

MINUTES OF A SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY, WEDNESDAY, JUNE 19, 2002, 5:30 P.M., BRINSON BOARDROOM, ADMINISTRATION BUILDING, 1701 WEST CARROLL STREET, KISSIMMEE, FLORIDA.

Present were Vice-Chairman Shearer, Director Hart, Director Gemskie, Mayor Gant, Director Toro, Attorney Brinson, General Manager Welsh and Recording Secretary Fizer. Chairman Walter was absent.

A. **MEETING CALLED TO ORDER** at 5:35 P.M. by Vice-Chairman Shearer.

B. **PLEDGE OF ALLEGIANCE**

The Board and staff recited the Pledge of Allegiance.

C. **BUDGET REVIEW**

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

General Manager Welsh highlighted several items that would be discussed in the budget presentation. He briefly discussed capacity credits and how they would be included in the COPA calculations by the All Requirements Project (ARP). He noted that the market level adjustment would be discussed as well as increasing employee dependent coverage payments. Mr. Welsh gave the order in which the budget would be presented by staff.

Vice-Chairman Shearer asked that staff identify anything that would be changed due to KUA's joining the All Requirements Project other than the COPA. Vice-Chairman Shearer also asked for explanation on the variations of staffing positions as listed in two separate places within the presentation.

2. **FINANCIAL OVERVIEW – JOE HOSTETLER, VICE PRESIDENT OF FINANCE & RISK MANAGEMENT**

Joe Hostetler, Vice President of Finance & Risk Management, began the presentation by reviewing the budget issues and how the ARP expenses would be included in the budget.

Mayor Gant asked for discussion on how KUA could not incur operating expenses for the plants while continuing to maintain the operations of them. General Manager Welsh noted that the fuel costs will be picked up by the All Requirements Project. He said that KUA no longer buys fuel but buys energy and capacity. KUA has the purchased fuel cost for the units at Crystal River and St. Lucie only. Mayor Gant requested further discussion on the capacity credits and how that would be shown in the COPA. The current rate structure versus the future rate structure was detailed and how the calculations for COPA would be proposed. General Manager Welsh noted that there would be a detailed report on the effect on KUA operations of KUA joining the All Requirements Project given at the regular board meeting on June 26, 2002.

Mr. Hostetler continued with his presentation noting how KUA would be transitioning into the All Requirements Project budget, the costs that would be included in COPA, components of the ARP bill, and the application of capacity credits in that bill. He explained the proposed change to the methodology for calculating COPA. KUA would apply only the amount of All Requirements Project credits that KUA would have recognized through capacity and energy sales profits if they had not joined the ARP. This change may have to be submitted to the Florida Public Service Commission for approval and a public hearing held in July. **It was the consensus of the Board to adopt the methodology change as was detailed.**

Mr. Hostetler also highlighted capital improvement items, Florida Municipal Power Agency (FMPA) reimbursement, key projects, condensed combined statement, revenues and other sources of funds and debt service coverage.

Mayor Gant left the meeting at 6:30 PM. Vice-Chairman Shearer recessed the meeting from 6:30 to 6:47 PM.

3. HUMAN RESOURCES OVERVIEW – NEVILLE TURNER, VICE PRESIDENT OF HUMAN RESOURCES

Neville Turner presented the KUA organizational chart. He noted that during a recent salary survey it was determined that the average salary increase is 3.29% and staff recommended a 3% market level increase in that area. Mr. Turner also said that since the health coverage was increasing, KUA would like to increase the amount they pay toward dependent coverage from \$60 to \$80 and he also proposed that the annual leave accrual rate be modified. **It was the consensus of the Board to approve these items when the budget is approved at the public hearing.**

4. DEPARTMENTAL O & M AND CAPITAL BUDGETS

a. INFORMATION TECHNOLOGY – JEF GRAY

Jef Gray, Vice President of Information Technology noted that the only change in staff proposed would be on the Internet side and this would not happen unless growth dictated such. Mr. Gray noted any differences between the Ten Year Plan and the proposed budget. He said there would not be any changes to the department's goals and he briefly described the incentive plan. Mr. Gray reported that KUA has signed its first high speed wireless account and more of this type of revenue is expected. Mr. Gray also reviewed departmental expenses and revenues.

b. POWER SUPPLY – BEN SHARMA

Ben Sharma, Vice President of Power Supply reviewed his organizational chart and any position changes that would be forthcoming. He detailed the operating and maintenance expenses. Mr. Hostetler stated that the capacity credits would not be applied to the department but applied to COPA with the new methodology calculations. Mr. Sharma noted that there were no changes to his department's goals. He reviewed projected megawatt sales and demands and also reviewed other capital budget items.

c. ENGINEERING & OPERATIONS – KEN DAVIS

Ken Davis, Vice President of Engineering & Operations, presented his department's proposed budget. He summarized his organizational chart and any changes that would be occurring over the next year. Mr. Davis also detailed any changes from the Ten Year Plan and noted that his goals would remain the same.

d. CUSTOMER SERVICE & MARKETING – CHRIS BECK

Chris Beck, Vice President of Customer Service & Marketing, highlighted organizational changes and noted that the outsourcing of the bills was a factor in the decrease of the budget from the Ten Year Plan. She said that the proposed tariff fees will be discussed at the June 20th meeting. Ms. Beck also noted that an increase in postage is anticipated. She reviewed the historical and projected bad debt.

e. FINANCE & GENERAL MANAGEMENT – JOE HOSTETLER

Mr. Hostetler detailed both the Finance budget and the General Management budget noting only those changes from the Ten Year Plan. He noted deletions in the department goals for the Finance department.

f. HUMAN RESOURCES – NEVILLE TURNER

Neville Turner reported that he had no changes from his organizational chart or his department goals. General Manager Welsh said that in keeping with the suggestion that was made by Mayor Gant, KUA has once again designated a capital community project. This past year the project was a cooker that is available to civic groups and for the upcoming budget it is a picnic pavillion at the lakefront park.

It was the general consensus of the Board to approve the budget with noted changes and bring it back to the Board on June 26 for Public Hearing.

D. OTHER – None.

E. HEAR THE GENERAL MANAGER, ATTORNEY, DIRECTORS

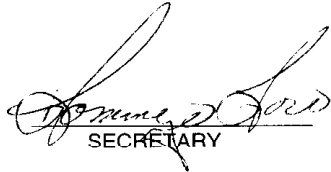
General Manager Welsh noted that Chairman Walter's sister-in-law passed away and that is

why he was absent. Director Toro requested that something be sent to show the Board's sincere sympathy.

Mr. Welsh also handed out a 2002 Hurricane Guide and a copy of KUA's latest ad.

Director Toro thanked staff for their hard work on the budget preparation and presentation.

F. **ADJOURNMENT** – Vice-Chairman Shearer adjourned the meeting at 7:50 PM.



James D. Toro
SECRETARY



CHAIRMAN