

June 5, 2018

A Special Board meeting of the Electric and Water Plant Board of the City of Frankfort, Kentucky, was held at Frankfort Plant Board Administration Building, located at 151 Flynn Ave, Frankfort, Kentucky, on Tuesday, June 5, 2018 at 1:00 p.m.

ATTENDANCE:

Anna Marie Pavlik Rosen, Board Chair
Walt Baldwin, Vice Chair
Ralph Ludwig, Board Member
Dawn Hale, Board Secretary/Treasurer
Stephen Mason, Board Member
James Liebman, Board Attorney
David Billings, Chief Water Engineer
Harvey Couch, Marketing and Video Content Coordinator
Katrina Cummins, Interim Finance Director
David Denton, Interim General Manager
Vent Foster, Asst. GM Operations
Adam Hellard, Asst. GM Telecommunications
Ryan Henry, Asst. IT Director
Scott Hudson, Electric Superintendent
Casey Jones, IT Director
Cathy Jennings, Executive Assistant
Cathy Lindsey, Public Information Officer
Travis McCullar, Electric Engineer
Andrea Pulliam, Work Order Coordinator
Kathy Poe, Executive Assistant
Hance Price, Staff Attorney/Asst. GM Administration
Julie Roney, WTP Superintendent
Alan Smith, Water Dist. Superintendent
Scott Stafford, Production Manager Media Services
Jeremy Blackburn, Cable 10 Videographer

AGENDA

The Agenda for the Board Meeting was received and entered into the Minute Book as follows:

June 5, 2018 1:00 p.m. SPECIAL BOARD MEETING AGENDA

1. **Informational Item: Review of FY 18-19 Budget.**

BOARD ACTION

Mr. Rosen called the meeting to order. All five (5) board members were in attendance.

1. **Informational Item: Review of FY 18-19 Budget.**

Mr. Denton explained the meeting goals. He stated that Staff would present the FY 18-19 budget and five (5) year plan, answer questions and take comments from the Board, compile a list of any Board suggested changes and initiatives, and request that the Board vote on suggested changes/initiatives and approve the FY 18-19 budget at the regular June 19, 2018 meeting.

Mr. Denton explained the order of discussion for the budget meeting. He stated that Staff would begin with a general budget discussion, then review electric, water,

telecommunications, administration department, and board suggested projects and initiatives in that order.

Mr. Denton explained KRS 65A and advised that FPB is considered a special purpose governmental entity. He further explained the filing deadline requirements under KRS 65A and the annual audit requirement.

Mr. Denton explained budget development and continuous review processes for Staff and the Board. He further discussed revenue requirements as an independent, non-profit municipal utility under KRS 96:176-188. He explained the four components for revenue requirements: operating expenses, infrastructure needs, pay down debt service, and healthy reserve balance.

Mr. Denton explained the budget goals, major infrastructure projects, maintaining current electric rates, reduction of debt, increasing broadband speeds and reliability, paying cash for capital projects except for the reservoir, compensation plan to attract and maintain highly skilled workforce, and recommended reserve balances.

Mr. Denton reviewed the companywide funding summary line by line, including income and expenses, debt service, and reserve requirements and recommendations. He further reviewed budget assumptions including the compensation plan, payroll, cost of living increase, and healthcare. He also discussed healthcare cost and the pension plan. He advised that there was no inflation factor included in the 5 year plan.

Mr. Denton explained budget assumptions for power cost reductions in the coming year beginning in 2019, SEPA credits, as well as assumptions for the water department and cable/telecommunications department.

In response to Mr. Baldwin, Mr. Denton explained power costs for Kentucky Utilities and for KYMEA.

Mr. Denton reviewed the projected rate track for each division. He noted no projected rate increases for the electric division for the foreseeable future. He noted expected incremental water rate increases pursuant to the most recent cost of service study. Mr. Denton advised that the only projected rate increases for cable/telecom services were expected increases from cable programmers.

Mr. Denton explained debt service requirements and calculations. He stated that electric and water were combined for bonding purposes by law and explained bond continuing disclosure and requirements. He further reviewed the debt summary and obligations and advised that FPB was meeting those requirements annually. Mr. Denton further noted a reduction in debt of approximately 40% over the next 5 years. He further advised that the only new debt projected was \$4 million KIA loan for the reservoir project and all other projects were projected to be paid for with cash.

In response to Mr. Mason, Mr. Denton explained the manner in which staff would reallocate funds within the budget by department. Mr. Mason stated that language should be added to allow the Board more control and oversight with regard to moving budget funds. In response to Ms. Hale, Mr. Denton stated that this has never been an issue as there is no cross subsidization of departments. He stated that if there was a change it was within the department.

Mr. Mason expressed concerns regarding the compensation plan and the salary increments for the 75% of the employees and that he tends to lean toward the cost of living increase. He stated that it may be something that the Board wanted to look at in the future.

Electric

Mr. Denton explained electric usage, revenues, power costs, the funding summary, net position, and reserves for the electric division. He noted the only debt for the electric department was its portion of the Administration building.

Mr. Hudson reviewed the electric department capital budget. He discussed transformer replacement, voltage conversion, and Advanced Metering Infrastructure (AMI). Mr. Foster reviewed the timeline for the AMI project.

In response to Ms. Rosen, Mr. McCullar discussed fiber to the home/meter compared to radio frequency. He stated that staff had done some research regarding fiber to the meter and advised that initially it did not appear to be readily available directly to each home. He further advised staff anticipated some fiber needs to the data collectors in the AMI system but additional research was needed on fiber to the meter. Mr. McCullar also stated that there may be more of a challenge for FPB with the inclusion of water metering.

Mr. Hudson continued review of major projects in the electric capital budget. He discussed substation updates, streetlights, and carryover projects.

In response to Mr. Baldwin, Mr. Hudson explained the process in changing out light fixtures and bulbs. Mr. Foster further explained the purpose and reasoning behind the process as well as the payback on changing the fixtures to LED. Mr. Foster stated that Staff would reach out to the City regarding changing more fixtures to LED.

Mr. Hudson explained work completed due to demolition of the civic center and plaza tower and infrastructure for the new office building to be built in that space. Mr. Foster discussed voltage conversion and explained the status of electric infrastructure as well as future needs.

Mr. Hudson reviewed expense line items for the electric department.

Ms. Rosen discussed a possible addition of \$350,000 to the budget for an energy efficiency program.

Mr. Hudson discussed budgeting for GIS expense, software expense, and Tree trimming expense. Mr. Hudson further discussed underground conversion and how electric and cable tree trimming work due to cable having facilities that are not in FPB electric service area.

Water

Mr. Denton reviewed the water funding summary. He noted the cost of service study, and discussed revenue from usage and other fees as well as usage numbers and rates. He reviewed expenses, debt service and reserves for the water department. He reiterated that the electric and water were legally combined with regard to revenue bond and reserves. He stated that the electric department was currently covering the water reserve requirements.

Mr. Billings reviewed the water capital projects including the reservoir project, the Tiger grant project, new piping surrounding the reservoir, and water department portion of AMI. Mr. Smith explained the AC & Galvanized project. Mr. Smith further discussed pipe/line replacement and street replacement.

Ms. Roney reviewed the WTP capital projects. She explained rehabilitation and preventative maintenance items, and raw water pump replacement.

In response to Ms. Rosen, Ms. Roney discussed the need for constant reliable power as well as buried facilities in connection with the potential for installing solar panels

at the water treatment plant. Mr. Billings added that the WTP property consisted of approximately 60-70 acres.

Ms. Rosen further suggested additional marketing and comparison to promote FPB water in lieu of bottled water.

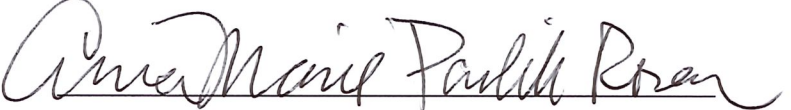
Ms. Roney discussed the cost of fluoridation of water during processing, testing of the back-up generator, and water lab rehabilitation. She further discussed plant capacity/load and current utilization, and potential for growth or changes. Ms. Roney discussed water regulatory testing, pumping maintenance, and plant maintenance.


Mr. Billings further discussed revenue from rates, and consulting fees for energy efficiency audit on the water pumping system. Mr. Smith discussed distribution expenses, and reservoir lining project expenses.

Mr. Mason asked if there was anything Staff believed that was necessary that had not been included in the 18-19 FY budget. Mr. Smith and Mr. Billings stated that the water department had been trimming the budget for years in an effort to keep rates low. Mr. Billings stated that the budget included what staff believed was necessary. Ms. Roney explained testing completed at the WTP lab. She stated that the lab was functional but needed to be updated. She further stated that compliance testing was completed by a commercial lab and that the bacteriological testing could also be outsourced if necessary.

Ms. Roney stated that the WTP was currently fully staffed with class IV operators. She stated that her greatest desire was to be able to find qualified employees when they are needed without taking them from other utilities, who would also want to stay at FPB. There was further discussion regarding scholarship programs, possible internship programs and additional efforts for recruiting and retaining employees.

Mr. Baldwin moved to adjourn. Ms. Hale seconded. The motion passed unanimously and the meeting adjourned.





ATTEST: