

MINUTES OF SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD WEDNESDAY, JUNE 12, 1996 AT 6:00 PM, BRINSON BOARD ROOM, ADMINISTRATION BUILDING, 1701 W. CARROLL STREET, KISSIMMEE, FLORIDA

Present at the meeting were Chairman Gant, Vice-Chairman Walter, Assistant Secretary Guthrie, Director Hord, Director Lowenstein, Vice-Mayor Dorsett, Attorney Brinson, President and General Manager Welsh, and Recording Secretary O'Rourke.

**A. MEETING CALLED TO ORDER** at 6:05 p.m. by Chairman Gant.

**B. BUDGET REVIEW**

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

Mr. Welsh stated that the budget package represents the culmination of a lot of work by a lot of people throughout KUA, both in Finance and the operating departments. Mr. Welsh explained we will go through our normal format with a financial overview, personnel overview and then a review of both the O&M and capital budgets by each department. Mr. Welsh stated that Joe Hostetler, Director of Finance would give the financial overview and also the personnel overview due to the fact that Neville Turner, Director of Personnel is on vacation.

Mr. Welsh explained three basic points that would be covered within the budget. The first was three new employees in the budget. Actually there are five additional places, with two decreases over positions that were in the 1996 budget for a net increase in personnel of three additional employees. This will be detailed in the personnel overview.

Mr. Welsh said we would also be recommending that the Board approve a 3% Market Level Adjustment for non-bargaining unit personnel to be effective October 1, 1996. We are not recommending at this time any salary adjustments for the bargaining unit personnel since an increase is subject to collective bargaining negotiation. Mr. Welsh stated we have not started negotiations for the 1996/97 fiscal year yet, so we do not know what the union will be requesting for bargaining unit personnel. Mr. Welsh said it would be premature to make a recommendation at this point.

Mr. Welsh also stated we are recommending the Board approve funds to make a dental plan available to all personnel. The plan would be effective for non-bargaining unit personnel on January 1, 1997 so that it coincides with the date the health insurance contracts become effective or are renewed. Mr. Welsh said we anticipate offering the dental plan to all employees, including bargaining unit employees. Since the plan is an employment benefit, it is subject to negotiations. We would present it as part of the proposed benefit package to be included in the contract that is negotiated for the fiscal year 1996/97, to be effective January 1, 1997 or the date the contract is ratified, whichever is later.

## 2. FINANCIAL OVERVIEW - JOE HOSTETLER, DIRECTOR/FINANCE

Chairman Gant suggested the wording be changed on the first line of page I-5. It now reads ~~A~~as we move toward deregulation in the electric utility industry~~@~~ and Chairman Gant suggested it read ~~A~~since there appears to be a move toward deregulation in the electric utility industry~~@~~. Chairman Gant stated we should approach deregulation in this manner instead of accepting the fact that we are moving in that direction. Mr. Welsh stated the wording would be changed to reflect this.

Mr. Hostetler distributed an errata sheet covering minor changes and corrections to the budget and briefly explained these changes. Mr. Hostetler's overview began with the fiscal policies established by the Board and Budgeted Revenues and Expenses.

Mr. Hostetler then explained the Summary of Outstanding Debt Service on page II-17 and Director Hord asked if we needed approximately another \$8 million between 1997 and 1998. Mr. Hostetler said that was correct. In 1997, we have to come up with out of current operations \$5.6 million and in 1998, almost \$13 million. Mr. Hostetler stated that we will outgrow this based on growth projections. Mr. Hostetler said they are studying the situation with our Financial Advisor, watching the market and will do whatever they can to either reduce or eliminate a rate increase.

Mr. Hostetler explained the Summary of Expenditures by Element of Expense on page II-18. Personal Services and Fringe Benefits are reductions for 1997 over 1996 due to the fact that we have capitalized more of our labor costs into using our work order system into capital projects, capitalizing more expense than we have in prior years.

Chairman Gant questioned the work order system and if we are capitalizing higher operating personnel expense. Mr. Hostetler said that was correct and there are two different ways we capitalize. One is a capital project such as the linemen and the crews who are actually doing the work and all their time, fringe benefits, materials they are using and truck expenses get capitalized. The other is administrative costs that should be capitalized for the Executive department, finance, purchasing, etc. because these functions could not be done without everybody being here. Mr. Hostetler said this is being done to properly reflect and to more easily track total costs of all labor, overhead and materials. Mr. Welsh stated the intent is not to improve the bottom line. The intent is to bring our day to day accounting practices more in line with what they should be.

Chairman Gant questioned the repowering of Hansel and will we really be involved in it in 1997. Mr. Sharma, Director of Power Supply said yes, it is feasible and we could see some time payments for equipment which will have to be ordered.

Mr. Hostetler then gave a brief review of the Operating Statement on page II-11. Director Hord questioned the operating income which is \$4 million short or down 42%. Mr. Hostetler said there are depreciation expenses which is roughly half of that, which is a non-cash expense. Mr. Hostetler stated we would grow out of this due to sales growth.

Mr. Hostetler went over the Balance Sheet on page II-12. He stated insurance is going up by 17% due to the fact that the \$3 million fund is not adequate in case we were hit by a severe hurricane. Mr. Hostetler stated utilities are trying to build up internal funds in order to protect them from not having the cash available to rebuild their system pending reimbursement from FEMA.

There is no insurance carrier that will carry a utility for this kind of a loss. Mr. Hostetler said most utilities, depending on their size, are thinking about somewhere between \$5-10 million. Mr. Hostetler said we are suggesting to build the insurance fund up \$250,000 a year until we reach at least the \$5 million level.

Mr. Hostetler stated the total budget is \$122,553,429 but the errata statement will change this slightly to somewhere around \$122,500,000. The exact dollar amount will be presented at the Public Hearing.

### **3. PERSONNEL OVERVIEW - JOE HOSTETLER**

Mr. Hostetler is giving this presentation for Mr. Neville Turner, Director of Personnel & Risk Management who is on vacation.

Mr. Hostetler reviewed the Organizational Chart of all departments on page I-18. In Power Supply we are recommending one new position, in Information Systems we are recommending two new positions, in Engineering two additional positions and deleting one position and in Customer Relations deleting one position. There are no changes in Finance, Personnel, Materials Management and Transmission & Distribution. In 1996 we had 258 employees and are projecting 261 employees for 1997. Mr. Hostetler stated we have five new positions less the two positions which we are deleting, which nets three positions.

Chairman Gant questioned the two additional positions in Information Systems and said it is difficult to justify hiring for positions that return no revenue. Mr. Welsh stated we have been going to outside contractual users and also have been relying on HTE to make changes to the work order system, but there are always delays. Mr. Hostetler said we have a very complicated work order system and we have some changes that need to be done to the program to make it effective for us. Mr. Hostetler said we either have to do the changes ourself or pay HTE to do them and HTE is growing so fast they do not have the resources. Mr. Welsh said this is an ongoing problem with having to continually improve the work order system.

Director Lowenstein questioned if we have outgrown HTE. Mr. Welsh stated after a long, thorough review of HTE we have not outgrown them and do not want to get rid of them. Basically they have done a good job for us.

Director Hord asked if instead of hiring two new people for Information Systems, couldn't we hire temporary employees. Mr. Welsh stated we have been going through that for the past two years, but we are now at the point where we need to internalize somewhat. Mr. Welsh said we are adding one System Programmer and one User Training & Support Associate which would be added support for the data processing users throughout the system in all the departments.

Mr. Hostetler stated in the Ten Year Plan we asked the Board to approve a 3% Market Level Adjustment. Mr. Hostetler said we get most of our projections from Kiplinger and they are estimating 3-1/2%.

**Moved by Director Lowenstein, seconded by Director Guthrie, to approve staff's recommendation for a three percent (3%) Market Level Adjustment for the non-bargaining unit personnel effective October 1, 1996.**

**Motion carried 5 - 0**

Mr. Welsh reiterated we are not recommending at this time any salary adjustments for bargaining unit personnel since the amount of such increases is subject to collective bargaining negotiations. We have not started negotiations for the 1996/97 year yet and do not know what the union will be requesting for the bargaining unit personnel and it would be premature to make a recommendation at this point.

Mr. Hostetler stated the Personnel Department did a survey of other utilities and their dental plans. Both Osceola County and the City of Kissimmee pay for dental for their employees. Mr. Welsh said the outside maximum exposure would be \$20 per month per employee or a total of \$60,000 per year. Mr. Welsh stated approving the dental plan would have a bigger impact in terms of appreciation than another 1/2% in the payroll itself.

Mr. Welsh stated we should explore packages that parallel our medical coverage which basically gives the employee the choice of taking the basic regular coverage where they have complete choice of their physician or dentist. As an alternate choice for the employee we should explore going into an HMO type plan where they would have to use a selected dentist but their co-payment would be a little bit less.

Chairman Gant stated he did not approve of dental plans because they usually tell you what dentist to go to and it is not in the employees' best interest to be forced to change dentists because of the dental plan they now have. Chairman Gant said some may choose to do it to get paid, but then will go where they are projected to go and he does not agree with this concept in general.

Director Hord stated our revenues for the coming year are declining by \$4 million and you have to stop somewhere. Director Hord said we are perhaps approaching deregulation and some day our sales may not be what they are now, but once you make this commitment of a dental plan to the employees you will never take it away. Director Hord stated KUA offers a lot of good benefits, it's a good place to work, offers a fair wage and enough is enough.

Director Guthrie stated he would be in favor of investigating a dental plan and does not believe it is an unreasonable benefit. Director Guthrie said many companies have this benefit and it is no longer innovative.

Director Lowenstein stated he would be in favor of an investigation of a dental plan.

Director Walter stated we need to be competitive with benefits that we offer to employees and believes we should take a look at it to see what the bottom dollar would be before making a final commitment.

Mr. Welsh stated the dental plan would be available to all personnel including bargaining unit employees. Since the plan is an employment benefit it is subject to negotiations. We would present it as part of a proposed benefit package to be included in the contract that is negotiated for the fiscal year 1996/97 to be effective January 1, 1997 or the date the contract is ratified, whichever is later.

**Moved by Director Guthrie, seconded by Director Walter, to approve staff's recommendation for a dental insurance plan with the recommendation that the Board review and approve the program prior to it being put into place.**

**Motion carried 4 - 1  
Director Hord voted no**

The meeting recessed from 7:55 p.m. to 8:05 p.m.

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

**a. POWER SUPPLY - BEN SHARMA**

Mr. Ben Sharma, Director of Power Supply, highlighted the department organization chart. This year there are 84 employees in the department. Mr. Sharma pointed out there are three divisions within the department. Mr. Sharma introduced Jeff Ling, Manager of Power Production, Robert Miller, Manager of Bulk System Planning, Randy Christian and Ray Brennick who head the System Control Division.

Mr. Sharma explained the need of one new person in the department, which would be a Utility Worker. This Utility Worker would be more like a handyman doing whatever needed to be done. This work used to be done by Mechanics, but now the Mechanics are split between the two plants and they have no time to do these small jobs.

Chairman Gant questioned the 40% increase in Personal Services on the Operating & Maintenance Expense chart on page III-18. Mr. Sharma stated this was due to the reclassification of Operators/Mechanics associated with the cross-training program which increased salaries and wages. Overtime also increased due to the cross-training program.

Mr. Sharma highlighted the Capital Expenditures on page IV-4 due to the fact that some of these items were not included in the Ten Year Plan. One is the Exhaust Plenum for the Hansel Combined Cycle unit. The other item is the Automated Trouble Call Answering System Computer Equipment. This equipment will record all trouble calls in sequence and then the computer will locate the faults to make it easier for Transmission & Distribution to understand where the problem started. After the trouble calls have been answered, this automatic system will also call back those people who called earlier to see if their power is back on.

Director Guthrie questioned if there were any outside companies that offer this type of service. Mr. Welsh stated they do not offer what this system will be able to do for us.

Director Hord questioned the Control System Upgrade. Mr. Jeff Ling stated it is now an analog system and we would be going to a digital system. If we do the repowering of Hansel, this upgrade will not be needed. Mr. Ling said our current system is old and out of production and has been for several years because we cannot get the parts for it. The major function of this system is to monitor and maintain the gas turbine. It stops the gas turbine, it monitors the system on the gas turbine and it is the safety system of the gas turbine.

Director Hord also questioned the Frame 7 Combustion Inspection. Mr. Ling explained this is a routinely scheduled maintenance inspection that takes place at 8,000 hours and consists of dismantling the combustor section of the turbine, inspecting all the major parts and replacing any damaged components.

Chairman Gant stated Stanton II is on line and we will be in Stanton II through FMPA. We will purchase power through FMPA and this will impact our COPA significantly. Chairman Gant questioned if this meant a rate increase to our customers. Chairman Gant asked Mr. Sharma to take the kilowatt hour cost from Stanton I and Stanton II and give the Board a comparison on the two. Chairman Gant wants to know what the cost between those two units is. He said to include the debt service needed to serve it and take our

regular cost, bring it in at 7% and amortize it over 30 years. Chairman Gant stated the Board needed to take a look at these numbers because the revenue is going to increase in COPA and if that is going to be reflected in the rate to the customer, that is a rate increase.

**b. INFORMATION SYSTEMS - DENNIS WICK**

Mr. Dennis Wick, Director of Information Systems, briefly highlighted the department organization chart. Mr. Wick stated there are two additional positions needed - a System Analyst & Programmer and an Associate User Training & Support Specialist. Mr. Wick stated there are no differences between the budget and the Ten Year Plan.

Chairman Gant asked if Mr. Wick was upgrading all users to OS/2WARP. Mr. Wick stated no, he was not adding this to anything new. Chairman Gant said he felt in a commercial setting such as KUA, we should not be using Windows 95 and we should be using Windows NT. Mr. Wick stated he thinks these two programs are going to merge and be one.

**c. TRANSMISSION & DISTRIBUTION OPERATIONS - KENNETH LACKEY**

Mr. Ken Lackey, Director of Transmission & Distribution, gave a brief overview of his department. Mr. Lackey stated there are no differences between the budget and the Ten Year Plan. Mr. Lackey said there are no changes in the number of personnel.

Chairman Gant questioned the inventory issues of 2,195,000. Mr. Hostetler stated this is the entire amount of the capitalization of work order expenses and part of this is personal services, fringe benefits and the majority of it is materials and supplies. Mr. Hostetler said it is listed as inventory issues because it is all the materials that are taken out of inventory under Materials Management and given to the line crews to go out and do a line construction.

**d. ENGINEERING - KENNETH DAVIS**

Mr. Ken Davis, Director of Engineering, stated we are adding two new positions, an Engineer and a Meter Technician and deleting one SCADA Technician.

Mr. Davis said the only items not included in the Ten Year Plan are Line Relocation and Computer Equipment on Capital Expenditures. Mr. Davis said \$250,000 will be funded for line relocations in case it is needed.

e. CUSTOMER RELATIONS - CHRIS BECK

Ms. Chris Beck, Director of Customer Relations, highlighted the department organization chart explaining the Receptionist is transferring from the Personnel department to the Customer Relations department. Ms. Beck stated some employees are being moved around internally to accommodate doing more transactions over the phone. Ms. Beck said there is a deletion of one Meter Systems Administrator.

Ms. Beck stated there is an increase in Professional Contractual Services due to the fact that the maintenance of the Carroll Street building is also being transferred from the Personnel department to the Customer Relations department.

Ms. Beck said on the Capital budget the only change from the Ten Year Plan is the addition of a meter tester for onsite checking of meters. This device will enable us to test a customer's meter onsite the day the customer calls us. Ms. Beck stated four or five people in her department will be trained to do this.

f. FINANCE & GENERAL MANAGEMENT - JOE HOSTETLER

Mr. Joe Hostetler, Director of Finance, highlighted the department organization chart and stated there are no differences between the budget and the Ten Year Plan and no plans to add additional personnel.

Mr. Hostetler reviewed the \$1,000 per month retainer fee for our financial advisor versus what we might actually incur on a yearly basis. Mr. Hostetler stated the \$1,000 per month retainer fee is a bargain considering all the work the financial advisor will be doing.

Mr. Hostetler stated that the intention of the Investment Committee was to have four members: Jim Welsh, Joe Hostetler, Craig, our financial advisor and Ken Kilgore, City of Kissimmee Finance Director and the function of this committee is to give advice to Mr. Welsh and Mr. Hostetler and Mr. Welsh would ultimately go to the Board and make any recommendations for any changes or new policies. Mr. Welsh wanted to clarify that the Board's intention for this committee was to be set up as an advisory panel to the staff as a staff resource, not as a direct advisory to the KUA Board.

Director Guthrie questioned what the wording is on our policy in reference to this committee. Mr. Welsh stated the intent is to develop a policy directive on investments and bring it back to the Board. Mr. Welsh said we do not have a policy directive that has set up this committee, we have a policy directive that the committee was not set up under. Therefore, the financial policy that would describe this has yet to be brought before the Board by Mr. Welsh and for the Board to adopt.



Attorney Brinson stated if it is an advisory committee, then we have to comply with the Sunshine law, but it was the Board's understanding that this committee was set up to assist Mr. Welsh, who in turn would go before the Board and was not set up as an advisory committee. Mr. Welsh stated it is more of a resource and working group for himself and Mr. Hostetler.

Mr. Welsh wanted to clarify that his interpretation of the intent of the Board was for Mr. Welsh to utilize this committee as a resource for his own purposes to be able to formulate a recommendation as President & General Manager to the Board. **It was the consensus of the Board that this indeed was their intent.**

Mr. Hostetler then highlighted the General Management department and stated there is no change in personnel and no change from the Ten Year Plan.

**g. PERSONNEL & RISK MANAGEMENT - JOE HOSTETLER FOR NEVILLE TURNER**

Mr. Hostetler highlighted the department organization chart and stated there are no changes from the Ten Year Plan, except the addition of the budget for community support activities of \$35,000.

Mr. Hostetler stated the Receptionist is being transferred to the Customer Relations department.

Director Guthrie questioned other operating expenses up 58% in the General Management department. Mr. Hostetler stated that is the contingency fund which is based on a formula using estimated metered sales.

**h. MATERIALS MANAGEMENT - JAMES TILLMAN**

Mr. Jim Tillman, Director of Materials Management, highlighted the department organization chart. Mr. Tillman stated this is the sixth year in a row of not adding any new personnel. There are no differences between the budget and the Ten Year Plan.

**5. CONCLUSION AND SCHEDULE REVIEW**

Director Guthrie asked how much of the budget reflects our participation in the power pool and what will happen to the budget if we pull out of the power pool after our trial period. Mr. Welsh stated that the power pool affects what our cost of power is for our economy power and our overall dispatch. Mr. Welsh said we still have those basic costs whether we're in the pool or out of the pool, but it's a question of how are they most effectively and efficiently done. Mr. Welsh stated we are trying to analyze this and that is why we are taking a whole year to look at it.

C. OTHER

1. PROCLAMATION FOR E.C. ACHARLIE@ SHREVE, JR.

Mr. Welsh stated Charlie Shreve is a wonderful individual and has known him ever since he has been associated here in Florida. Mr. Shreve has been in the utility business all his life, was utility director at Gainesville for a number of years and for the last nineteen years was the Executive Director of the Florida Municipal Electric Association. Mr. Welsh stated Charlie has contributed significantly to the industry throughout the state and the nation. Mr. Welsh said Charlie is retiring now and this is an opportunity for us to recognize him through this Proclamation.

**Moved by Director Lowenstein, seconded by Director Walter, to approve the Proclamation for E.C. ACharlie@ Shreve, Jr.**

Motion carried 5 - 0

D. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

GENERAL MANAGER

Mr. Welsh stated the City of Kissimmee desires to have the 8 Broadway building earlier than October if possible because their tenant would like to get into the building. Mr. Welsh said we are attempting to accommodate those needs, but the City still cannot close before October 1st because they do not have the money in the budget. Attorney Brinson has suggested we lease the building to the City and then if the closing does not occur, they must get out.

Mr. Welsh said we may end up with two separate leases. One lease for before we vacate the building and then another for after we leave there. Our target date to move out of 8 Broadway is August 9th. Mr. Welsh stated for the first lease, while we are still in the building, they would have the beneficial use of us covering the utilities. For the second lease, after we move out, insurance, taxes, utilities, etc. will all be their responsibility.

Mr. Welsh complimented and thanked the Board for all the work they have done in bearing with us in working through this budget process. Mr. Welsh said he really appreciated their time and attention.

ATTORNEY - No comments.

DIRECTORS

Chairman Gant stated that the staff outdid themselves this year in putting this budget together. He said it was an outstanding job - easy to understand and easy to follow and he really appreciated it.

Vice-Mayor Dorsett stated he can certainly see why KUA wins an award every year for the budget and that we will probably win it again this year. He said the budget was very well presented.

Director Lowenstein said staff has definitely come a long way.

Director Guthrie stated the KUA Community Outreach section in the budget is very impressive and suggested we do something publicly with this recap. He said perhaps a large ad in the newspaper would be appropriate.

ATTEST:

  
SECRETARY

  
CHAIRMAN

E. ADJOURNMENT: Meeting adjourned at 9:35 p.m.