
MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD
WEDNESDAY, AUGUST 25, 1993, AT 6:00 PM, BOARD ROOM ADMINISTRATION
BUILDING KISSIMMEE FLORIDA

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

A. MEETING CALLED TO ORDER at 6:00 p.m. by Vice-Chairman Gant.

B. AWARDS AND PRESENTATIONS

1. 10-YEAR SERVICE AWARD - ROSEMARY KLINGE

Rosemary began work here 10 years ago having originally been hired as a temporary employee and we realized she was a "keeper". As Administrative Secretary at the power plant she originally reported to Max Alderman and subsequently to the Director of Power Supply, Ben Sharma.

When she applied for her current position as Assistant to the President and General Manager a year ago, she was found to be the most qualified person for the job. She has met the challenges of her new responsibilities with initiative, hard work and dedication with flying colors.

Vice-Chairman Gant presented Rosemary with the service award of her choice, a leather key case. Vice-Chairman Gant said, "Congratulations, you deserve it!"

2. 5-YEAR SERVICE AWARD - JON HENDERSON

3. 5-YEAR SERVICE AWARD - BARBARA MARSHALL

Mr. Welsh stated that Jon and Barbara had a conflict and were unable to be in attendance. The Department Heads would be presenting their awards personally at a later time.

4. 5-YEAR SERVICE AWARD - TIM JACKSON

5. 5-YEAR SERVICE AWARD - RICHARD CALLAHAN

6. 5-YEAR SERVICE AWARD - BILLIE THOEMING

7. 5-YEAR SERVICE AWARD - GABE LASANTA

8. 5-YEAR SERVICE AWARD - MARVIN FULLER

Mr. Welsh said we have the unique opportunity today of honoring 35 years of service for the above seven people with 5 years each.

Mr. Welsh stated that 5 years ago this month must have been an exciting and busy month in Customer Service. Everybody present except for Tim Jackson is from Customer Service. He asked them if they had any recollections about their first days of service here. Five years ago was a time when we had a major expansion in Customer Service, we had been experiencing very long lines. We had moved into the new building at 8 Broadway.

Marvin "Chief" Fuller came on board. He is the utility worker and basically helps keep 8 Broadway together. He also comes out here to Carroll Street periodically and really helps keeps this place in fine repair. He keeps it alive and keeps it humming.

When Mr. Welsh asked Tim Jackson what his recollections were of his first day on the job at the Power Plant, he replied "I was scared to death".

All the above employees received service awards of their choice for their dedication to KUA.

9. EMPLOYEE OF THE MONTH - WAVERLY PADGETT

Waverly was selected by her fellow employees as the KUA Employee of the Month and was subsequently elected by our EOC representatives for this most deserving honor.

Waverly started work in May 1989 and progressed to her present position as a Customer Service Rep II. Her unfailingly pleasant attitude even when she is dealing with the most difficult customer situation, her sparkling personality comes through for both KUA and the customer. It could mean the difference between a good or bad customer experience. Her department director had only good things to say about her attitude and work experience in going that extra mile to see that their needs are met efficiently and quickly. She wears multiple hats in serving walk-in customers, working in the phone bank and can always be depended upon to help others.

Vice-Chairman Gant presented Waverly with an Employee of the Month plaque for September, 1993. She was also given a \$50 check, and will receive a day off with pay and a reserved parking space during September.

C. **HEAR THE AUDIENCE** - None

D. **PUBLIC HEARING** - None

E. **INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION)**

1. MONTHLY CONSTRUCTION PROGRESS REPORT OF CANE ISLAND PROJECT

KUA's Owners Representative, Greg Herrington, gave a brief monthly report of the Cane Island site which included about a four minute video.

Greg presented a brief outline of what has been completed to date, what is in progress, what is to be completed on the two existing contracts on the site as well as the proposed contract we have coming up.

The site development contractor has completed his excavation, backfilling and his clearing. The road subbase at the entrance road and on site has been completed. The railroad crossing is completed and the rubberized crossing is in.

The ponds and the dikes that were in this contract are substantially complete. In progress right now is the lime rock base for the paved road and also some of the culverts are going in.

Items to be completed in this contract are the mitigation area plantings, final paving on the road, seeding and sodding and the fencing.

Well construction of Well #1 has been completed and successfully tested; Well #2 is in the process of being installed now and is scheduled to be tested next week, then the well contract will be complete.

It is anticipated the general construction contract will be awarded soon. Last week negotiations were completed for the contract. Scheduled for tomorrow are the pre-construction meetings

with the contractor and Friday we anticipate mobilizing the ground modification subcontractor.

Additional work that KUA forces did to support the project was to have construction power run out to the site by Mr. Lackey's group. The construction power is complete. The trailer which was at the Marydia site (the Meter Shop trailer) has been moved out to the Cane Island site and plans are to move into that sometime next week.

At this time Mr. Herrington showed a video of the above highlights. During the video, Director Bobroff asked what thickness of asphalt was being put on the road. Mr. Herrington responded they were looking at 3" plus 1", the 1" would go on at a later date Director Bobroff also queried if the fill dirt came from the property or from outside. Mr. Herrington indicated that most of it came from outside, some of it came from the mitigation area.

Mr. Welsh said if the Board concurred we would schedule a Cane Island site visit on Thursday, September 23 the day after our regular Board Meeting. We would meet at Carroll Street at 5:30 p.m. and car pool or take a van to the site and then have some four wheel drives on the site there to take us around.

Vice-Chairman Gant asked how deep are the wells they are putting in. Mr. Herrington answered 300 feet deep with a 200 gallon per minute production. Vice-Chairman Gant than asked if the well they put in is getting good water. Mr. Herrington said it passed the test and the well had a capacity of a six foot draw down with the water table about 17 foot below the grade which is a good capacity well.

F. OLD BUSINESS

1. CLAY STREET PROJECT - ENGINEERING CONSTRUCTION SERVICES

Mr. Welsh reminded the Board they had approved in concept the Scope of Services for the Clay Street Project but the services were released at various times as they were needed. This is the time and the project schedule necessary to award the engineering construction services for the Clay Street Project.

Ken Davis, Director of Engineering, stated we need to authorize construction management services for Clay Street Substation and the Transmission Line between Cane Island and Clay Street.

Director Bobroff moved to approve the Staff's recommendation for the authorization of Task 6, Construction Services, to Black & Veatch for the Clay Street Substation and Transmission Line Project for \$250,000. Seconded by Director Lowenstein.

Vice-Chairman Gant said you made the statement here, if in the event something happened, the interest rate may go up. Can we lock in this number and is there any way we can feel good about the \$250,000. Mr. Davis responded that if we get completed within the 12-months construction schedule that the man hours are calculated on here, then this figure would hold. Right now we are actually shooting for a 9-month construction schedule, so we have every hope that we will be in under the \$250,000.

Mr. Davis said we have always contracted Black & Veatch for these particular type services. They are basically on an as needed man hour basis. If the construction schedule extends out to 14 or 15 months then they are required to have the people on site for that, so this cost would go up at that point.

Mr. Welsh explained if something beyond our control: licensing, legal stop, or maybe some physical thing came up that was unforeseen, construction would be stretched out and the cost of managing that construction would have to be borne by us. Discussion continued.

Director Bobroff queried about the availability of the equipment and material. Mr. Davis replied no problems are foreseen with that, most all the major equipment is already ordered. A good example of a problem would be the manufacturer could have a labor strike, that would be beyond our control and the contractor's control. That could delay the project and extend it out.

**Motion carried 4 - 0
Chairman Hord absent**

G. NEW BUSINESS

**1. HANSEL POWER PLANT SUBSTATION IMPROVEMENTS PROJECT
ENGINEERING SERVICES**

Mr. Welsh stated this project was approved for the 1994 Budget. The request before you now is to accelerate it by about a month or a month and a half so we can get it to mesh with the Clay Street construction. This is associated with the physical inspection tour that the Board, with the exception of Dr. Gant, had just completed at the Hansel Power Plant. Vice-Chairman Gant asked in what general area the improvements would be.

Mr. Welsh stated it is between the substation and the parking lot on that side, not on the railroad side of the parking lot. We will probably be taking out some of the substation fence and may actually move a transmission pole.

Motion made by Director Lowenstein authorizing the initiation of the Hansel Plant Substation Improvement Project: authorize Black ~ Veatch to proceed with the engineering work for \$99,600; authorize the transfer of \$100,000 from the Reserve Fund for Future Capital Outlay. Seconded by Director Bobroff.

Vice-Chairman Gant commented can we control the cost of this and is this a not to exceed or develop at cost. Mr. Davis said this particular design is based on a not to exceed cost.

**Motion carried 4 - 0
Chairman Hord absent**

**2. AMENDED RESOLUTION - R93-7 MODIFYING SELECTED ROUTE FOR THE
CANE ISLAND TO CLAY STREET TRANSMISSION LINE**

The Amended Resolution R93-7 was handed out by Mr. Welsh. Vice-Chairman Gant asked if this is the one we talked about at the workshop. Mr. Welsh stated to the Board that they actually passed a resolution for the condemnation of these lines based on a given route. There is a slight modification to that route requiring an amended resolution. The original resolution was passed February 19, 1993.

Mr. Davis said to Vice-Chairman Gant what you are referring to is basically what we did discuss, the alternate route at the last Special meeting. Mr. Davis then opened out the drawings for viewing by the Board and showed the two additional drawings which were prepared and which superseded the original drawing on the resolution that was approved.

Mr. Davis said it has not been determined whether a particular piece of property will be able to be purchased or not. If we are not able to purchase that piece of property on a negotiated basis, then at this point we would be required to come across the road and continue with our original route which is shown on the next drawing. It is at the corner of Vintage Street and Old Tampa Highway, and then the route would continue on the south side of the road until down near Pleasant Hill.

Director Bobroff queried who is negotiating with the property owner. Mr. Davis said with this particular property owner it is us. Mr. Brinson and I will meet with him in the morning and hope that we can work something out with him. If we can't, the property owner on the south side, the one we discussed at the last meeting, is under an agreement with us to utilize his property if we can't negotiate a settlement with this property owner. We must let him know before September 1, so basically we are hoping to determine something tomorrow whether we will be able to negotiate this on the north side.

Mr. Welsh said that was the agreement that the Board authorized at the Special Meeting. Vice-Chairman Gant then asked what is the change in this resolution then. Mr. Davis said the change in this resolution includes these two revised plans. One other thing that needs to be pointed out, when we picked up here to continue on the north side there are two small pieces of property we are labeling Parcels 123 and 124. They were not included in the original resolution and need to be picked up on this north route. Between where we stopped originally and the county's planned road stops, there are two little pieces of property that would have to be acquired. Those are also included in the amended resolution that were not included in the previous resolution.

Attorney Brinson said one thing to point out, if you will notice on the first page the ink indentation, the number there on one of the maps was inadvertently left off and we would like to ask that it be included in the resolution if it's adopted.

Vice-Chairman Gant queried if that was SR 7153. Attorney Brinson said yes, it's just another map that we have to put into evidence that the condemnation is not included in the typed portion. Mr. Brinson said I'll ask Staff to just go ahead and initial that indentation.

**Moved by Director Bobroff approval of Amended Resolution 93-7.
Seconded by Director Jones.**

**Motion carried 4 - 0
Chairman Hord absent**

Mr. Welsh said before we leave this item there is one other thing Mr. Davis wants to say. Mr. Davis said he just wanted to quickly point out there was some discussion at the Special meeting about trying to negotiate with the property owner across the street. He wanted to show the Board the route they had approved. These numbers are appraised amounts, assuming that we might have to pay the appraised amount plus 10% for the parcel that we're now vacating. Those parcels are no longer included in the Resolution. We are not going to try to condemn those because on one section we are going to be constructing on the county's road right-of-way.

If we were able to go across the street and negotiate with that property owner there are two parcels that we would no longer need on the south side. One of those is one we addressed at the last meeting. We have a purchase agreement with that property owner and that agreement is for \$28,313. There is one additional small parcel that would be required that is currently appraised at \$2,600. Again,

assuming that we might have to pay 10% as a high end to buy that piece of property we're talking about \$2,860.

Mr. Davis said we would like to get the flexibility from the Board to be able to negotiate with the property owner across the street so that we do not exceed these costs. If we get to that point then we would revert back to our route on the south side. Since we don't have a formal appraisal of that piece of property, we've looked at the square footage; it is very similar to the same square footage as these two parcels together, so we feel the value should be approximately the same. We need some flexibility to be able to negotiate with the property owner and have a number in mind to offer him to settle.

Director Bobroff queried did we carry that flexibility at the last meeting. Mr. Brinson stated we were pretty vague on it. Mr. Welsh said you told us to go and effect this and do what was the most cost effective. Implicitly you probably did that, but explicitly we are just asking for the recommendation at this time that you authorize the President ~ General Manager to settle this within the range of the two parcels on the south side's cost.

Vice-Chairman Gant said do we need a motion on that or can we just ask are there any objections. Mr. Welsh said if that is the consensus of the Board that is adequate for me. Vice-Chairman Gant inquired if there were any objections. There were no objections in proceeding in this manner.

3. SET PUBLIC HEARING FOR MISCELLANEOUS TARIFF SHEET CHANGES

Mr. Welsh reminded the Board of an action they had given Staff back in April, actually it began back in December of 1992 when the Board allowed us to submit two changes regarding the handling of our deposits and deposit interest.

Chris Beck, Director of Customer Relations, said if you recall back then we had permission to submit to the Public Service Commission (PSC) the change in our residential deposit from \$100 to \$125 and to retain our earned interest until the deposit was actually refunded. Then it went to the PSC and was put in place several months ago but at that December meeting you also gave us permission to go to the PSC at a later date for another set of changes. What we would like to do tonight is set a schedule for advertising and a Public Hearing on those two changes which are switched from a fixed 5% simple interest on our deposits to a variable compounded interest rate based on the State Board of Administration (SBA).

Director Bobroff stated he would like to know why this was being done, it seems that it is going to be more costly. Director Lowenstein said, not at the present time. Director Bobroff asked if we are compounding it now. Ms. Beck indicated we have simple interest now. Director Bobroff indicated that is what he thought. Mr. Welsh stated we are doing a straight 5% which a couple of people, with "tongue in cheek", have asked us if they can open electric accounts just because we are the best CD in town.

Mr. Welsh said as we looked at this, the 5% has been in effect for years, because years ago there was no way to handle it in terms of computation. It is based on our cost of money, and when we say compounding, all we are saying is that we have to compound it because we are changing the interest rate on a monthly basis based on how much we can earn at State Board of Administration (SBA).

Director Bobroff asked where do you get your figures from. Mr. Welsh replied that SBA is the State Board of Administration and that was kind of a negotiated indicator between us and the City

because we have to get the City Commission and the City Finance Director in locked step with this so that they are doing the same thing with the deposits that we are collecting and holding for them. It still would be a nightmare if we ended up with one set of rules for the electric deposit and another set of rules for the water and sewer deposits. It goes to the City Commission on October 17 and 19.

Mr. Welsh indicated that Ms. Beck has been before the City Commission alerting them to this back in March or April and they have given us the direction to go ahead as far as their deposits are concerned. From a logistic standpoint, in terms of changing regulations and governmental regulations, this has been quite a bit of effort and Ms. Beck has gone through it very adroitly and brought it almost to fruition at this point through her negotiations with the Finance Director at the City and the City Commission.

Motion by Director Jones to schedule and advertise for a Public Hearing at the Board's Regular Meeting of 10/27/93 on the tariff sheet changes as follows: 1. Change from a fixed interest to a variable interest rate based on the 30-day moving average of the State Board of Administration; and, 2. Begin offering compounded interest on utility deposits. Seconded by Director Bobroff.

Ms. Beck said the effective date would be November 1, 1993 and that she is working closely with the City on this.

**Motion carried 4 - 0
Chairman Hord absent**

**4. AWARD OF BID NO. 037-93 CANE ISLAND AND CLAY STREET
SUBSTATION CONSTRUCTION**

Mr. Welsh said Ken Davis would go over this briefly and answer any questions the Board might have, that if it wasn't for the absolute dollar amount, this is probably an item that might normally be on the consent agenda.

Mr. Davis highlighted the bid analysis. We received bids from five firms for this work for the substation construction for Clay Street and the Cane Island substation. Based on the evaluated cost we came up with the low evaluated bidder of Hennessy Construction Services. There were some additions/adjustments to the contract. This bidder left out a lot of the manufacturer's field service time that we required in the bid. Black & Veatch estimated one of those on the table shown as the \$3,900 figure, the remaining \$47,291 was verifying quotes from the bidder and also with backup from the manufacturer that would be providing those services. Those were added in as adjustments to his bid.

Chairman Bobroff asked if he understood Mr. Davis to say that the bidder omitted the information that was required in the Invitation to Bid and then you added into his bid. Mr. Davis said this was manufacturers service time that was requested from them to provide quotes.

Director Bobroff queried did we make a change, in other words did he not do as required in the Invitation to Bid. Mr. Davis said these particular items were left out of his bid proposal. Director Bobroff asked Attorney Brinson if that was legal. Mr. Brinson replied he thought it was probably in KUA's best interest.

Mr. Welsh said we have been through this before. Director Bobroff said no we haven't been through like that, not when it's been stated so clearly. Mr. Welsh said let me state that we have been through this on a number of occasions with complex bids, invariably you are going to

have the majority of bidders, if not all the bidders, missing something, or leaving some minor or less significant items out. Our choice could be to take a very hard nosed approach and throw them out.

Mr. Welsh said we don't recommend that as being in our best interest because we would end up throwing out a majority of the bids and maybe ending up with the high bidder. What we've determined that can be done, and what we've done in this instance and are recommending to you to approve, is we make our best estimate of what it may cost us to negotiate this into the contract when we sit down to negotiate the contract.

Mr. Welsh went on to say we are making the recommendation to the Board to award this to the evaluated low bidder, Hennessy Construction in this case, for the lump sum contracted amount of \$1,719,937. This is contingent upon our abilities to negotiate a satisfactory contract. We will have to sit down with them now and say we have an estimate of what we would be willing to pay for this added service that wasn't included in their bid. We would like to negotiate this into the bid. If we can accomplish this we will bring back a successfully negotiated contract to you.

Director Bobroff asked if Hennessy omitted something that is required by our Invitation to Bid why were we allowing him to add it in. Mr. Davis answered we requested pricing from them when we realized there was an omission.

Director Bobroff said assume that R.D. Moody & Associates, Inc. (the second low bidder) had everything in his bid right down to the dots over the i's and crossing the t's, and then you say Hennessy rebid it over Moody. That doesn't sound ethical to me.

Mr. Davis said this particular item has occurred a number of times, it's fairly common that some bidders leave these out of their proposals. In this case what we would have done, we would have looked at Hennessy's bid and said O.K. we realize he left these figures out, let's throw his bid out. What it does to KUA is it would cost us an additional \$100,000 because he had an omission in his bid.

Mr. Davis continued by saying we felt like at that point it's in our best interest to go back and know that those mistakes are there, clarify them, and then we included them in his evaluation.

Director Bobroff queried is there a statement in our Invitation to Bid that you can do that. Mr. Davis said there is a statement that says we have the right to waive. Director Bobroff asked if it clearly stated that we can do such a manipulation. How can you have a true bid system then?

Attorney Brinson commented we are getting ready now with our complex bid amendment to our bid procedures that will better clarify this. This is something apparently very common in practice. Director Bobroff said it still doesn't excuse us. Attorney Brinson replied no, but we don't lose \$100,000.

Director Lowenstein wanted to clarify this a little further. He said you not only made an addition to Hennessy Construction, but did you do that to the other four, were they treated equally? Mr. Davis replied with the other four the only one that had an addition to it was on J. L. Malone & Associates, Inc. and there again, they left out the same service time that was left out on Hennessy's that was added in. The other bidders included that service time in their base bid that we added into Hennessy's base bid.

Mr. Welsh inquired how much was added in. Mr. Davis replied \$47,291 plus the \$3,900 and that's in line with the others. We

didn't just go to Hennessy and say you left some things out and they know what the other bidders price is. We kind of compare it to the same thing if we had gone in and Hennessy was bidding something that was \$55,000 and made a mistake and put \$5,500 because they left a zero out. We don't feel that we should just throw them out because of that mistake and cost the KUA a substantial amount of money if we know that there was a mistake there. We go back and clarify those and still feel like we have done a valuation that treated everyone fairly. All of the items are included in everyone's bid for evaluation purposes.

Director Bobroff said I am not questioning the fairness of your operation, what I'm saying simply is to me a bid is a bid. Attorney Brinson said the test is whether or not you're giving bidders an unfair advantage.

Director Bobroff expressed concerns about the add-one after the bids were in. Staff decided that in order to equalize the bids that the left out item be included.

Motion was made by Director Jones to Award the Substation Construction Bid NO. 037-93 to the low evaluated bidder, Hennessy Construction Services, for the lump sum contract amount of \$1,971,937 contingent on negotiation of a satisfactory contract. Seconded by Director Lowenstein.

**Motion carried 4 - 0
Chairman Hord absent**

Vice-Chairman Gant queried if they went through the same process of developing the bidder as they went with some of the others. Mr. Davis said we look at the bidder before they are ever allowed to bid to make sure that they are capable of doing the job. Any of the bidders we are not familiar with doing this type of work, we required them to submit qualification information to us for evaluation. Vice-Chairman Gant asked if Hennessy, even though they are low bidder, was approved before they were allowed to bid. Mr. Davis said they have done a lot of work for Florida Power & Light and Florida Power Corp.

At this time Mr. Welsh asked the Board to agenda an item on advanced refunding on a bond.

Director Bobroff made a motion to agenda under New Business "Proposed Re-Optimization of the Financing Plan". Seconded by Director Lowenstein.

**Motion carried 4 - 0
Chairman Hord absent**

5. PROPOSED RE-OPTIMIZATION OF THE FINANCING PLAN

Mr. Welsh stated with the lowering interest rates we've noticed a window of opportunity that will enable us to advance refund the 1985 bond issue as opposed to cash defeasing it. There is a good chance that by proceeding with the bond issue we will be able to save a present worth savings of substantially over \$1.0 million, about \$1.5 million on the bond issue itself.

Mr. Welsh said we are recommending that we go with a competitive bid situation as opposed to a negotiated bid, whereby we would just have a sealed bid for issuing these bonds as opposed to negotiating it with an investment banking team. The details of what we are recommending will be presented to you by our financing team, first kicked off by Joe Hostetler, Director of Finance. Also with us tonight is our bond attorney, Bob Freeman from Squire, Sanders & Dempsey and

Craig Dunlap from Evensen Dodge, Inc. our financial advisors.

At this time Mr. Hostetler handed out packets to the Board entitled "Refunding Alternatives". Mr. Hostetler stated that in June we issued the 1993 Bonds. The purpose of that issue was to refund a portion of the 1991 Bonds and also to provide enough money for the completion of the Cane Island site and some of the other construction projects that we had in the 10-Year Plan. At that time the interest rates were such that while we could do the 1993 refunding of the 1991 bonds they weren't low enough to consider refunding the outstanding 1985 issue. They have since dropped in the last two months to the point where it is now economically feasible to do that. It would have been nice obviously if we had known that we could have waited a couple of months and incorporated this into the issue that we did in June, but obviously no one knows where the interest rates are going.

Mr. Hostetler said at this point though it is economically feasible to refund those instead of what we planned and incorporated in the 1994 budget which was to cash defease the 1985 issue. This will give us a present value savings of over \$1.5 million and also save us about \$110,000 on cash flow for the debt service for each year.

One of the advantages of advance refunding versus cash defeasing the 1985 bonds, Mr. Hostetler said, is that instead of taking that \$21.5 million that would be required to set aside to cash defease the 1985 bonds, we can now keep that money on hand and use it for cash defeasing part of the 1987 bonds or some other bond issue in the future that we feel would be a good use of that money; or possibly we could keep that money.

Director Bobroff queried how fast can you move on this. Mr. Hostetler replied fairly fast, we estimate we can be in the market in four to six weeks. It is a relatively simple deal. It is a simple refunding, smaller amount of money; that is why we are recommending that we go through a competitive sale process versus negotiated which we have been doing in the last six or seven years.

It is planned in the 10-Year Plan that we will need about \$20 million of bond money in the year 1997. We could conceivably hang on to that money by advance refunding the 1985 Series of the bond issue, keep the \$21.5 on hand until 1997 and instead of having to go out into the bond market at that time we'd have the money on hand to do those construction projects. So those are a couple of alternatives that we could be looking at.

Craig Dunlap, Evensen Dodge, Inc., discussed the cash defeasing option of the 1987 Bonds and advance refunding of the 1985 Bonds.

Mr. Hostetler said we would like to recommend we go ahead with the advance refunding, and at a later date look at our options for the use of that \$21.5 in cash. We may come up with a better plan than the 1987 Bonds Series. We may have some other alternatives that we can look at.

Mr. Hostetler said, in summary, we would like to advance refund the 1985 bonds versus cash defeasing. Evaluate a cash defeasance possibly, or some use of that money, that we will not be spending on the 1985 defeasance at a later date. We would like to do a competitive versus negotiated sale.

Mr. Hostetler said we do have a resolution that is included in the packet that we would ask for approval on Basically it gives the President and General Manager the authority to go ahead with the official statement of preparation and the sale process. We also have a

scope of services for bond counsel that would need the Board's approval.

Vice-Chairman Gant said let me ask a question to see if I understand it. We were going to cash defease the 1985 issue and we are still in that scenario until this lower interest rate came along. Now you are looking at your present day value and your value improvement over the life of the new bond and what it's going to cost us to pay out that bond with the lower rate. If we keep the \$21 million with the present day investment value, have you figured that into this scenario, because by keeping it we are only getting 3% or 4% for our money and you are defeasing a bond that is at 6.8% on the 1987 and 6.5% on the 1985 issue. Is that figured in?

Mr. Welsh replied what is figured out here is alternative one versus alternative two. Alternative one, we can advance refund the 1985; so what do you do with the \$21 million that you were planning on cash defeasing the 1985 with. Alternative two, and this is a definite alternative which we can exercise and do at the drop of a hat, in a present worth sense it is costing us \$371,000 to cash defease the 1987 issue versus cash defeasing the 1985 issue.

Vice-Chairman Gant asked if we can go back and sell the 1987 issue. Craig Dunlap said you cannot advance refund. The 1987 issue is callable October 1, 1997. You can currently refund that issue within 90 days of the first call date, but you cannot advance refund the issue.

Mr. Welsh said we are taking the \$371,000 hit on switching defeasance from alternative one to alternative two. That is overcome by a present value savings by the advance refunding of the 1985 issue, the present value savings being \$1,577,000. Now the difference between \$371,000 and \$1,577,000 is the value of your deal, given that you exercise this alternative. The value of the deal in present value savings is \$1.2 million. That is how much it is worth to you to go through the whole scenario in two steps, going ahead and doing the advance refunding, and then doing a cash defeasance of the 1987 issue.

Mr. Welsh also emphasized that gross cash flows generating this \$1.2 million positive present value saving were actually negative (around \$2.5 million negative). That was due to negative savings past 2013 in substituting cash defeasance of the 1987 issue for the cash defeasance of the 1985 issue.

Mr. Welsh said what we are recommending to do is take the first step, do the advance refunding of the 1985 issue, and then if we can't figure out anything better to do, go ahead and do a cash defeasance of the 1987 issue. We are not saving as much as we would have by advance refunding the 1985 issue. We are not really recommending tonight that we do the cash defeasance on the 1987 issue, we just hold that in abeyance, and maybe we can find something that even makes this more economic sense.

Mr. Welsh went on to say, for instance, maybe we don't do the 1997 issue that is planned in our 10-Year Plan which is approximately a \$20 million bond issue that is necessary for our cash flows to be issued in 1997. Maybe we invest the \$21 million between now and 1997 at a rate that can pay for itself. Discussion continued.

Director Lowenstein asked Mr. Dunlap if the figure that has been referred to at this point, is that the net figure to us with all fees attached, or is that the gross figure and the fees come out of that. Mr. Dunlap responded that the \$1.2 million is net of all fees.

Director Bobroff moved for approval of Resolution No. 93-8 authorizing the sale of the refunding bonds through a competitive sale process. Seconded by Director Lowenstein.

**Motion carried 4 - 0
Chairman Hord absent**

(Staff's two-part recommendation was made in two separate motions.)

Robert Freeman, Squire, Sanders & Dempsey, addressed the Board and said he would like to recap what Mr. Dunlap said. The plan, that we walked away with on the June bond issue, was to use cash on hand for something that made economic sense at some point down the road. We didn't really decide what we were going to do, but our thought was we would use it to defease the 1985 series bonds.

Mr. Dunlap has pointed out those bonds are eligible to be retired either by using the cash or by issuing advance refunding bonds. The suggestion and the intent of the resolution was to say because interest rates are now significantly better than they were in June, and the 1985 bonds can be taken out with refunding bonds as opposed to cash on an advantageous basis, let's not use the cash for those 1985's let's save it. Maybe we'll use it for the 1987's that we cannot refund with bonds under the tax law, basically preserving our option to use the cash for a different set of bonds than we originally intended to use it for.

Mr. Dunlap said my impression from talking to Mr. Hostetler before the meeting was that Staff and the Financial Advisor were going to come back to the Board with some suggestions as to how to use that cash. What the recommendation was tonight was that if the logic of doing an advance refunding to take care of the 85 bonds instead of using the cash makes sense, and this is what the Resolution does, would you authorize the financing team to go ahead and prepare to bring you back proposals at competitive bid for advance refunding the 1985 Series bonds through another bond issue.

Mr. Dunlap continued saying, would you direct Staff to come back and give you an update on what the options are with the cash, because I don't think there has been a complete analysis of the potential uses of the cash in light of this change in the interest rate environment. Discussion continued.

Mr. Freeman made one other comment for Director Bobroff's benefit. Director Bobroff, you were asking about the timing. The way we will set this competitive sale up is we will publish a 10day notice, that on or after such and such a date, we will take bids for the purchase of the bonds.

The City just went through this when we purchased water and sewer bonds over there recently. We'll publish a 24-hour notice of our intention to take bids. Once we get past the 10-day period where we can accept bids, your Financial Advisor will look at the market. If we can't achieve that 5% savings, we won't issue the 24-hour notice and wait and see if we get to the point where we can get back to it. If we don't, then we will cancel the sale and come back to you and talk further about the cash defeasance. We are not going to get into a situation where we are committed to sell bonds and the market moves away from us before we can pull the trigger.

Motion made by Director Jones to approve the Scope of Services for Squire, Banders & Dempsey for a not-to-exceed amount of \$45,000. Seconded by Director Lowenstein.

**Motion carried 4 - 0
Chairman Hord absent**

Mr. Welsh said before we move away from this topic he would like to alert the Board of one other thing. We are going to need to do a budget amendment. The bulk of the budget is a technicality in the original budget resolution that you adopted that will require a budget amendment of \$48 million. There is another budget amendment that will be rolled into that which is being brought about by this bond issue. No action is needed right now.

Mr. Hostetler said if we do the advanced refunding we will have debt service costs in the 1994 budget that we were not counting on because we budgeted defeasing the 1985 series and would have no debt service cost, principal or interest.

If we do the advance refunding, we are going to have principal and interest costs in there. It will be offset partially by the interest earnings on the \$21.5 million, that will be a source; however, we will go four years out, or keep it shorter, that will depend on how much money is going to be there for the source end of it and then we will have to come up with the rest of it in the budget amendment.

Mr. Hostetler said that deals with this issue tonight. The other issue that will be in the budget amendment is that when developing the budget we counted FMPA's contribution for Cane Island. This was netted against the total cost to the project because 50% is their cost, 50% is our cost. On our books only our share of the Cane Island's construction cost is reflected. FMPA is going to give us \$48 million for their share.

Mr. Hostetler said that in our discussions we have had with Mr. Brinson, we are the operator, we will be the ones that will be putting out the purchase orders. Therefore, we need the authorization to spend the full 100%, not just the net 50%. The budget resolution doesn't allow for us to spend their share even though it's implicit in the numbers.

What is needed to be done is raise the total budget by \$48 million dollars on the construction project side and as a source it is going to be FMPA's contribution to KUA to do that. It is just a pure technicality, it was an oversight. In retrospect, we should have tried it up, that is how we do our line extension developer contributions to us. There was further discussion.

H. STAFF REPORTS

1. MONTHLY PROGRESS REPORT ON ENGINEERING PROJECTS

There were no questions on the Monthly Progress Report on Engineering Projects.

2. CONDENSED FINANCIAL REPORT

Joe Hostetler, Director of Finance, gave a presentation on this report and responded to members' questions. We spent \$1.5 million and budgeted \$1.3, for the year-to-date \$11 million versus \$13 million and this was explained in Footnote 6 as to what some of those costs are.

Vice-Chairman Gant commented he did not know we had that much to be expended for the combined cycle to be spent yet this year. He didn't remember they were going to be tearing it down. Mr. Welsh said we were not planning a major overhaul at this point.

3. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

There were no comments on the Monthly Report on Power Supply Department Projects.

4. STATUS OF KUA'S NATURAL GAS FUEL

Mr. Welsh introduced this item as a very important topic and that it is a very complex and somewhat difficult to follow topic at times. The bulk of our business is our fuel supply.

Mr. Sharma, Director of Power Supply, gave an informational report on the status of our natural gas fuel supply, where we are today and where we are projected to be going in the future in this respect.

Vice-Chairman Gant inquired what percentage of the pipeline does Florida Gas Utility (FGU), the fourteen member group, have. Mr. Sharma said about 5%, they are still very small compared to Florida Power & Light.

Vice-Chairman Gant said then you set up a new management group to buy the gas to put into the pipeline. You are on that Board aren't you Mr. Sharma? So, that's an additional expense that we have got to meet. Mr. Sharma stated where the money comes from for FGU, what we do is for every million Btu we burn, for handling that one million Btu we pay 3.8 cents on top of the cost, but it is still cheaper than if it was bought from somebody else.

Director Lowenstein queried during the summer time when everybody is in full swing, not just the KUA, but everybody is in need of it, if the FGU is able to transmit or ship 100% of it's total capacity it can carry, is there enough gas for everybody to go around or do we need the alternative gas companies to come in with additional lines?

Mr. Sharma responded that the maximum capacity now is 925,000 MBtu a day which is very little. That is why we have the coal plants and the other oil and nuclear plants. Even for those units that burn gas it is not enough.

Director Lowenstein said what is the alternative, you still have to have oil. Mr. Sharma said that is why they are expanding the pipelines.

5. SELECTED (T&D) DEPARTMENT HIGHLIGHTS

Ken Lackey, Director of Transmission & Distribution, highlighted some of the activities that have taken place recently in that department.

Mr. Lackey, via overheads and slides, showed some of the more important projects that his department has been involved in over the past six months. Number one was the construction of the distribution circuit end to the Cane Island Project. The second area was the transmission & distribution relocation on SR 535 at Osceola Parkway. The third, work began on the feeder upgrade on East U.S. 192. We completed the installation of seventeen reclosers and we continued the installation of 4200 LCRs.

Director Jones asked if the installed 4200 LCRs was about 10% of the customers. Mr. Lackey said we have about 37,000 customers, so it's a little over that. Vice-Chairman Gant asked about how many are signed up now and Mr Lackey replied he believed 5500.

Vice-Chairman Gant commented we've had some super presentations tonight.

G. CONSENT AGENDA

Director Lowenstein moved to approve the Consent Agenda, as submitted. Seconded by Director Jones.

1. APPROVAL OF MINUTES OF JULY 28, 1993, REGULAR MEETING
2. APPROVAL OF MINUTES OF AUGUST 12, 1993, SPECIAL MEETING
3. AWARD OF BID, ANNUAL REQUIREMENT FOR OVERHEAD/UNDERGROUND WIRE - IFB #039-93

Motion carried 3 - 0
Chairman Hord absent
Director Bobroff was out of the room

J. HEAR GENERAL MANAGER. ATTORNEY. DIRECTORS

GENERAL MANAGER

Mr. Welsh said the Relay and Meter Laboratory facilities on the second floor of the Bermuda Avenue building have been completed. An inspection tour of the facilities for the Board was scheduled prior to the next Special meeting (for award of the bid for the steam turbine generator set) which is scheduled for September 8, 1993. The tour is to start around 5:15 p.m. from the Carroll Street building.

Mr. Welsh informed the Board that in September there would be some additional legal work coming up. There will be a report on that at the September meeting outlining work that has been done to date and what we are recommending be done in the future. Quite a bit of legal work has been done for KUA through Boone Kuersteiner's firm. Mr. Kuersteiner's firm in Tallahassee was associated with the licensing for Cane Island 1 and 2 and they did a fantastic job for us. We are going to have Boone Kuersteiner here and recommend that future work be done by his firm. Mr. Kuersteiner is a good resource for this organization and it would be good for the Board to hear a report from him and get to know this professional.

Mr. Welsh announced to the Board that one of the Department Directors had "gone over the hill" today; it was Ken Davis's 40th Birthday. He was given a round of applause and wished Good Luck.

ATTORNEY - No comments

DIRECTORS

Director Lowenstein asked the status on the contribution we made to the Chamber of Commerce for a study. Mr. Welsh said Chairman Hord is a representative on that Board, he has been very active in that arena. The Mayor is also on the Board.

Mayor Pollet stated a firm was looked at two weeks ago to actually put the plan in action. All the detailed information is put together as far as the criteria, what is available and what is needed to be done. This group is going to take all the information and tell us what we need to do to posture ourselves to be ready to move forward with it. That will probably be another two to three months. Meetings have been held almost every other week for the last three months trying to put everything together.

Director Lowenstein stated he was sure a lot of effort had been put into it, he was just wondering what the status was. Mayor Pollet

added that they are just working out the contract with the firm now and it is assumed they have probably worked it out in the last week.

K. **ADJOURNMENT:** Meeting adjourned at 9:07 P.M.



CHAIRMAN

ATTEST:



SECRETARY