

COMBINED REGULAR MEETING & SPECIAL MEETING OF KISSIMMEE UTILITY AUTHORITY HELD WEDNESDAY, JUNE 8, 2011 AT 3:30 PM, BRINSON BOARD ROOM, ADMINISTRATION BUILDING, 1701 WEST CARROLL STREET, KISSIMMEE, FLORIDA

Present were Chairman Fred Cumbie, Vice Chairman James Kasper, Director Reginald Hardee, Director George Gant, Mayor Jim Swan, General Counsel Grant Lacerte, General Manager James Welsh, and Recording Secretary Leticia Rivera. Director Kathleen Thacker participated via phone.

A. MEETING CALLED TO ORDER

Chairman Cumbie called the meeting to order @ 3:30 pm.

B. PLEDGE OF ALLEGIANCE TO THE FLAG

The Board and staff recited the pledge of allegiance.

C. AWARDS AND PRESENTATIONS

1. 20 – YEAR SERVICE AWARD – NEYVA HERNANDEZ, GIS TECHNICIAN, ENGINEERING & OPERATIONS
2. 20 – YEAR SERVICE AWARD – LARRY MATTERN, VICE PRESIDENT OF POWER SUPPLY, POWER SUPPLY
3. 20 – YEAR SERVICE AWARD – ALBERTO MERCADO, LINEMAN FIRST CLASS, ENGINEERING & OPERATIONS

Mr. Welsh thanked and congratulated Neyva, Larry and Alberto for their continued hard work and dedication.

4. EMPLOYEE OF THE MONTH FOR JUNE – TIM BRIGGS, INSTRUMENT & CONTROLS TECH, POWER SUPPLY

Mr. Welsh advised that Tim was not able to attend the meeting however, his department head will acknowledge him at a later date.

D. HEAR THE AUDIENCE

Chairman Cumbie asked if anyone from the public would like to address the Board; in hearing none the Board moved forward to the next item.

E. CONSENT AGENDA

ACTION: Director Dr. Gant made a motion, seconded by Director Hardee to approve items 1 through 3 on the consent agenda.

MOTION PASSED 5 – 0

1. APPROVAL OF MINUTES FOR MAY 4, 2011 REGULAR MEETING
2. APPROVAL OF MINUTES FOR MAY 11, 2011 SPECIAL MEETING
3. APPROVAL OF MINUTES FOR MAY 18, 2011 WORKSHOP MEETING

F. PUBLIC HEARING – (None)

G. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION)

1. 2011 CUSTOMER SATISFACTION SURVEY RESULTS

Chris Gent, vice president of corporate communications advised that KUA contracted with PMG Associates, Inc. to conduct KUA's annual customer satisfaction survey. Mr. Gent advised that the results are back as well as Ms. Kathy Gonat of PMG Associates who has conducted the past 6 years of KUA's customer satisfaction survey.

Mr. Welsh handed out the hard copy of the customer satisfaction survey and Ms. Gonat presented the results of KUA's 2011 Customer Satisfaction survey results to the Board.

Chairman Cumbie's one comment was that many people do not know about the Good Neighbor Fund and hopefully KUA can work on this.

H. OLD BUSINESS

1. LINE EXTENSION WAIVER POLICY DIRECTIVE 11-03

Grant Lacerte, vice president and general counsel provided background on the Waiver Policy Directive 11-03. Mr. Lacerte advised that on March 9, 2011, the Board of Directors adopted Policy Directive D11-02. This directive provided for a moratorium on line extension fees for certain qualified commercial customers for fiscal year 2011-12 with an automatic sunset at the end of that fiscal year.

At the joint meeting on March 16, 2011, the commissioners and board agreed that the KUA Board of Directors should set aside a specified amount of money to make available to the City of Kissimmee (City) to waive line extension fees for certain commercial customers that the City felt would meaningfully spur economic development. The staffs of both the City and KUA were directed to come up with a letter agreement and other appropriate documentation to implement this direction.

Pursuant to this instruction, KUA staff has drafted this policy Directive D11-03. This Directive rescinds Directive 11-02 but keeps in place all the technical requirements and other eligibility provisions of Directive 11-02 to ensure that any commercial customers receiving portions of the amount set aside by the Board for line extension fee waivers otherwise meet KUA's revenue needs and technical requirements. The Directive also requires such customers to enter into a line extension contract with KUA.

Mr. Lacerte thanked Mr. Steigerwald, City Manager and Ms. Ortiz for their work and their assistance with this. Mayor Swan commented that the City has funds available for specific types of industrial activity and growth to provide some encouragement as well as Ms. Ortiz experience and expertise.

ACTION: Director Hardee made a motion, seconded by Dr. Gant to adopt the draft Policy Directive, rescinding Directive 11-02 and replacing it with a policy that makes \$600,000.00 available to apply line extension fee waivers to certain commercial customers that are otherwise qualified under the attached Directive.

**MOTION PASSED 5 – 0
Fred Cumbie voted Yes
Jim Kasper voted Yes
Reginald Hardee voted Yes
Dr. George Gant voted Yes
Kathleen Thacker voted Yes**

Mr. Cumbie thanked Mr. Steigerwald for attending the meeting. Mr. Steigerwald thanked KUA and advised the City will work hard so that every customer has an opportunity for this.

2. 2001 SERIES A & B BOND REFUNDING

Joe Hostetler, Vice president of finance & risk management advised that at the February 23, 2011 board meeting, staff was authorized to work with the financing team on the potential refunding of the Series 2001 A&B bond issue which is callable October 1, 2011. On April 13, 2011, a RFP was distributed by Dunlap & Associates, Inc. on behalf of KUA. This RFP solicited competitive responses from financial institutions and investment banks to provide a bank loan to refund the Series 2001A and 2001B Bonds and Liquidity or a Letter of Credit for KUA's \$43.2M Commercial Paper Program.

Mr. Hostetler advised that due to the volatility of interest rates, staff recommends a negotiated sale of the bonds in order to secure the lowest possible interest cost for KUA and its ratepayers.

Craig Dunlap, President and CEO of Dunlap and Associates shared with the Board the ratings that Moody's Investment Service and also Fitch gave KUA. These ratings are very positive and staff's effort in upgrading these ratings will translate to lower rates for KUA's customers. Mr. Dunlap publicly noted, Grant Lacerte, Jon Eichelberger of JP Morgan and Misty Taylor of Bryant, Miller and Olive for their dedication and hard work.

Kathleen Thacker left the meeting at approximately 4:15 pm before a motion was made.

ACTION: Director Gant made a motion seconded by Director Thacker to approve Resolution 11-03

**MOTION PASSED 4 – 0
Fred Cumbie voted Yes
Jim Kasper voted Yes
Reginald Hardee voted Yes
Dr. George Gant voted Yes**

Chairman Cumbie asked how KUA pays Moodys and Fitch. Mr. Hostetler advised KUA pays them a flat fee and an annual fee. Mr. Cumbie asked if there is any competition to the two rating agencies. Mr. Hostetler advised there are four rating agencies; Fitch, Moody's, Standard Emporium and Duff and Phelps.

3. RESOLUTION 11-04 COMMERCIAL PAPER

Joe Hostetler thanked Jon Eichelberger with JP Morgan and Craig Dunlap. Mr. Hostetler then provided a briefing on the Commercial Paper item. Mr. Hostetler advised that due to the economic recession additional T&D projects were not needed so the \$16.2 million additional capacity was not utilized. The Commercial Paper Note Purchase Agreement provides liquidity support for the CP program. This means that in the event KUA's CP is not purchased by investors, JPM Chase Bank will step in and purchase the CP. KUA will then have to find another means of financing the CP due to the higher rates that JPM would charge to hold the CP.

ACTION: Director Gant made a motion, seconded by Director Hardee to approve Resolution #11-04 and authorize the President & General Manager the authority to execute the Third Amendment to the Commercial Paper Note Purchase Agreement.

**MOTION PASSED 4 – 0
Fred Cumbie voted Yes
Jim Kasper voted Yes**

**Reginald Hardee voted Yes
Dr. George Gant voted Yes**

At this time Mr. Hostetler thanked Lisa Davis and Larry Webb for their hard work on this item.

4. REVIEW OF KUA'S DEPOSIT POLICY

Mr. Welsh advised that this item has been agendaed at the request of Sara Shaw, a KUA customer.

Susan Postans, vice president of customer service advised that KUA continually looks for opportunities to enhance service to our customers while balancing the need for fiscal responsibility. As discussed with Ms. Shaw, and also referenced in her letter to Mr. Welsh, staff identified three opportunities.

1. Add the option for customers to participate in the automatic bank draft payment plan in lieu of paying the assessed deposit either at initiation or when additional deposits are assessed per the policy. Deposits will be assessed if bank draft is declined by the bank.

2. Assess only one level of deposits when deposits are required which is a minimum of Three Hundred Forty Dollars (\$340.00) or two times the average monthly usage.

3. Operationally we would not disconnect service for the additional deposit required, only if the bill for utility services is not paid. If a required deposit has not been paid or arrangements made to pay it then the customer would be ineligible for payment arrangements and their services would be terminated for any failure to pay their utility bill.

If the Board directs staff to effect these changes, staff should proceed with the usual tariff change procedure required and prepare for the operational changes. The legislative copies, along with the updated copy, of the proposed tariff changes are attached.

ACTION: Director Kasper made a motion, seconded by Director Hardee to authorize staff to send the tariff sheets to effect the enumerated enhancements to service for our customers to the Florida Public Service Commission for review and advertise for a public hearing on June 29, 2011. Tariff changes to be effective July 1, 2011 contingent on approval at the public hearing.

Mayor Swan commented that he does not see any issue with what current policy KUA has in place.

MOTION PASSED 4 – 0

Chairman Cumbie asked if KUA explains the bank draft opportunity to its customers. Ms. Postans advised that this policy is shared with the customers.

Director Hardee offered that he agrees with Mayor Swan's comment however, he applauds staff in finding other ways to better serve the customers and the customer satisfaction survey reflects this.

Mr. Cumbie inquired what the next steps involved with the last motion that was passed. Mr. Welsh advised that the tariffs sheets are sent to PSC staff for their review. If we don't hear of any problems a public hearing will be held to change the tariffs. At the hearing the public may have input and the Board can deliberate to pass or not. Mr. Welsh advised the PSC does not have approval authority over KUA's tariffs but they review KUA's tariffs and notify of any problems.

I. NEW BUSINESS - None

J. STAFF REPORTS

1. QUARTERLY FINANCIAL REPORT

Joe Hostetler Vice President of Finance and Risk Management provided a quarterly financial report to the Board.

2. KUA'S ORIENTATION VIDEO

Chris Gent has developed a KUA orientation video. The development of an enhanced welcome packet for new and current board members was implemented as one of the President & General Manager's goals.

At 4:50 pm Mayor Swan advised that he had to leave the meeting but advised that he did review the budget and advised that staff did a good job on it. Mayor Swan requested Mr. Welsh email the customer satisfaction survey results to the City Commission as this survey says a lot of the organization.

3. BOARD MEMBER SHAREPOINT SITE UPDATE

Leticia Rivera, Executive Administrative Assistant provided a brief review of the Board member site which includes the new updated orientation video.

The meeting recessed at 4:58 pm

The meeting resumed at 5:13 pm.

K. BUDGET REVIEW

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

Mr. Welsh advised that the budget was reviewed thoroughly during the preliminary budget meeting held in March. Mr. Welsh advised that that the size of the budget is \$230,536,000, zero new personnel, and the market level adjustment being recommended is 5%.

Mr. Welsh advised that in 2012 the Hansel plant should be decommissioned. FMPA has done the study on this and staff will be presenting this recommendation at the executive committee meeting in July.

2. FINANCIAL OVERVIEW

Joe Hostetler, vice president of finance & risk management provided the Board with an overview of the timeline, budgeting process, load forecast, financial overview and ISP.

Director Hardee asked about a line item on phone sales. Mr. Gray advised this is the Century Link sales and in terms of phone sales KUA wants to keep this as it is a viable business and it generates cash each month.

3. HUMAN RESOURCES OVERVIEW

Chairman Cumbie stated that since the budget was reviewed in detail at the preliminary budget, he would prefer that only significant changes be addressed at this current meeting.

Mr. Welsh advised that there is still the 5% market level increase being recommended and Wilbur Hill, Vice President of Human Resources confirmed zero changes in employees.

The consensus of the Board was to move forward with staff recommendation.

4. DEPARTMENTAL O&M AND CAPITAL BUDGETS

a. POWER SUPPLY

Larry Mattern, vice president of power supply provided a brief overview of the Power Supply department. Mr. Mattern informed the Board of the change in one of the capital items being Crystal River to continue with the repairs.

b. INFORMATION TECHNOLOGY AND ISP – JEF GRAY

Jef Gray, vice president of information technology provided a brief overview of the Information Technology department. Mr. Gray advised the Board that he has lost 25% of his workforce since the salary freeze was implemented.

c. SYSTEM COMPLIANCE & OPERATIONS – GREG WOESSNER

Greg Woessner, vice president of system compliance & operations informed the Board that there are no changes to the budget as it was reviewed during the preliminary budget meeting in March.

d. ENGINEERING & OPERATIONS – KEN DAVIS

Ken Davis, vice president of engineering & operations provided a brief summary of the department's budget. Mr. Davis stated that the electric vehicle was removed from the budget and staff made a small adjustment on the projection for line extension costs.

e. CUSTOMER SERVICE – SUSAN POSTANS

Susan Postans, vice president of customer service provided a brief summary of the department's budget. Ms. Postans advised that two copier/scanners were added for the department.

f. FINANCE & RISK MANAGEMENT AND EXECUTIVE – JOE HOSTETLER

Joe Hostetler, vice president of finance and risk management gave an overview of the finance and executive department's budgets. Mr. Hostetler advised an addition of ACS software. This software will assist in billing.

Mr. Hostetler thanked the ambassadors and the vice presidents for their work in the budget process.

g. HUMAN RESOURCES – WILBUR HILL

Wilbur Hill, vice president of human resources advised the Board that there are no changes since the preliminary budget meeting held in March.

Director Hardee asked if KUA has researched or has in place an incentive program to retain specialized staff. Mr. Hill advised no but staff can start strategizing. Mr. Welsh added that prior to the salary freeze, KUA has incentivized people to stay with market level adjustments but this was no longer the case when the pay freeze began. KUA also benchmarks each position yearly when there is not a wage freeze in place.

Mr. Welsh advised staff will present Resolution 11-05 Fiscal Year 2012 Budget at the Public Hearing scheduled for June 29, 2011.

L. HEAR ATTORNEY, GENERAL MANAGER, DIRECTORS

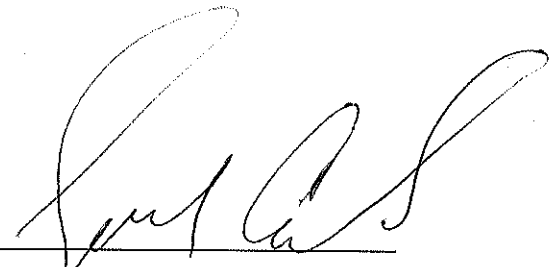
Grant Lacerte, Vice President & General Counsel provided an update on a superfund.

Mr. Welsh advised that Joint meetings with the City and the County will be scheduled to occur next year January – February time frame. A KUA Field day has been scheduled in conjunction with the Employee Appreciation Luncheon.

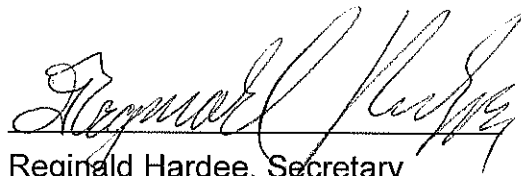
Dr. Gant was concerned that the concrete poles being place along Hoagland Boulevard for transmission seem close together. Mr. Davis advised he would have to take a look at the area.

M. ADJOURNMENT

Fred Cumbie adjourned the meeting @ 6:18 pm.



Fred Cumbie, Chairman



Reginald Hardee, Secretary