

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY HELD
WEDNESDAY, DECEMBER 14, 1994, AT 6:00 PM, BOARD ROOM, ADMINISTRATION
BUILDING, 1701 WEST CARROLL STREET, KISSIMMEE, FLORIDA

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

A. **MEETING CALLED TO ORDER** at 6:05 p.m. by Acting Chairman Walter. Chairman Gant was ill and was unable to attend.

B. **AWARDS AND PRESENTATIONS**

The awards and presentations were taken out of sequence while awaiting the arrival of Mayor Pollet who was momentarily detained.

2. **5-YEAR SERVICE AWARD - DENNIS WICK**

Dennis Wick initially joined KUA in 1989 as Manager of Information Systems which was a division under the Finance Department. In June, 1992 Dennis was promoted to Director of Information Systems and reports to General Manager Welsh. He has been instrumental in the initial conversion from the System 38 to the AS/400 and subsequent upgrades to the system. His continual development of our computer systems has allowed KUA employees to work effectively and productively to provide our customers with electrical power and other support services economically and efficiently. Dennis is a dedicated professional assisting all departments and is also active in the Community.

The members applauded Dennis for his significant contributions and presented him with a service award and extended grateful thanks.

3. **EMPLOYEE OF THE MONTH - CAROL (C.J.) MORGRET**

Mr. Welsh introduced "C.J." as a special and gracious lady who was honored in a special way by her fellow employees, that of nominating her for the Employee of the Month award. In turn C.J. was selected from amongst numerous nominees as the most deserving of this honor. C.J. is known for her efficiency and her professionalism. She joined KUA as a Customer Service Rep in 1984, having observed her 10th anniversary with this organization on October 1st. She joined the Billing Department during this time and helps process approximately 45,000 bills per month. She is always cheerful and helpful to her co-workers and customers alike. C.J. also pinch-hits for her Supervisor when necessary.

C.J. was presented with a plaque and a U.S. Savings Bond. She will also receive a day off with pay and a reserved parking space during January. Congratulations also, C.J., on the arrival this week of your 12th grandchild!

4. **COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FY 93**

KUA is the recipient of it's seventh consecutive Governmental Financial Officers Association Certificate of Achievement for excellence in financial reporting of its Annual Comprehensive Financial Report for FY 1993. This worthwhile achievement is sought yearly and was accomplished under the leadership of Finance Director Joe Hostetler and his department. It represents a significant accomplishment by KUA and its management.

A plaque in recognition of this honor was read and presented to Mr. Hostetler and his department by Acting Chairman Walter.

Mayor Pollet arrived and the presentation continued.

1. 40-YEAR SERVICE AWARD - JIMMY DANIELS

Mr. Welsh related the history of Jimmy Daniel's auspicious 40-year career with KUA. He stated that Jimmy started as an Oiler where they clean fuses to the refined fuel line. After a short stint with the Water Department, he returned to the Power Plant as an Oiler and then "Grunter", an affectionate term for Groundman. Jimmy went back as Operator on the graveyard shift and was promoted to Shift Supervisor some 10 years ago. He had many responsibilities and hung in there for yet another 10 years after the Combined Cycle Power Plant addition! He has given much experience and dedication to KUA. His excellent and continued efforts have been greatly appreciated.

Acting Chairman Walter noted that 40 years is a long time and if "walls could talk" they would relate many interesting stories. He read and presented a KUA Proclamation to Jimmy for his significant contributions over the years.

Director Guthrie presented Jimmy with his chosen award of a famous and beautiful Remington sculpture, "End of the Trail".

Mayor Pollet read a Letter of Commendation on behalf of the City of Kissimmee and KUA for providing many years of comforts and conveniences to our citizens, and that this is a "milestone for which he can truly be proud!"

Director Bobroff read a surprise Proclamation from none other than Florida Governor Lawton Chiles to Jimmy Daniels for his outstanding dedication and professionalism over these 40 years. He received a standing ovation by everyone!

Pictures were taken of Jimmy with the Board, followed by a brief recess during which time everyone enjoyed a special cake in Jimmy's honor. Congratulations for a job well done, Jimmy!

C. HEAR THE AUDIENCE - There was no response from the audience.

D. PUBLIC HEARING - None

E. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION)

1. MONTHLY CONSTRUCTION PROGRESS REPORT OF CANE ISLAND PROJECT

Mr. Gerald Hardage, whose services were formerly provided to KUA through ER3, will now be rendered through ER3's subcontractor Berryman & Henigar, an Orlando-based engineering services company. Mr. Hardage gave a brief update on the progress at Cane Island. He stated that Unit 1 is 99.9% complete and the LM6000 will be cranked up next day after having undergone some testing procedures. Commercial operation is anticipated on January 1st. The budget on Unit 1 is well within budget. Unit 2 is 95% complete and they do not anticipate any unidentified surprises. Final outcome of negotiations between Black & Veatch and Greg Harrington who are working through a claim reported to the Board earlier will be reported to the Board next month.

F. OLD BUSINESS - None

G. NEW BUSINESS

1. AWARD OF BID 1001-95 - CLAY STREET SUBSTATION POWER TRANSFORMERS

Mr. Welsh noted that this was a straightforward evaluation and recommended to the Board that they authorize the Award of Bid #001-95 to the low evaluated bidder, MagneTek, for the lump sum price of \$643,775 contingent on negotiation of a satisfactory contract; and further authorize the Chairman and Secretary to execute the necessary contract documents.

Motion by Director Bobroff, seconded by Director Lowenstein, to approve Award of Bid #001-95 as recommended by Staff.

Director Lowenstein questioned the differential of \$1,157,000 from low to high as being unreasonably high.

Mr. Welsh stated these transformers are constructed to order and that there is a wild market out there.

Ken Davis, Director of Engineering, commented that it can be due to the condition of the market and number of people bidding for these transformers. They all have to meet the same specifications, but a difference might be in the type of winding they put in, that's where they evaluate the loss evaluations being done. Quality-wise they meet our specifications.

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

2. COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FY94

Mr. Welsh noted that we were able to meet our target again this year for the CAFR, even though the Board meeting was held one week earlier this month. He commended the Audit and Accounting personnel for accomplishing this.

Mr. Hostetler informed the Board that at the September meeting we reported \$5.5 million net reinvestment earnings. This report showed just over \$6 million, so we're off by \$475,000. He highlighted several items in the report and responded to questions from the Board.

In response to Director Bobroff regarding depreciation and amortization under Operating Expenses, Mr. Hostetler stated that it's an accounting type transaction that depreciates and amortizes the cost of the useful life of all the assets for that portion of that year into your net income. We don't set rates that way. What we do is include cash O&M (Operations & Maintenance) expenses, capital requirements, and principal repayments. We set our rates different than what we used to. By changing to the SFAS 71 (Statements of Financial Accounting Standards) we've negated the effect of depreciation and added the effect of the principal repayment and that coincides with how we set rates.

Mr. Andy McAdams, Coopers & Lybrand, gave a brief update on the Comprehensive Annual Financial Report. Usually, Mike Barrett presents this report but he was unavailable today. Mr. McAdams gave his perspective of some of the changes in the financials. He stated they agree with the accounting as it is presented and the generally accepted accounting principles and governmental accounting principles. He highlighted and explained the funding of construction projects. Due to having no new debt issues during the year is one reason we have such consistency in the financials.

Mr. McAdams stated that revenues being up is a positive sign and reflecting an increase in the reinvested earnings of \$1.1 million to approximately \$6 million is clearly an important achievement to keep that profitability. He noted that Mr. Hostetler's comment that the capitalization of interest we were allowed to do this year during the construction of Cane Island will dwindle so that interest expense will come through as an expense of the Authority as opposed to being capitalized on the Balance Sheet. Mr. McAdams pointed out some changes in accounting policy. He said our investment policy has been very conservative in the past and they do not believe there are any derivatives and financial risks inherent in our portfolio at this point. He concluded noting that our ability to produce financial statements this early after fiscal year-end in virtually final form is really a tribute to the Staff and the time they spent on it.

Director Lowenstein inquired how can we improve and what do we need to do in the total picture.

Mr. McAdams stated that their comments are usually in the form of a Management Letter included in the CAFR. He noted this year's letter is relatively short compared to those in the past, indicating an improvement in the bottom line and that the risks of investments appear to be conservatively handled.

Director Lowenstein asked whether we need to do certain things which he would recommend to us that other utilities are doing which we are not doing.

Mr. McAdams replied that this was the first year KUA has had any conservation recovery clause consistent with the industry. Clearly, deregulation and industry issues, as well as cost control, all contribute in this respect. He stated that as long as the Board takes a very direct approach to budgets, that is the bottom line. A long-term view anticipating changes is what enables the Auditors to give these types of reports.

Mr. Jim Hanlon, Audit Manager on the KUA account this year, briefly talked on the materials in the CAFR, which basically relate to their reports on internal control structure and laws and regulations. The reports issued this year, as in the past, are basically unqualified opinions, meaning that the internal control structure is adequately designed to prevent any kind of material control weaknesses or serious control deficiencies from occurring. This is a clean report. There are no significant non-compliance issues, he said.

Director Bobroff said he was under the impression the Auditors accept the information submitted by our Finance Director and asked how many hours/days were spent on checking back into the records themselves in general. Mr. Hanlon said with two people, about 300 hours of field time were expended by them. Director Bobroff also inquired whether a log should be kept by Staff and a contact person at KUA be in place to log each access by HTE into our computer system rather than their gaining access at will without sufficient recordkeeping on this. Mr. Hanlon suggested that a log of accesses by HTE and monitoring that log would be sufficient by KUA.

Director Lowenstein asked whether there are any rebate structures available in reducing the cost to operate Load Management. Mr. Hanlon responded that Tampa Electric uses a radio controlled unit (load monitoring equipment) which has proven to be successful in monitoring a pool pump, air conditioner, etc., for periods of an hour-and-a-half, allowing for a credit of about \$19.00 per month during periods of peak demand and going down to \$13.00.

3. CONSERVATION GOALS FILING UPDATE

Mr. Ben Sharma, Director of Power Supply, presented some additional information as to what specific deadline we must meet and gave other updates. He stated that the Public Service Commission placed a December 23rd deadline requiring KUA to submit results of all cost effective programs and to provide a summary of estimated total achievable reductions in summer and winter peak demands and the annual kWh consumptions for the next 10 years. They may or may not approve all of our set of goals. Then KUA must file a Conservation Plan to achieve such goals. Once this is done, funds must be budgeted for it. At this time, Staff is not making a recommendation to the Board, but simply making an informational report.

Mr. Robert Miller, Manager of Bulk Systems Planning, explained his role in this project and what further requirements must be achieved and then submitted on December 23, 1994.

Mr. Sharma stated we have not spent any money on consultants for this program, but that Mr. Miller and the Planning Department have researched this information themselves. Mr. Sharma stated that we will only pursue those programs which will not increase our rates. These programs are still being debated. We will compare the benefits side to the cost side. Mr. Sharma noted that Load Management is not a cost effective program for us under the present indicated ratio. Approximately 320 manhours have been expended to date on this. Several extensions of time have already been received in order to accomplish these goals before the December 23rd deadline.

In response to Director Bobroff's statement that we're already putting numerous conservation plans into effect, Mr. Welsh stated we are attempting to comply with the Federal Energy Policy Act which gives the Public Service Commission (PSC) the authority to impose these regulations on the utilities. The PSC will be inclined to support our findings if we submit cost effective conservation methods.

Mr. Sharma said that on December 23rd we will submit a list of programs which will be cost effective and those which will not, and which ones we will recommend. If the PSC agrees with our numbers, they will ask us to come back with a plan on how to achieve this. At that time the data will be brought back to the Board.

Acting Chairman Walter suggested that Staff present the Board with the plans which are cost effective for us.

Mr. Miller stated that the PSC is interested in our goals for the next ten years, what will the kilowatts be for summer and winter reductions and also kilowatt hours for the year.

Director Guthrie also suggested that our goals be submitted to and approved by the Board, which Mr. Sharma agreed will be **done**.

4. AGREEMENT TO PURCHASE THE 8 BROADWAY BUILDING

Motion by Director Lowenstein, seconded by Director Bobroff, to place this item on the agenda.

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

Mr. Welsh distributed the backup material on this issue. He said the previous evening the City Commission voted to direct the City Manager to negotiate with KUA for the purchase of the 8 Broadway facility. Discussions concerning this have taken place on and off over a period of time. Based on this direction, Mr. Welsh met with City Manager Mark Durbin to negotiate terms and conditions of this purchase. The key points of this agreement are attached to the Agenda Item. The closing would be held on or before November 1, 1996. The purchase price would be \$1 million dollars to be paid in cash, with an option for the City to finance it, and stated what the alternative might be. Basically, that would be the U.S. Treasury rate plus one percent up to 10 years. The City might finance it at a lesser rate elsewhere. He noted the exclusions from the sale. KUA would retain the right to occupy at no cost the Cashiering area up to five years after the sale to continue to accept customers' payments.

Mr. Welsh recommended the approval of the Purchase Agreement by the City of Kissimmee for the 8 Broadway facility and authorize the Chairman and Secretary to execute the agreement. This would be presented at next Tuesday's City Commission meeting for their approval.

Motion by Director Lowenstein, seconded by Director Bobroff, to approve the Purchase Agreement by the City of Kissimmee for the 8 Broadway facility, and to authorize the Chairman and Secretary to execute this Agreement.

In answer to Director Lowenstein, Mr. Welsh stated that Data Processing with the computer and computer equipment will eventually be moved to the second floor of the Administrative facility on Carroll Street.

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

H. STAFF REPORTS

1. DECEMBER ENGINEERING PROJECT REPORT

Following a brief discussion, the report was accepted as written.

2. CONDENSED FINANCIAL REPORT - NOVEMBER, 1994

This report was condensed for November due to having this meeting one week earlier and all data was not yet available. The report will be deferred by one month and any incomplete figures will be corrected in the year-to-date totals. December and year-to-date numbers should be accurate.

3. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

This report was accepted as submitted in the Agenda Item.

4. SELECTED DEPARTMENT HIGHLIGHTS - PERSONNEL & RISK MANAGEMENT

Mr. Neville Turner, Director of Personnel & Risk Management, highlighted his six-month informational report, using overheads. He noted his staff's responsibilities, the number of applications received, the Quarter Century Club dinner, turnover and attrition rates, personnel functions and facilities management responsibilities. Due to having hired approximately 29 new employees in October, the processing workload was significant.

Director Guthrie inquired what our procedure was regarding employees' Performance Reviews. Mr. Welsh and Mr. Turner explained the steps that are taken to process these.

Discussion was had on the number of in-house telephone calls as well as outside calls coming in on the switchboard. A record of total calls coming in was not being documented, but that a traffic study would be done and given to the Board at a later date.

I. CONSENT AGENDA

Motion by Director Lowenstein, seconded by Director Guthrie, to accept items 2 through 5. Item 1 was pulled by Director Bobroff for discussion.

2. GROUP LIFE INSURANCE

3. ACCEPTANCE OF SOVEREIGN SUBMERGED LANDS EASEMENT FROM FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION

4. AWARD OF BID #005-95 - FIBER OPTIC CABLE, RICHARD L. HORD SUBSTATION PROJECT

5. AUTHORIZATION FOR BLACK & VEATCH TO PROVIDE TITLE V OPERATING PERMIT SERVICES - CANE ISLAND POWER PARK

Motion carried 4 - 0
Chairman Gant absent

1. APPROVAL OF MINUTES OF NOVEMBER 16, 1994, REGULAR MEETING

Director Bobroff said that on Page 1322, item 9. ("Award of Contract for Engineering and Inspection Services for the Two Fuel Oil Tanks at Hansel Station"), the Mayor had made a comment that fitted with the discussion going on at the time and he requested that it be inserted in the appropriate place in the Minutes, and that his statement was in response to the Mayor's comments. Mr. Welsh thought Mayor Pollet's question was whether monies had been budgeted for this.

Director Bobroff said he recalled that Mayor Pollet and one other member had questioned where the money was coming from and was it budgeted.

The Recording Secretary was asked to check the previous month's tapes and make the appropriate corrections.

Acting Chairman Walter entertained a motion for approval of Minutes as amended. There was no second.

Motion by Director Lowenstein, seconded by Director Bobroff, to table the November 16, 1994 Minutes until the next Regular Meeting.

Motion carried 4 - 0
Chairman Gant absent

J. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

GENERAL MANAGER

Mr. Welsh informed the Board that in 1995 he had been drafted as the Campaign Deputy Chairperson for United Way in Osceola County, targeting him for the obligation to fulfill the 1996 Campaign Chairperson for Osceola County.

Mr. Welsh stated that the long-awaited PERC (Public Employees Relations Commission) elections have been set for the following day, December 15th. We should know the final results when the votes are certified by PERC, but the preliminary indication is expected tomorrow.

General Manager Welsh stated that an Annual Employees Meeting was held on December 13th covering events and information over the last decade as well as over the last year.

ATTORNEY - No comments

DIRECTORS

Director Guthrie asked for a capsuled report on the status of the train accident.

Attorney Brinson said a meeting is scheduled for January 10, 1995 with our insurance carrier to discuss various serious items. It is hoped to be a significant meeting where everything will be resolved. The carrier is taking the position they are not covered for contractual liability with non-governmental units. This is a significant milestone. Presently two federal suits are in motion. The transport carrier, in Mr. Brinson's opinion, is the most active negligent person involved. He further elaborated what applies to CSX and Amtrak and what losses each encountered. He felt that if we have any contractual liability it would be CSX's loss, which we can handle. Attorney Brinson is staying actively involved with the attorney of the insurance company and Mr. Neville Turner. He said this entire issue is still up in the air but that he would keep the Board members fully advised.

Director Bobroff mentioned seeing a drawing sometime ago of the railroad crossing showing a cross-section of the curve, etc., and said he assumed we had to build it to their specifications.

Attorney Brinson said we don't feel there is any active negligent design or construction action against KUA. There is a hold-harmless agreement where we have agreed to hold CSX harmless. The CSX railroad company designs that portion which is between the track and so many feet on either side. The approaches were designed by Black & Veatch and constructed by somebody else.

Mr. Welsh stated the point of the hump was significantly away from the railroad.

Attorney Brinson said the trucking firm, Rountree Trucking, is trying to find someone else to help them out.

It was the consensus that it was not appropriate to discuss this subject in detail here and the discussion ended.

Holiday greetings were exchanged between the Board and Staff.

K. **ADJOURNMENT**: Meeting adjourned at 8:30 p.m.


CHAIRMAN

ATTEST:


SECRETARY