

MINUTES FROM A REGULAR MEETING OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 5:00 P.M. ON APRIL 14, 2010 AT THE WILLIAM ARNOLD SERVICE BUILDING LOCATED AT 1001 JAMES STREET, KEY WEST, FLORIDA

The above referenced meeting of the Utility Board of the City of Key West, Florida, convened at 5:00 P.M., on the above date and location and was called to order by Chairman Hernandez. Present and answering to the roll call were Utility Board members: Peter Batty, Charles Bradford, Mona Clark and Ty Symroski. Also present at the meeting: Lynne Tejada, General Manager & CEO; Nathan Eden, Board Attorney; Alex Tejada, Customer Services Director; Suzanne Greager, Management Services Director; Dale Finigan, Director of Engineering/Control Center; David Price, Director of T&D; Eddie Garcia, Director of Generation; and Stan Rząd, Compliance Administrator

AGENDA ITEM #4 – SET AGENDA

There were no changes to the agenda and the agenda was set.

AGENDA ITEM #5 – RECOGNITION AND PRESENTATION

Agenda Item #5a – KEYS Outstanding Employee of the 2nd Quarter – Sylvia Adams

Chairman Hernandez stated that the Utility Board is extremely pleased to recognize Sylvia Adams as the Outstanding Employee of the Second Quarter.

Chairman Hernandez said that Mrs. Adams is a Delinquent Accounts Office Representative in KEYS' Customer Services Department and is responsible for the collection of outstanding bills by way of payment arrangements and/or disconnection of service.

Chairman Hernandez stated that Mrs. Adams has been with KEYS' for 21 years.

Chairman Hernandez said that Mrs. Adams comes highly recommended by her fellow employees and it is with great pleasure that the Utility Board recognizes Mrs. Adams as the Outstanding Employee of the Second Quarter.

Mrs. Adams thanked the Board for the recognition.

AGENDA ITEM #6 – INFORMATIONAL ITEMS

Agenda Item #6a – Power Supply Report

Mrs. Tejada informed the Board that the Power Supply Report is included in the Board meeting packet and staff is prepared to answer any questions they may have.

Agenda Item #6b – Financial and Operational Indicators

Mrs. Tejada informed the Board that the Financial and Operational Indicators Report is included in the Board meeting packet.

Mrs. Tejada stated that the Financial and Operational Indicators Report is a new report that Finance and Mr. Bradford have worked on in great detail for the last couple of months.

Mrs. Tejada gave a special thanks to Mr. Mark Schmizzie, KEYS Accounting & Financial Analyst, for creating the document.

Mrs. Tejada said that the Financial and Operational Indicators Report will be provided at the first Utility Board meeting of the month and will consist of the dashboard page.

Mr. Bradford gave a brief explanation of the indicators and said he has wanted this report for the last couple years but the programs were very expensive. He said the dashboard report in front of the Board was created in-house at a minimal cost and with a lot of effort and he is very pleased with the report.

Agenda Item #6c – Investment Committee Report

Mrs. Tejada said that the Board has requested when KEYS makes additional investments they are reported to the Board.

Mrs. Tejada reported that since the last Board meeting, KEYS has invested another \$12.25 million in CD repurchase agreements at First State Bank, which brings the total investments to \$23.25 million.

Mrs. Tejada stated that the investments are interest earnings and expected to improve by a quarter of a million dollars. She said that last year KEYS anticipated earning an estimated \$100,000 and this year KEYS anticipates earning an estimated \$326,000.

Mrs. Tejada informed the Board staff will continue to report any future investments to the Board.

Agenda Item #6d – Schedule of Unit Price Purchase Orders

Mrs. Tejada informed the Board that the Quarterly Unit Price Purchase Order Report is included in the Board meeting packet and staff is prepared to answer any questions they may have.

Agenda Item #6e – Quarterly Safety Report

Mrs. Tejeda informed the Board that the Quarterly Safety Report included in the packet is for the quarter from January 1st thru March 31st.

Mr. Symroski asked where a customer property damage incident would show up on the report. Mrs. Tejeda asked Mr. Woodard where customer property damage is listed on the report since it is not a KEYS contractor or a KEYS employee. Mr. Woodard replied that customer property damage is not included in the report.

Mr. Symroski stated he feels it is a very informational report and pleased that it is included in the packet.

Agenda Item #6f – Power Cost Adjustment (PCA) Update

Mrs. Tejeda informed the Board that KEYS was able to reduce the PCA for April. She said the PCA went from \$9.05 per 1,000 to \$4.05 per 1,000.

Mrs. Tejeda reported that the PCA is down 6.2% since the beginning of this fiscal year.

Mrs. Tejeda said the actual power cost from Florida Municipal Power Agency (FMPA) continues to be lower than their projections and staff anticipates that KEYS will be able to reduce the PCA again during the summer months.

Agenda Item #6g – Rebate Program Update

Mrs. Tejeda stated that since the program started, KEYS has provided customers with \$106,000 in rebates, purchased \$27,000 in energy saving kits, which were distributed to KEYS customers and purchased \$1,800 in Compact Florescent Lights (CFL's), which were given the to community.

Mrs. Tejeda reported that KEYS has a little more than \$21,000 available for the remainder of the fiscal year.

Mrs. Tejeda informed the Board that staff expects to award all remaining rebate dollars by the third quarter, sometime between April and June. KEYS plans to inform customers through KEYS' website that funding may not be available until October 1st. She said that KEYS will need to wait to hear back from FMPA regarding funding the program in the future.

Mr. Symroski said he feels the customers need more notification than just the website. Mrs. Tejeda stated that the intent is also to notify the vendors that have promoted the program.

Agenda Item #6h – Peer Review

Mrs. Tejada informed the Board that the full Peer Review Report is included in the packet.

Mrs. Tejada stated that several reviewers were here in 2006 for the last review which was not favorable for KEYS.

Mrs. Tejada reported where KEYS used the FMPA Peer Review Program, several cities visited KEYS' Generation Department to review KEYS policies, procedures and day-to-day operations.

Mrs. Tejada stated that the group gave the Generation Department very high marks and were very impressed with the dramatic improvement and turn around.

Mrs. Tejada said that KEYS was above average in almost every category and feels it is a testament to the Board for their support and to the Generation staff for the work they have done.

American Public Power Association (APPA) RP3

Mrs. Tejada said she informed the Board at a previous meeting that KEYS received the APPA RP3 Award, and the plaque was delivered this week, which will be placed in the Customer Service lobby at the James Street location.

Mrs. Tejada stated that KEYS is one of 94 of the nation's 2,000 public power utilities to earn the Reliable Public Power Provider™ (RP3) designation from APPA and only one of six to achieve the diamond level for providing consumers with the highest degree of reliable and safe electrical service.

Mrs. Tejada said that Mr. Dale Finigan, Mr. Julio Barroso, Mr. David Price, Mr. Bobby Ruble and Mrs. Heather Arencibia worked on the completion of the paper work associated with the award but that the award belongs to every employee in the system.

The Board applauded staff for their hard work.

Pension Workshop

Chairman Hernandez said that Mr. Harry Bethel, Pension Board Chairman, contacted him regarding recording the Pension Workshop, since he could not be in attendance.

Chairman Hernandez asked the Board if they had any objections to recording the Pension Workshop. There were no objections from the Board.

Mrs. Tejada stated as a general rule all Utility Board meetings are recorded and minutes of the meetings are taken and Utility Board workshops are not recorded and minutes of the workshop are taken.

AGENDA ITEM #7 – CONSENT AGENDA

- a) Approve Minutes - Regular Meeting - March 24, 2010
Approve Minutes- True All Requirements Project (TARP) Workshop -
March 25, 2010
- b) Approve Disbursements Report
- c) Declare Non PCB Transformers as Surplus

Motion was made by Mr. Batty and seconded by Mr. Symroski to Approve the Consent Agenda. The motion passed unanimously.

AGENDA ITEM #8 – ACTION ITEMS

Agenda Item #8a – Approve Unit Price Contract for Re-Conductoring of 69kV Transmission Line #1 – Bid #01-10

Mrs. Tejada stated that KEYS existing 69kV Transmission Line #1 was constructed in 1962 and goes from Kennedy Drive Substation and White Street Substations.

Mrs. Tejada informed the Board that some of the conductor was sent for testing and when the results came back they stated that the conductor is old, severely corroded and in poor condition.

Mrs. Tejada said that the line was budgeted to be upgraded by completely re-conductoring the line.

Mrs. Tejada said that KEYS went out on competitive bid for labor and materials for the re-conductoring project and Motor City Electric Utilities Company was the lowest bidder at an estimated cost of \$899,878.46.

Mrs. Tejada said it is staff's recommendation to award a unit price contract for Re-Conductoring of 69kV Transmission Line #1, Bid #01-10, to Motor City Electric Utilities Co., for schedules I-VI, in the estimated amount of \$899,878.46.

Mr. Batty asked why is there an estimated amount when it went through the bid process. Mrs. Tejada replied that the contract is based on units and when they start working there is a possibility there will be more units than estimated.

Motion was made by Mr. Bradford and seconded by Ms. Clark to Approve Unit Price Contract for Re-Conductoring of 69kV Transmission Line #1 – Bid #01-10.

Mr. Symroski said that there is a significant price difference between Motor City and the next lowest bidder and wants to make sure staff is comfortable with Motor City. Mrs. Tejada replied that staff is very comfortable with Motor City and they have completed several projects for KEYS within the last several months.

Mrs. Tejada informed the Board that KEYS has hired Entercom, a construction monitoring company, to monitor the project. She said they will not monitor work daily but will come and monitor periodically.

Mr. Batty asked if this was only one section of the 69kV line. Mrs. Tejada replied it is for the three-mile stretch from the Kennedy Drive Substation to the White Street Substation.

There being no further discussion the motion passed unanimously.

Agenda Item #8b – Approve Man-Hour Rate Reduction to Associated Diversified Services, Inc. unit price contract for one year

Mrs. Tejada said due to the downturn in the economy Mr. Finigan approached Diversified Services regarding the three percent increase to the hourly rate allowed in the contract and successfully negotiated reducing the hourly rate from \$80.02 to \$75.43.

Mrs. Tejada said that both parties agreed that they would re-visit again next February.

Mrs. Tejada informed the Board that this is a savings of approximately \$230,000, which will enable an additional 3,000 man-hours for this coming year.

Motion was made by Mr. Symroski and seconded by Ms. Clark to Approve Man-Hour Rate Reduction to Associated Diversified Services, Inc. unit price contract for one year.

There being no discussion the motion passed unanimously.

Agenda Item #8c – Accept Actuarial Valuation Report as of January 1, 2010 and Approve Change to Pension Contribution Percentage

Mrs. Tejada informed the Board that Gabriel Roder Smith & Company has compiled its actuarial valuation report that determines the annual contributions, which should be paid in the 2010 calendar report.

Mrs. Tejada said that the report states that the annual pension contribution level can be lowered from 33.9% to 31.3%, which represents a savings of approximately \$250,000, which will require a true-up of \$59,000.

Mrs. Tejada stated that this is a savings and staff recommends the approval of the report.

Motion was made by Mr. Bradford and seconded by Mr. Symroski to Accept Actuarial Valuation Report as of January 1, 2010 and Approve Change to Pension Contribution Percentage.

Mr. Batty asked if the report goes before the Pension Board for approval. Mrs. Tejada said yes it will.

Mr. Batty asked if there was any order as to which Board should approve the report first. Mrs. Tejada said she did not believe there was any order in the past.

Mrs. Tejada stated this is a housekeeping item and the Utility Board is bound to honor the actuarial study.

Mr. Batty asked if the Board is bound to honor the study why does it need to come before the Board for a vote. Mrs. Tejada said the Utility Board needs to acknowledge the report and accept the report and if the Board chose not to accept staff would need to ask for second opinions.

Mr. Symroski said he did not see where the changes were incorporated due to union negotiations. Mrs. Tejada said currently there are no employees on the new pension plan, which will start June 1st, 2010, and assumptions are based on current employees.

Mr. Symroski had concerns with the employee's date of birth and social security numbers and asked if that information is necessary. Mrs. Tejada said staff will check to see what the purpose is for the social security numbers but that the date of birth is required for mortality calculations.

There being no further discussion the motion passed unanimously.

OTHER BUSINESS

There was none.

ADJOURNMENT

Motion was made by Mr. Batty to adjourn the Regular Utility Board meeting of April 14, 2010 at 5:30 p.m.

APPROVE:

Lou Hernandez, Chairman

ATTEST:

Lynne E. Tejada, General Manager/CEO & Secretary

/ed