

June 7, 2017

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 Wednesday, June 7, 2017 at 1:00 p.m.

ATTENDANCE:

Ralph Ludwig, Board Chair
Walt Baldwin, Vice Chair
Dr. Scott Green, Secretary/Treasurer
Anna Marie Pavlik Rosen, Board Member
John Cubine, Board Member
James Liebman, Board Attorney
Herbbie Bannister, General Manager
David Billings, Water Engineer
David Columbia, Business Products Specialist
Harvey Couch, Marketing Video Content Coordinator
Katrina Cummins, Asst. Finance Director
David Denton, Finance Director
Sharmista Dutta, Water Engineer
Vent Foster, Asst. GM Operations/Chief Electric Engineer
Monique Gilliam-Avery, Customer Service Director
Dana Goodlett, Cable Installation Supervisor
Adam Hellard, Security/Broadband Technology Manager
John Higginbotham, Asst. GM Cable/Telecommunications
Casey Jones, IT Director
Cathy Lindsey, Public Information Officer
Kathy Poe, Executive Assistant
Kim Phillips, Safety Director
Hance Price, Staff Attorney/Asst. GM Administration
Mark Redmon, Support Services Director
Julie Roney, WTP Superintendent
Dianne Schneider, HR Director
Alan Smith, Water Dist. Superintendent
Jeremy Blackburn, Cable 10 Videographer
Alfred Miller, State Journal

AGENDA

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

JUNE 7, 2017 SPECIAL BOARD MEETING AGENDA

1. **Informational Item:** Review of FY 17-18 Budget

BOARD ACTION

Mr. Ludwig called the meeting to order. Ms. Poe called the roll and noted five (5) board members in attendance.

1. **Informational Item:** Review of FY 17-18 Budget.

Mr. Denton discussed cost allocation methodology to appropriately allocate costs to each of the three (3) divisions. He further stated that appropriately allocating costs ensures that there is no cross subsidization between divisions and advised that all lines were self-sufficient. He acknowledged that water was paying operating

expenses but not funding reserves. Mr. Denton listed all departments that make up the Administration section.

General Administration

Mr. Denton explained expenses included under general administration and explained the method of allocation for those expenses. In response to Ms. Rosen, Mr. Denton explained that miscellaneous revenue encompassed all fees that are charged pursuant to FPB's Tariff related to billing.

Administration

Mr. Denton explained expenses included in the administration department. He discussed employee payroll and allocations for this department. In response to Mr. Cubine, Mr. Denton stated that payroll for assistant general manager of operation and cable/telecom are charged 50% to administration and 50% to their specific division.

Finance

Mr. Denton discussed expenses in the finance department. He stated they were below estimates and did not expect any changes in the future.

Board of Directors

Mr. Denton explained expenses for the board including payroll and benefits as well as payroll for the board attorney.

Customer Service/Meter Reading

Ms. Avery reviewed the payroll summary. She discussed filling vacant positions and the addition of a part time receptionist. She discussed consulting fees to follow up on the transaction survey.

In discussion it was decided that the payment drop box at the downtown location would remain in service for now. Mr. Bannister advised that the box would be taken out of service for a day or two for repairs. Mr. Hellard noted that security at that location would need to be evaluated.

In response to Mr. Cubine, Mr. Denton explained changes made in the method of allocation to further break out expenses for departments. Mr. Denton further stated that a line item would need to be added for office supplies for the customer service department.

In response to Mr. Ludwig, Mr. Denton advised that all bad debt expense goes to customer service and is then allocated to each division. He further explained the manner in which bad debt is computed and stated that a collection agency would still attempt to collect the debt. Mr. Denton explained the accounting process for bad debt and noted that FPB is successful in collecting on some accounts. He further advised that the bad debt percent was very low and much less than many other municipal utility companies. Mr. Denton stated that FPB had checked the unclaimed property website and reclaimed property in the past. He further noted that FPB had also turned over unclaimed funds to the State Treasurer. Mr. Bannister added that the bad debt was .23%. Ms. Avery explained that customer service representatives also are successful in collecting bad debts when customer come back to request new services.

In response to Mr. Cubine, Mr. Price stated that FPB could do a lien on property but that he did not know of any legislation that would allow FPB to intercept state funds.

Ms. Avery discussed meter reading and stated that there were no changes in the department other than potential promotions. She noted that she had been notified

that one meter reading employee had filed paperwork for retirement effective June 30, 2017 and that others were seeking employment internally and externally. In discussion, Ms. Avery stated that there was about a two year training time for a meter reader to be fully independent and that no incentive program had been developed for meter reading department at this time.

Fleet Services/Support Services

Mr. Redmon discussed payroll and expenses for fleet services and the manner in which costs are allocated for maintenance, repairs and replacement. He further explained support services payroll, expenses and staffing. He stated that a new custodial position was planned to be added. In response to Mr. Cubine, Mr. Redmon stated that FPB had contracted custodial services in the past and preferred to hire permanent staff.

Mr. Redmon discussed the addition of a facilities locator position. He explained the scope of work required for the facilities locator and stated that there had been a significant rise in the number of locator requests. Mr. Redmon advised that the law required a locator response in a couple of days. He stated the additional position was needed in order to free up man hours in other departments. Mr. Foster added that in years past there were four locators and FPB went down to one with the downturn in the economy. He added that a pick up in the economy has made it necessary to add one more locator.

In response to Ms. Rosen, Mr. Redmon explained budgeted funds for vegetation management. Mr. Redmon further explained vehicle replacements.

Human Resources

Ms. Schneider stated that healthcare benefits were critical in attracting and maintaining employees and that staff will continue to be proactive in their efforts to hold healthcare expenses steady. She discussed the upcoming meeting for mid-year review and stated that board members could participate to review options on cost containment.

Ms. Schneider discussed continuing education and tuition reimbursement. She stated that the number was an estimate and funds may not be utilized. She explained employee activity expense. Mr. Denton further explained the line item detail.

In discussion, Mr. Denton and Ms. Cummins explained annualized amounts for estimates.

Information Technology

Mr. Jones discussed payroll and stated that no new staff would be added. He discussed dues and subscriptions, continuing education, capital expenditures for computers, printers and other equipment.

In response to Mr. Baldwin, Mr. Jones explained the change in expense for software services. Mr. Jones explained re-allocation of expenses and specifics of the services received. He further explained alternative solutions reviewed.

Mr. Jones discussed license fees and the utilization of the tools by departments to justify the expense.

Safety

Ms. Phillips explained expenses for continuing education for safety throughout the company. She further discussed the purchase of AED's and various safety equipment.

Public Information

Ms. Lindsey discussed expenses for crisis communication training, email marketing opportunities for direct contact with customers, and items for involvement in the community.

In response to Mr. Baldwin, Ms. Lindsey explained that she was researching services that would allow FPB to review electronic conversation.

General Discussion

Mr. Denton discussed AMI and reviewed documentation of cost versus savings estimates. He noted that Staff was looking to KyMEA savings to pay for AMI for budget neutrality and would like to wait until the 2019-2020 fiscal year to begin the AMI project.

After discussion about savings and timing, Mr. Baldwin and Ms. Rosen stated that pushing back the start date would leave savings unrealized. Mr. Denton stated that the savings would still be realized but would be pushed back one year and would allow FPB to have funds from KyMEA savings in hand to pay for the project. Mr. Denton further stated that if the project goes forward in January 2018 FPB would be signing a contract to pay \$10 million before realizing and knowing the amount of savings KyMEA would allow. He further noted that FPB could pay for the first year without borrowing by spending cash on hand and drawing down reserves.

Mr. Cubine added that he was absolutely for AMI but wanted to hold the customers harmless and did not want to draw down reserves. Mr. Foster further discussed timing in order to be certain of the amount of savings with KyMEA. He stated that it was weighing the risk versus the reward and Staff wants the Board to fully understand what could happen if AMI moves forward in January 2018.

In response to Mr. Baldwin, Mr. Denton explained the financial impact of beginning AMI prior to 2019 versus beginning in 2018. Mr. Denton explained that the \$10 million dollar commitment would take place in mid-2018. Mr. Foster stated that he was confident in the savings of KyMEA but that he would not have the data to confirm the actual dollar amount of savings until late 2018. Mr. Baldwin stated that it seemed like FPB would be leaving money on the table by waiting to begin the project. He stated he would like to march on until there is an apparent reason to start.

Mr. Denton discussed statutes regarding use of reserve funds. Mr. Foster discussed a double power payment coming in 2019. Mr. Cubine discussed bond agency requirements and what they like to see. Mr. Denton stated that Staff would be more comfortable waiting to roll out AMI until 2019 but the Board could make whatever decision it was comfortable with.

After additional discussion it was decided to add budget language to go forward with the project and do the preliminary planning work, then revisit the project in 2018 prior to procurement to make a final decision on the launch date. The Board agreed that moving forward with Vass Solutions was a good idea.

Ms. Rosen discussed potentially including energy efficiency programs for rate payers. In discussion, Mr. Baldwin suggested putting funds in the budget to research what options are available. Mr. Price discussed developing terms and conditions, holding a public hearing and then finalizing tariff language for any programs developed. Mr. Cubine discussed funding the energy assistance program for customers. Mr. Foster advised that FPB could research and do a case study with an expert in the field and get a plan that is workable and beneficial for Frankfort and the Frankfort Plant Board.

Mr. Cubine discussed marketing government assistance programs to help customers obtain assistance.

After additional discussion, the consensus was to include a provision in the budget to procure a consultant or move forward with a study on energy efficiency. Mr. Denton added that FPB could possibly partner with KyMEA for energy efficiency programs as well.

The board discussed a provision for use of space and facilities as well as development of a business plan for co-location. Mr. Bannister stated that Staff needed a few months to get things together. After discussion, it was agreed that staff would move forward with procuring a consultant to review resources, spaces, and options for all facilities.

Mr. Cubine discussed adding a question to the cable survey regarding the public's thoughts on the best use of clubhouse facility once construction is complete at the reservoir. Mr. Ludwig agreed that it would be good to put on cable survey if possible.

Mr. Cubine discussed pursuing options regarding acceptance and processing credit card payments and whether the sewer department would be willing to help offset some of the cost. After discussion the consensus was to research rates to find the least cost option.

Mr. Cubine proposed that the current compensation plan be suspended, award 2% to all employees July 1, 2017, keep funds in budget for current the compensation plan and then revisit options prior to January 1, 2018 after a decision from the State regarding the pension system and the ramifications those decisions may have on FPB's budget. Mr. Cubine added that the concern was the potential for a higher percentage match for retirement and would like to hold the money in the budget until a final determination is made by state government. Mr. Ludwig stated that it was the prudent thing to do.

In discussion, Mr. Cubine proposed to leave recently approved compensation changes in effect for electric employees.

Ms. Schneider expressed concerns regarding a negative impact on recruitment and employee engagement. Mr. Foster expressed concern with retaining current employees if the pay scale continues to lag behind other utilities.

After discussion the consensus was to leave the current compensation plan in the budget, award 2% to all employees on July 1, 2017 and make a final determination on the second 2% for employees below mid-point until a decision is made by state government on the pension match percentage.

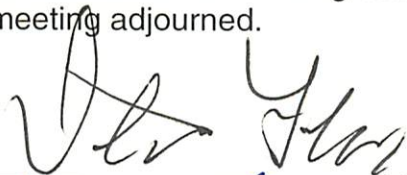
Mr. Cubine discussed health care expense and suggested \$2.6 million. After discussion, Mr. Denton stated that he was comfortable with an adjustment to \$2.6 million for health care expense for the 17-18 fiscal year.

Mr. Cubine discussed \$1.7 million remaining on the bond issue for cable/telecommunications. Mr. Baldwin stated that he thought it was best to wait on the final report from Engineering Associates regarding their recommendations for moving forward. Mr. Denton discussed timing of spending down the bond funds. Mr. Higginbotham discussed lead time for ordering equipment and concerns with waiting to upgrade the system.

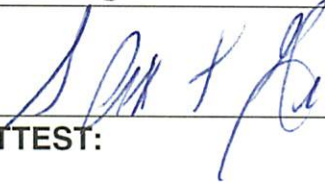
Mr. Cubine stated that if any unanticipated non-recurring funds were received that those funds should be set aside for any additional work that may need to be completed at the reservoir, sidewalks, energy efficiency program or other issues that may come up in the future. Mr. Denton discussed winter care funds. Ms. Avery explained how the winter care program is structured and paid.

Mr. Denton stated that Staff will bring the final version of the budget at the June 20 regular meeting with the hope that the Board would approve the budget at that time.

Mr. Baldwin moved to adjourn. Mr. Cubine seconded. Mr. Ludwig called the vote.
The motion passed unanimously and the meeting adjourned.



Chairman



ATTEST: