideration which he itemized.

Chairman Hord stated that it seemed like Black & Veatch used one bidder's bid for the other bidder's spare parts to reach their evaluated bid price. It did not seem appropriate and coincidental for two bidders to come down within \$107, especially since the bid prices were so different.

Chairman Hord requested that additional information regarding this be supplied. Mr. Welsh suggested Staff address this to Black & Veatch and that it be deferred and agendaed at the June meeting. Black & Veatch would be asked what their thought process was on this, to detail this evaluation process, and to discuss this with our Attorney. In the future we need details on an evaluation, e.g., a summary sheet to show how the figures were arrived at. Attorney Brinson felt a false figure on spare parts was used. Chairman Hord stated it is questionable when one bidder comes down \$10,000 and the other \$7,000. One bidder provided correctly while the other overspecified and we adjusted back down. Attorney Brinson said the key question is whether one has an advantage over the other in this.

Mr. Welsh said we will ask the Engineers how this was evaluated. If it's satisfactory, we will recommend it to the Board and, if not, we will rebid it.

This agenda item was tabled until the June 17th meeting.

J. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

GENERAL MANAGER

Mr. Welsh pointed out that in the Engineering Report concerning the Osceola Parkway for the 69 kV transmission line near 535, we are doing much of it in-house. Going outside would have cost us \$45,000 compared to doing it in-house for \$19,000.

Mr. Wayne Schoolfield had asked Mr. Welsh to express the vote of confidence given him by the Board and that he receive as much help as possible in coming on board. Mr. Schoolfield's nomination is agendaed for the City Commission meeting for June 1st at 6:00 p.m.

ATTORNEY - No comments

DIRECTORS

Director Lowenstein asked for and received an update on the bar coding by Materials Management Director Jim Tillman. He is in the process of purchasing a Personal Computer strictly for the bar coding to get this underway.

Director Lowenstein mentioned receiving a pamphlet which had a write-up on KUA.

K. ADJOURNMENT: Meeting adjourned at 9:25 p.m.



CHAIRMAN

ATTEST:



SECRETARY