

**MINUTES OF THE SPECIAL BOARD MEETING OF KISSIMMEE UTILITY
AUTHORITY, MONDAY, JULY 9, 2007 AT 3:30 P.M., BRINSON BOARDROOM,
ADMINISTRATION BUILDING, 1701 W. CARROLL STREET, KISSIMMEE, FLORIDA.**

Present were Chairman Nancy Gemskie, Director Bill Hart, Director Domingo Toro, Director Fred Cumbie, Director Jim Kasper, Mayor Jim Swan, General Manager James Welsh, Vice President and General Counsel Grant Lacerte and Recording Secretary Judy Ambrosi.

A. MEETING CALLED TO ORDER at 3:30 p.m. by Chairman Gemskie

Chairman Gemskie called for a moment of silence in memory of Bobby Makinson.

B. BUDGET REVIEW

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

Mr. Welsh gave a brief introduction of the budget. Mr. Welsh advised the Board that a public hearing for the budget has been scheduled for July 11, 2007. Mr. Welsh stated that there will be a recommendation for a net decrease of 2 positions in the new budget as well as a recommendation for a 3% market level adjustment.

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

Joe Hostetler, Vice president of Finance & Risk Management gave an overview of the budget timeline as well as the budgeting process. Mr. Hostetler explained the rate stabilization fund and stated that \$4.449 million would be added to the fund if approved. Mr. Hostetler stated the total revenue is \$269,967 million for the fiscal year 2008 budget.

Director Hart asked where the energy conservation cost comes from. Mr. Hostetler stated that this cost arises from the two energy auditors and is a separate line item on the bill. Mr. Hostetler stated the money is incurred in customer service to fund both energy audit positions.

Director Cumbie asked what the deregulation fund was on the 2007 budget. Mr. Hostetler stated that this fund is an interest bearing account to prevent excessive rate increases due to such costs as unforeseen capital outlays. Director Cumbie stated that this should be renamed. Mr. Welsh suggested that this be renamed to the General Reserve Fund. Mr. Hostetler stated that the amount put in was 8.6 million in 2006, down to 1.2 million in 2007, and is now up to 7.6 million.

Mayor Swan asked how much KUA contributes each year to educational activities within the county – either directly to the school board or indirectly. Mr. Hostetler stated that this will be included in Chris Gent's presentation.

Director Hart asked about ARP credits. Mr. Hostetler stated that Cane Island is still an important aspect and predicts that the credits will remain stable.

Director Cumbie asked why the customer growth and energy usage forecasts are not the same. Mr. Welsh stated that usage continues to rise even though customer growth may not due to current customers using more energy and weather differences.

**3. HUMAN RESOURCES OVERVIEW – WILBUR HILL, VICE
PRESIDENT OF HUMAN RESOURCES**

Wilbur Hill, Vice president of Human Resources stated that there is a proposed net decrease of two positions or 305.5 full time equivalent positions. Director Hart asked if the proposed 307 positions from last year were all filled. Mr. Hill stated that they were not all filled.

Mr. Hill advised the Board that a cost of living adjustment survey showed an average increase of 4.1% with KUA proposing a 3% MLA increase. Mr. Hill stated that 3% is a good benchmark to keep KUA competitive. Mayor Swan stated that Kissimmee was given a budget recommendation of 3% last week; however this has not yet been approved.

**ACTION: Director Toro made a motion, seconded by Director Hart to approve staff recommendation of a 3% market level adjustment.
MOTION CARRIED 5-0**

Director Cumbie asked how the requests for new employees are tracked. Mr. Welsh clarified that department heads make recommendations and discuss what is needed and why it is needed. Mr. Welsh stated that most everything was agreed upon this year and seemed as though they were reasonable recommendations.

4. DEPARTMENTAL O&M AND CAPITAL BUDGETS

a. POWER SUPPLY – LARRY MATTERN

Larry Mattern, Vice president of Power Supply gave an overview of the department budget. Mr. Mattern stated that 92% of the 2008 Power Supply budget is fuel and purchase power. Mr. Mattern stated that staff decreases have come from attrition and the closure of the diesel portion of the Hansel Plant.

Director Hart asked if the changes in major capital include any projected funds for the Taylor Energy Center. Mr. Welsh stated that these funds are included in FMPA's budget but have not been passed on to ARP members. Mr. Welsh stated that the status of Taylor is very bleak at this time, but something needs to be done in terms of generation in Florida.

b. INFORMATION TECHNOLOGY – JEF GRAY

Jef Gray, Vice president of Information Technology gave an overview of the departmental budget. Mr. Gray anticipates growth of the wireless ISP and a possible deal with Embarq. Mr. Gray also advised the Board of transfers to the electric fund for community events.

Director Hart asked who does the separate billing for the ISP. Mr. Gray stated that this is done in-house.

c. ENGINEERING & OPERATIONS – KEN DAVIS

Ken Davis, Vice president of Engineering & Operations presented the organizational chart and gave an overview of the recommendations for additional personnel. Mr. Davis also noted capital items substation upgrades and transmission line upgrades.

Director Hart asked if we install street lighting for new developments. Director Hart asked if it would be appropriate to discuss promoting downward lighting. Mr. Welsh stated that the customer could go to competing utilities if we refused certain types of lighting.

d. CUSTOMER SERVICE & MARKETING, MIKE GERAGHTY

Carolyn Scott, acting Vice president of Customer Service and Marketing presented an overview of the organizational chart. Mrs. Scott stated that a net of 6.5 positions are being recommended for the department. Mr. Welsh advised the Board that Ms. Scott will study each of these recommendations before filling any of these jobs.

Director Cumbie asked about pilot programs for meter reading automation. Mrs. Scott stated that two pilot programs are targeted in 2008 for a limited number of meters.

Director Cumbie asked if more bad debt would be projected for the future. Mr. Welsh stated that bad debt will continue to rise as revenue rises. Director Toro asked about agency collections with respect to bad debt. Mrs. Scott stated that one agency helps with write-offs but it is not feasible to outsource collections overall.

Director Hart asked how many off-site personnel we have. Mrs. Scott stated that there are currently 7 part-time people off site. Mr. Gray stated technical support issues are minimal as they are able to proxy on to correct most issues.

Director Hart asked about the effect on KUA should TOHO Water Authority decide to do their own customer service and meter reading in the future. Mr. Welsh

stated that most of the impact would be on TWA if this occurs. Chairman Gemskie asked about the current contract. Mr. Lacerte stated that the current contract has an 18 month termination clause.

Director Hart questioned the energy conservation cost in the proposed budget. Mrs. Scott stated that this cost includes customer service support. Mr. Hostetler stated that customer service representatives track time that is spent on these matters and that he would provide a detailed work-order report out and give it to the entire board.

f. FINANCE & GENERAL MANAGEMENT – JOE HOSTETLER

Joe Hostetler, Vice president of Finance & Risk Management reviewed the proposed budgets for both the Finance & Risk Management departments as well as for the Executive office. Director Hart questioned the rise in professional services. Mr. Hostetler clarified that this is due to a shift in maintenance services to the executive office.

g. HUMAN RESOURCES – WILBUR HILL

Wilbur Hill, Vice president of Human Resources presented his departmental budget which included two job reclassifications.

Chris Gent, Vice president of Corporate Communications detailed the community sponsorships budget. 19% of the community sponsorship budget is funded through the ISP.

Mayor Swan questioned the School Board's request for another appraisal with respect to the Pleasant Hill transmission line bearing in mind that a lot of KUA funding is given to educational and school board related activities. Mayor Swan wondered if staff or the Board itself should question future donations to the School Board. Chairman Gemskie stated that in the past General Manager Welsh has been given the authority to negotiate the settlement of parcels.

Mr. Welsh apologized for leaving an impression with the mayor that this issue was delaying the project because at this time, the project is still on track. General Manager Welsh reiterated to the Board that he has been given direction to settle easement issues which are beneficial and would continue to do so unless he was given different directions by the Board.

Director Hart announced that the Jazz Fest was over and could be removed from the sponsorship budget.

Mr. Welsh asked if the Board still preferred hard copies of the budget in the future. They agreed that they like hard copies.

C. OTHER


D. HEAR ATTORNEY, GENERAL MANAGER, DIRECTORS

Grant Lacerte, Vice president and General Counsel advised the Board that the Expressway Authority has been under scrutiny lately and it is important to be mindful of these issues as a public entity.


Mayor Swan congratulated Jim and his staff on an excellent budget presentation. Nancy congratulated Grant Lacerte on his appointment to vice chair of the APPA legal section.

F. ADJOURNMENT

Meeting adjourned at 6:09 p.m.



Chairman



Secretary