

January 19, 2016

A Board meeting of the Electric and Water Plant Board of the City of Frankfort, Kentucky, was held at Farmers Bank and Capital Trust, located at 125 W. Main Street, Frankfort, Kentucky, on Tuesday, January 19, 2016 at 5:00 p.m.

ATTENDANCE:

Ralph Ludwig, Board Chair
Dr. Scott Green, Board Secretary/Treasurer
Rick Pogrotsky, Vice Chair
Anna Marie Pavlik Rosen, Board Member
Walt Baldwin, Board Member
James Liebman, Board Attorney
Herbbie Bannister, General Manager
David Billings, Chief Water Engineer
Bill Briscoe, Water Dist. Supt.
Harvey Couch, Marketing and Video Coordinator
David Denton, Finance Director
Sharmista Dutta, Water Engineer
Vent Foster, Chief Electrical Engineer/Asst. GM Operations
Monique Gilliam, Customer Service Director
Dana Goodlett, Cable Installation and Process Manager
Adam Hellard, Broadband/security Manager
John Higginbotham, Asst. GM Cable/Telecommunications
Scott Hudson, Electric Supt.
Casey Jones, Asst. IT Director
Karl Pitzer, IT Director
Kathy Poe, Executive Assistant
Hance Price, Staff Attorney/ Asst. GM Administration
Mark Redmon, Support Services Director
Chris Riddle, WTP Superintendent
Julie Roney, Asst. WTP Superintendent
Glenn Waldrop, Public Information Coordinator
Zach Hubbard, Cable 10 Videographer
David Columbia, Cable 10 Videographer
Seth Littrell, State Journal Reporter

AGENDA

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

JANUARY 19, 2016 BOARD MEETING AGENDA

1. **Action Item:** Consider Approving Minutes for the December 15, 2015 Board Meeting.
2. **Action Item:** Consider Accepting the Minutes for the December 18, 2015 Credit Card Committee Meeting.
3. **Action Item:** Electric, Water and Cable Financial & Statistical Data for December 2015.
4. **Informational Item:** Departmental Reports:
 - Cable Dept.
 - Customer Service
 - Electric Dept.
 - SEPA

- **KyMEA**
- **Safety**
- **Water Distribution**
- **Water Treatment Plant**
- **Administration Building**
- **Headend**

5. **Action Item: Consider Strengthening the Partnership Between the Community and FPB by Enhancing Transparency and Encouraging Community Involvement.**
6. **Action Item: Consider Transfer of \$140,000 of Capital Funds from the US 60 OVH Project to East Main Substation Project for the 2015-2016 Fiscal Year.**
7. **Action Item: Consider Approving Renewal of FPB's Insurance Policies in the Amount of \$778,093.35.**
8. **Action Item: Consider Approval of Change Order No. 3 for the Headend Building for a deduction of (\$54,426.05).**
9. **Action Item: Consider Memorandum of Agreement with Franklin County Fiscal Court for Dark Fiber and Dedicated Internet Access Services.**
10. **Action Item: Consider the Award of RFP #2015-4 for Telephone Switching Services to Big River Telephone Company, LLC (BRT).**
11. **Action Item: Consider Removal of AMC Networks from Classic and Preferred Cable Lineup.**
12. **Action Item: Consider Approving Hallmark Channel Renewal.**
13. **Action Item: Consider approval of NCTC TiVo Services and Participation Agreement.**
14. **Action Item: Consider Retaining Mountjoy Chilton Medley LLP to Conduct the 2016 Financial Statement Audit for a Fee of \$32,200 and to Conduct a Single Audit in Accordance with OMC Circular A-133 Related to Federal Funds Expended by FPB on KIA Project Number F13-021 for a Fee of \$3,000, if applicable.**
15. **Action Item: General Manager Evaluation.**
16. **Old & New Business:**
17. **Informational Item: General Manager's Comments.**
18. **Request Permission to have Chair call for a Closed Session pursuant to KRS 61.810 (1)(c) for the discussion of proposed or pending litigation against or on behalf of FPB; KRS 61.810 (1)(f) for discussions which might lead to the appointment, discipline, or dismissal of an individual employee; and KRS 61.810(1)(b) for the discussion of the future acquisition or sale of real property.**
19. **Closed Door Session:**

BOARD ACTION

Mr. Ludwig called the meeting to order. Ms. Poe called the roll. She noted five (5) Board members present.

1. **Action Item: Consider Approving Minutes for the December 15, 2015 Board Meeting.**

Mr. Pogrotsky moved to approve the minutes for the December 15, 2015 Board Meeting. Dr. Green seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

2. **Action Item: Consider Accepting the Minutes for the December 18, 2015 Credit Card Committee Meeting.**

Mr. Ludwig moved to accept the minutes for the December 18, 2015 Credit Card Committee meeting. Ms. Rosen seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

3. **Action Item: Electric, Water and Cable Financial & Statistical Data for December 2015.**

Mr. Denton explained the statement of net position and balance sheet through December 30, 2015. He discussed the cash investment schedule as well as the summary of bonds, leases and KIA loans. He further discussed assets, liabilities, revenues and expenses for the company as a whole and separately for each line of business. He advised that financial numbers were on track for the period.

Mr. Ludwig moved to accept the Electric, Water and Cable Financial & Statistical Data for December 2015. Mr. Pogrotsky seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

4. **Informational Item: Departmental Reports:**

Cable: Mr. Higginbotham reviewed graphs and discussed the trouble call report, outage report, and penetration numbers for Cable/Telecom.

Customer Service: Ms. Gilliam discussed monthly and weekly graphs and customer service data provided to the Board. She explained the number of customers assisted for the month of December and stated that changes were being implemented which continued to improve the customer flow in the office as well as on phone lines.

Electric: Mr. Hudson noted 25 electric outages for the month of December.

SEPA: Mr. Bannister reiterated that the colder months were typical loss months for SEPA energy due to the manner in which SEPA energy is scheduled. Mr. Bannister further explained the additional transmission fees assessed from the TVA due to a true up for costs. He noted that FPB suffered a loss of approximately \$57,614 for the month of November and a loss of just over \$47,000 for 2015.

KyMEA: Mr. Foster explained the status of the organizational start-up and function of the agency. He further advised that the agency was in the process of negotiating with potential power and transmission providers and that Staff expected to have contracts for the Board to review in two to three months.

Safety: Mr. Riddle noted one (1) OSHA recordable where an employee was splashed in the face with a chemical at the water treatment plant. He noted that the employee was treated and returned to work the same day. No vehicle accidents were noted for the month of December.

Water Treatment: Mr. Riddle reviewed the Water Treatment Plant report and stated that FPB produced more than 227 million gallons of potable water for the month of December for an average daily production of 7.3 million gallons per day.

Water Distribution: Mr. Briscoe noted three (3) new services, two (2) main breaks, and two (2) outages. He noted that one (1) outage was due to a main break, and one (1) was scheduled for service repairs. Mr. Briscoe noted that the Reservoir was being monitored daily and that no seepage had been detected. He further discussed the installation of the monitoring wells at the Reservoir.

Administration Building: Ms. Dutta discussed status of the administration building project, and explained specifics of the structure and site. She further reviewed photos included in the Board package.

In response to Mr. Baldwin, Ms. Dutta stated that there have been some delays but the contractor stated that they intend to deliver the substantially completed facility to the FPB on time.

Headend Building: Mr. Hellard stated that the Headend building was about 65% complete and reviewed photos of the building's progress.

7. **Action Item: Consider Approving Renewal of FPB's Insurance Policies in the Amount of \$778,093.35.**

FPB's current insurance coverages expire February 5, 2016. Staff has completed renewal forms and worked with Charlie Hamilton at Powell Walton Milward to obtain the best coverage and prices available. Staff is prepared to renew the coverages shown in the detail section upon the Board's approval.

FPB has several different types of policies that cover a variety of risks. These policies are with several different companies. The overall premium to renew, including the pollution policy which renews every three (3) years, is \$778,093.35.

Summary of Changes from Last Year:

- Blanket Building and Contents Limit increased from \$105,262,020 to \$111,037,828, an increase of 5.5%.
- Total Blanket Business Income decreased from \$39,708,362 to \$36,354,831, a decrease of 8.4%.
- Total Equipment Limit increased from \$17,841,866 to \$18,093,071, an increase of 1.4%.
- Total Payroll used as the premium basis for Commercial General Liability increased from \$7,617,000 to \$8,258,721, an increase of 8.4%.
- Total Automobiles decreased from 121 to 120.
- Total Annual Premium increase is 1.8%.

The coverages are reasonably priced. More importantly, the companies pay our claims. Unlike some carriers in the past that have denied our claims, FPB currently receives payment for most claims. Powell Walton Milward has surveyed the marketplace and found that these policies offer the broadest coverages at the most competitive prices. Staff recommends renewal of FPB's insurance policies in the amount of \$778,093.35.

Mr. Price explained various insurance coverages. He noted a 1.8% increase in the policy premiums due to some outstanding claims.

Dr. Green moved to approve renewal of FPB's insurance policies in the amount of \$778,093.35. Mr. Baldwin seconded. Ms. Poe called the vote by member and the motion passed unanimously.

5. **Action Item: Consider Strengthening the Partnership Between the Community and FPB by Enhancing Transparency and Encouraging Community Involvement.**

1. Video Recording of all public hearings and special sessions. Broadcast date will be announced at public meeting and noted on printed announcement.
2. Creation of web based form for submission of public comments. URL or QR code prominently place on any notice or rebroadcast of public meeting. Aggregate report on public comments will be provided at next regular meeting.
3. In addition to the required 24 hour notice of public meetings another notice will be made as far in advance of the scheduled meeting as is practical.
4. Posters shall be made for public hearings and placed conspicuous places around the community as far in advance of scheduled meeting as practical.
5. Press releases will be issued for all public meeting in order to educate the public and foster a constructive dialog.
6. Extend electronic comment period. The comment period shall be open past the hearing date and remain open until the regular meeting where action will be taken on hearing issue.
7. Addition of public comment period to all public meetings.

Mr. Baldwin reiterated the motion and its components as written above. He stated that this motion was meant for these items to be accomplished by Staff's best efforts. He stated that they were not intended to be hard requirements but for an extra effort to be made to improve community awareness and to have an informed public.

Mr. Ludwig agreed with the idea and suggested that a special meeting be held in order to thoroughly discuss specifics.

Mr. Rosen seconded the motion. Mr. Baldwin stated that it was reasonable to adopt and direct Staff with ideas for implementation.

Ms. Poe called the vote by member and the motion failed with 2 "Yes" votes and 3 "No" votes. Mr. Baldwin and Ms. Rosen voted "Yes". Mr. Ludwig, Dr. Green and Mr. Pogrotsky voted "No".

After additional discussion, Mr. Pogrotsky moved to hold a special session to discuss details to consider strengthening the partnership between the community and FPB by enhancing transparency and encouraging community involvement. Mr. Ludwig seconded. Mr. Baldwin added that the special meeting should be recorded, re-broadcast and well noticed. Mr. Ludwig agreed. Dr. Green added that the cost of these items needed to be discussed. At the suggestion of Mr. Liebman, Mr. Pogrotsky amended the motion to say "hold a special meeting". After additional discussion, the Board scheduled the special meeting to be held on Wednesday, January 27, 2016 at 2:00 p.m. at Farmers Bank. Dr. Green stated that he could not attend but that he was okay with the meeting being held in his absence. Mr. Ludwig called the vote and the motion passed unanimously.

6. **Action Item: Consider Transfer of \$140,000 of Capital Funds from the US 60 OVH Project to East Main Substation Project for the 2015-2016 Fiscal Year.**

As of December 15th of 2015, the electric department has spent \$550,000 of the current fiscal year's funds for the rebuild of East Main Substation. The capital budget for 2015-2016 included \$570,000 for this project. In order to avoid construction delays, the electric department is requesting \$140,000 of the US 60 Overhead funds be moved to the rebuild of East Main Substation. Work on the US 60 Overhead project was not scheduled to begin until Kentucky Utilities replaced their transmission poles along this route. Because KU has not started their pole replacement, we do not anticipate the need for all of the \$194,065 budgeted for this project. The following factors have contributed to the expected budget overage for this project:

- The request from the City to improve the fence design to one that is more visually appealing. The new fence is now estimated to be \$70,000.
- The deflated market for scrap metals resulted in higher cost for removal of large equipment and structures (transformers, tubing, structural steel, etc.) than originally estimated.
- Differences between original drawings and existing field conditions resulted in more labor and equipment to construct the new distribution steel structures than anticipated.

The additional funds for East Main will be used for labor and materials related to the final site development, steel construction and commissioning of new equipment. This project is expected to be completed by the end of June 2016.

Mr. Foster explained the specifics of cost changes for the East Main Substation project. He further explained total project costs and noted that even with these changes the overall project would remain well under budget.

In response to Mr. Baldwin, Mr. Denton stated that there were no issues with moving budgeted funds from one project to another.

Dr. Green moved to approve the transfer of \$140,000 of capital funds from the US 60 OVH project to East Main Substation project for the 2015-2016 fiscal year. Mr. Ludwig seconded. Ms. Poe called the vote by member and the motion passed unanimously.

8. **Action Item: Consider Approval of Change Order No. 3 for the Headend Building for a deduction of (\$54,426.05).**

In March 2015, the Board awarded the construction contract, including Change Order No. 1, for the new Headend Building to Woodbine Construction for \$5,322,618. Change Order #3 includes the following four items:

Item #1 - Removal of Furniture Scope from the Contract: (- \$63,755.95) – This change would allow furniture can be purchased at a lower cost through a direct purchase by FPB from ORI for \$52,832.70. This would represent a savings of \$10,923.25.

Item #2 – Site Conduit Revisions: (-\$875.00) - This change includes the removal of 90' of 3" schedule 40 PVC with GRC stub-up and 830' of 2" schedule 80 PVC with GRC 90s and associated parts and labor.

Item #3 – Revised Manhole MH-6 Lid: (+\$943.00) – This change includes revising the Manhole Lid type for MH-6. Per the Contract Documents an Open Grate Manhole Lid was specified, to meet revised project requirements a Solid Bolt-Down Cover has been provided.

Item #4 – Relocation of the Site Access Road: (+\$9,261.90) – This change includes the relocation of the Primary Site Access Road. The Road has been revised to provide the maximum setback from the adjacent properties without affecting the use of the site.

Summary:

Construction Contract with Change Order #1	\$5,322,618.00
Change Order #2	\$ -4,157.00
Change Order #3	\$ -54,426.05
New Contract Amount	\$5,264,034.95

Staff recommends the Board approve Change Order #3 with Woodbine Construction.

Mr. Higginbotham explained the specifics of Item 1 of the change order number 3. Mr. Aaron Nickerson explained specifics of Items 2-3 of change order number 3. He advised that Staff recommended approval of the change order.

After discussion, Mr. Ludwig moved to approve change order No. 3 for the Headend building for a deduction of (\$54,426.05). Mr. Pogrotsky seconded. Ms. Poe called the vote by member and the motion passed unanimously.

9. **Action Item: Consider Memorandum of Agreement with Franklin County Fiscal Court for Dark Fiber and Dedicated Internet Access Services.**

Staff recommends approval of the Memorandum of Agreement between FPB and Franklin County Fiscal Court for Dark Fiber and Dedicated Internet Access Services. The term of the agreement is five-years beginning February 1, 2016. The agreement is nearly identical to the City of Frankfort agreement going back more than 10-years whereby the agreement serves as a mechanism for FPB to design, construct and maintain fiber connectivity to County buildings and also provide dedicated Internet access. Through direction provided by the County, Cable Engineering has provided a methodical buildout of fiber services that is the least expensive option for the County and the best use of FPB's existing and planned fiber placement. The County believes it may take them several fiscal years to complete the entire fiber network.

The Assistant General Manager assisted in negotiating the agreement with the County Attorney and it meets with his approval. Franklin County Fiscal Court approved the agreement at its January 8, 2016 meeting.

Mr. Higginbotham explained the Memorandum of Agreement with Franklin County Fiscal Court for dark fiber and dedicated internet access services. He advised that the Fiscal Court had already accepted and executed the Agreement and that Staff recommended approval of the Agreement.

Mr. Pogrotsky moved to approve the Memorandum of Agreement with Franklin County Fiscal Court for dark fiber and dedicated internet access services. Mr. Ludwig seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

10. **Action Item: Consider the Award of RFP #2015-4 for Telephone Switching Services to Big River Telephone Company, LLC (BRT).**

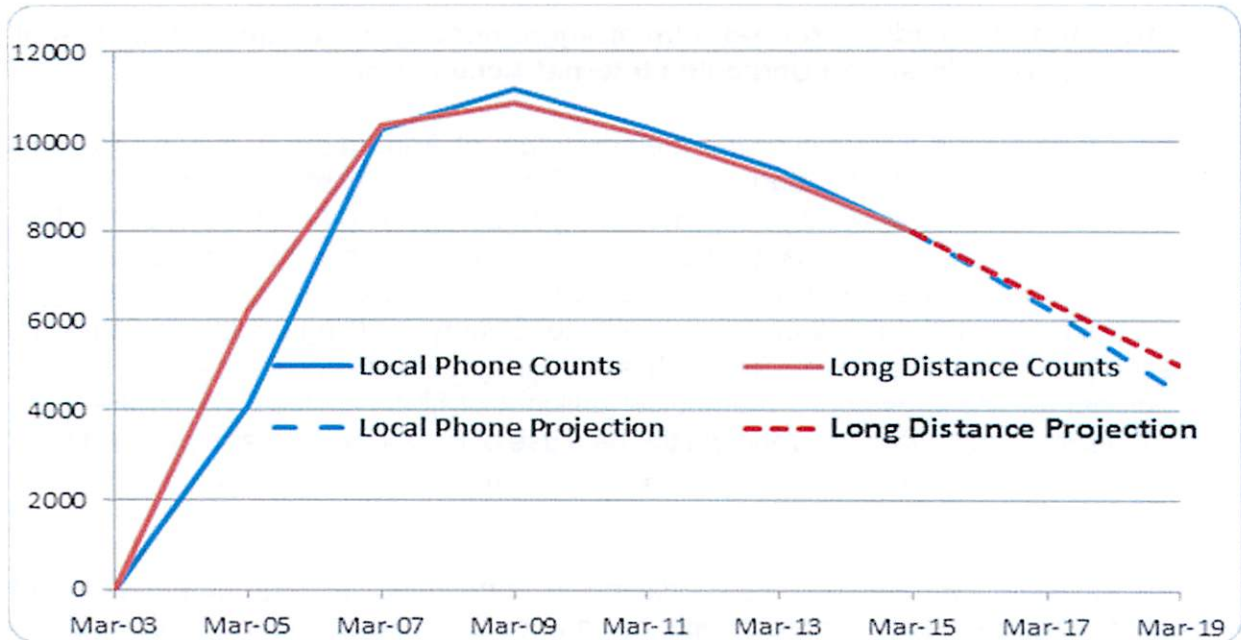
Staff recommends the award of RFP #2015-4 to Big River Telephone Company, LLC (BRT) for Telephone Switching Services. The term of the agreement is five years ending in February 2021 with a provision for annual extensions. If approved the conversion from internal to external switching would begin immediately with the planned cutover completed by the end of May 2016. The Assistant GM of Administration reviewed the agreement and it meets with his approval.

Telephone Service Background

In June 2001, the Board approved the purchase of the telephone switch, its installation, nine years of recurring maintenance, a billing interface and the initial purchase of over 8,000 end-user media terminal adapters (MTA's). The total cost was \$8.8 million. With the exception of a replacement voicemail system purchased in 2007, there has been little reinvestment in the telephone equipment since its inception. FPB residential and commercial local telephone and long distance service was first offered in September 2003. Within seven months, FPB had more than 4,000 local telephone lines and long distance customers. By 2007, each service counted more than 10,000 lines or customers. As of December 2015, local telephone customers numbered 7,817.

Telephone line attrition

Like most wireline phone providers, FPB has experienced revenue decreases in all three lines of telephone business: local phone; long distance and access billing due to changes in the industry including mobile devices. Overall combined revenue is down 52% over the period from a high of \$3.9 Million in FY 11 to the low of \$2.55 Million for FY15.



Aging Equipment Problems

In November 2014, and again in January and February 2015, FPB experienced repeated telephone equipment failures that caused prolonged customer outages. The GM instructed Staff to identify and engage an unaffiliated outside source to evaluate FPB's phone services and make course-of-action recommendations. Staff asked BRT, a St. Louis provider of telephone switching services, to conduct an audit of FPB equipment, its infrastructure and service offerings.

BR found that major components of the Switch and associated telephone field infrastructure were long past End of Life (EoL) expectations. Due to equipment age, lack of full 3rd party support and out-of-date technology, BR recommended the replacement of the SONET equipment, Nortel Switch, the NUERA media gateways, and the Innovative Systems voicemail system. Staff was not surprised by the findings since SONET/Switch/gateway replacement had made preliminary budgets as far back as FY08. In subsequent years, other projects, upgrades and financial considerations never made the purchase and installation feasible.

Investigate solutions

Beginning in March 2015, Staff investigated three scenarios in order to find solutions to aging equipment and to provide more liable and robust services – they included: do nothing and allow attrition, invest in new equipment or outsource the switching. These findings and recommendations were presented to the Board in May 2015 to outsource the switching functions and determine the best course of action for the replacement of SONET equipment. This scenario would also eliminate the need for the current functions completed by six employees within the Telephone Dept. The Board unanimously directed Staff to develop an RFP Invitation and return to the Board with a Telephone Switching partner and agreement.

In September 2015, the Invitation was sent to five vendors and three responses (Zcorum, Momentum and BRT) were received. After reviewing all responses, BRT offered the best solution with existing field equipment, lower up-front cost, a proven track record in moving from in-house to outsourced switching and BRT was the only company offering managed IP business services.

In November 2015, Board members asked Staff to also evaluate immediately exiting the telephone business altogether and/or look to Internet only delivered telephone services (similar to Vonage or Magic Jack). Neither option was deemed feasible due to significant debt and the need to generate revenue from the exiting telephone customer base. Secondly, the Internet only options are limited for resellers to residential customers and problematic for more than 1,300 FPB residential telephone customers that do not appear to have Internet access.

Customer Affecting

Residential and business customers will see no immediate change to their service or charges. By mid-year, BRT and FPB would begin to market packages that include new local, long distance and call features. These packages will be offered at a lower cost and better value than the a la carte offering today. Medium and large Business customer will immediately have Hosted PBX and/or SIP capability from FPB.

FPB will be required to replace and upgrade the SONET based, fiber-delivered telephone service to IP fiber-delivered service to about 25 large customers, including FPB. The approximately \$150,000 in equipment is available in the FY16 budget.

Employee reduction

Management met with the Telephone staff in June 2015 and explained outsourcing examination was being considered. Currently, there is a Manager, three switch technicians and two Telephone Order Representatives in the Telephone department. The functions of these employees would be assumed by BRT with respect to switching, long distance & access billing record keeping and directory listings. Customer service orders, installation & trouble calls would continue to be performed by current FPB Staff in the Cable Installation and Customer Service departments. If the agreement with BRT is approved, the six employees would work through the end of the cutover project which is planned to end by June 30, 2016. Previously, Staff and the Board discussed offering limited severance benefits and outplacement services to assist the employees who will be impacted by loss of employment.

Mr. Higginbotham explained the history of this action item. He explained equipment issues, cost of replacing equipment and loss of customers. He further discussed long outages experienced in late 2014 and early 2015.

Mr. Higginbotham discussed responses to the RFP and noted Big River Telephone Company, LLC as the best response meeting specifications with the lowest upfront costs. He noted that if approved the cutover would be completed by June 2016.

Mr. Higginbotham introduced Mr. Kevin Cantwell of Big River Telephone Company (BRT). Mr. Cantwell explained the background and experience that BRT will bring to FPB telephone customers.

After additional discuss between the Board and Staff, Mr. Baldwin moved to defer this item until next month's meeting to obtain more data and review the RFPs. In response to Ms. Rosen, Mr. Higginbotham discussed costs related to wholesale services provided by BRT. Mr. Denton explained costs of the options reviewed by Staff. He explained that option one to do nothing and would produce a net cash flow of \$1.5 mil to FPB through fiscal year 2023 when the current loan would be paid; option two was to purchase new equipment with a net cash flow of \$672,000 through 2023; option three was to move forward with BRT which would produce a net cash flow of \$6.5 million through 2023.

Mr. Higginbotham noted his concerns with equipment issues and the potential for equipment failures which could cause lengthy and significant outages. He noted Staff makes no guarantee that there will be no service issues or interruptions if this item is delayed.

Mr. Baldwin reiterated his motion to defer this item until the February meeting. Ms. Rosen seconded. After additional discussion, Ms. Poe called the vote by member and the motion failed with 2 "Yes" votes and 3 "No" votes. Mr. Baldwin and Ms. Rosen voted "Yes". Mr. Ludwig, Dr. Green and Mr. Pogrotsky voted "No".

Mr. Ludwig moved to approve the award of RFP #2015-4 for telephone switching services to Big River Telephone Company, LLC. Dr. Green seconded. Ms. Poe called the vote by member and the motion passed with 3 "Yes" votes and 2 "No" votes. Mr. Ludwig, Dr. Green and Mr. Pogrotsky voted "Yes". Mr. Baldwin and Ms. Rosen voted "No".

11. **Action Item: Consider Removal of AMC Networks from Classic and Preferred Cable Lineup.**

Staff and the Cable Advisory Committee recommends Board approval of the removal of AMC Networks from the Classic and Preferred Cable Lineup. The affected networks are: AMC, WEtv, and IFC. The National Cable Television Cooperative (NCTC) finalized an agreement with AMC Networks on 1/1/16.

The 5 and half year agreement includes a 200% increase on Classic Cable programming expense (effective 1/1/16), a 20% increase on 1/1/17, and annual 7.5% increases every year after that. The agreement contains rights to the following networks: AMC, WEtv, IFC, Sundance, BBC America, and BBC World News. Carriage requirements are as follows: two out of BBC America, WEtv, IFC, and Sundance must be launched on Classic Cable by 1/1/18. The remaining two must be launched on Preferred Cable by 7/1/18. However, the rate is paid based on the number of Classic Cable subscribers, regardless of how many networks are distributed or on which package the networks are distributed. Because of this, staff would recommend that if this agreement were to be executed, FPB would distribute all AMCN services on Classic Cable, as it would be unfair for Classic Cable subscribers to pay for services that are only distributed to Preferred Cable subscribers (a portion of the subscriber base).

The feedback that staff has received via email and comments on social media as well as public comments at the public hearing on 12/1/15 have been almost exclusively in support of dropping the services. Additionally, one of the most common complaints of the makeup of the cable lineup is that there are too many channels that people do not watch. This agreement would lead FPB to add four new networks to Classic Cable that are not highly viewed nor have they been requested by our customer base. Because of customer feedback, increased expense, and increased distribution requirements, staff felt it prudent to recommend not executing this agreement.

If approved, staff would remove the following networks on Sunday January 31st: AMC from Classic Cable and WEtv and IFC from Preferred Cable. While BBC America is part of the new AMCN/NCTC agreement, FPB currently has a direct agreement to carry BBC America and that agreement does not expire until 12/31/18. As such, the network would remain on the channel lineup until 12/31/18. At that point, the only way to continue carrying BBC America would be to enter the AMCN/NCTC agreement and agree with the terms as they exist today.

If this item is approved, staff also recommends reducing the Classic Cable rate by \$2.00. Starting on February 1, 2016, the Classic Cable rate would be \$58.35/month.

Mr. Couch explained the final NCTC Agreement with AMCN and its requirement. He stated that Staff and the Cable Advisory Committee recommended removal of the AMC networks from the FPB lineup. He explained the channels that would be affected. He noted that customers had not requested the additional channels required by AMC and customer feedback was in favor of dropping the channels. He reiterated that Staff recommended removal of the AMC networks and a reduction of Cable rates by February 1, 2016.

In response to Ms. Rosen, Mr. Couch explained the Cable Advisory Committee including the manner in which it was created, its members, By-Laws, and minutes.

After additional discussion, Mr. Ludwig moved to approve the removal of AMC Networks from Classic and Preferred Cable lineup. Mr. Pogrotsky seconded. Mr. Ludwig amended his motion to include the reduction of the Classic Cable rate by \$2.00 on February 1, 2016. Ms. Poe called the vote by member and the motion failed with 2 "Yes" votes and 3 "No" votes. Mr. Ludwig and Mr. Pogrotsky voted "Yes". Mr. Baldwin, Dr. Green, and Ms. Rosen voted "No". Mr. Ludwig advised that the failure of the motion indicated that the AMC Agreement has been accepted and will remain on the FPB Cable lineup.

12. **Action Item: Consider Approving Hallmark Channel Renewal.**

Staff and the Cable Advisory Committee recommend approval of the The Hallmark Channel renewal. This National Cable Television Cooperative (NCTC) agreement has a term through October 31, 2021. The initial increase is 8%, which is within our budgeted projections. This agreement also includes the rights to Hallmark Movies and Mysteries, which FPB carries on Preferred Cable. There is no additional cost to carry Hallmark Movies and Mysteries.

If the FPB directors decide to not renew AMC Networks, staff and the Cable Advisory Committee would recommend moving Hallmark Movies and Mysteries from Preferred Cable to Classic Cable. There would be no additional cost in moving HMM to Classic Cable, and in fact, would reduce the increase on Hallmark from 8% to 2%. The annual increases would also decline from 9% to 5%. Advanced services rights included in this agreement are: VOD, TVE, In-Home streaming, and Start-Over/Look-Back. The assistant GM for Administration has reviewed this agreement and it meets with his approval.

Mr. Couch explained the specifics of the renewal agreement and stated that Staff and the Cable Advisory Committee recommended approval of the renewal.

Dr. Green moved to approve the Hallmark Channel renewal. Mr. Pogrotsky seconded. Ms. Poe called the vote by member and the motion passed unanimously.

13. **Action Item: Consider approval of NCTC TiVo Services and Participation Agreement.**

Staff recommends approval of an agreement with NCTC for participation in their TiVo Services and Participation Agreement. At the September 15, 2015 board meeting, FPB executed a letter agreement to become a non-charter member in the NCTC/TiVo distribution group and commit to launch the product in the second half of 2016.

This is a complete agreement that follows the commitment made in the letter agreement from August 2015. In the August 2015 meeting, staff advised the board that should more NCTC members commit to launching this product, the financial terms could improve. That is the case with this agreement today. The initial letter specified \$50,000 for annual support costs. This agreement would lower that expense to \$28,500.

NCTC's TiVo solution will position FPB well in a world of multiple screens, time-shifting, and lean forward viewing. TiVo will stack up well against FPB's DBS competitors' offerings of Hopper and Genie. TiVo will allow for up to 6 simultaneous recordings, shared DVR playlists across every connected TV in the home, wireless broadband capability, embedded TV apps (Netflix, Amazon, Flickr, Facebook, YouTube among others), remote DVR scheduling, companion iPhone and iPad applications allowing for controlling of set top box via smartphone and tablet, in-home and out-of-home streaming to those mobile devices, as well as copying of DVR recordings to phone or tablet to take with you. Initial financial commitment is \$10,000 this fiscal year. \$100,000 is included in the new Headend budget for the

upgrade of existing VOD equipment for this FY. Because the Tivo product will not require the complete upgrade of the VOD equipment, Staff proposes to utilize these funds for the Tivo project in FY16 and FY17. The ongoing maintenance for the Tivo product will come from subscriber fees for the Tivo service. The Assistant GM of Administration has reviewed this agreement and it meets with his approval.

Mr. Couch explained the Tivo products and services as well as budgeted funds for the project. In discussion, Mr. Couch explained the difference in Tivo and VOD, explained remote access, and the revenue impact. He further noted that customers had requested this service and that Staff expected this service to be financially self-sufficient within three (3) years.

Mr. Pogrotsky moved to approve the NCTC TiVo services and participation agreement. Dr. Green seconded. After additional discussion, Ms. Poe called the vote by member and the motion passed unanimously.

14. **Action Item: Consider retaining Mountjoy Chilton Medley LLP to conduct the 2016 financial statement audit for a fee of \$32,200 and to conduct a single audit in accordance with OMC Circular A-133 related to Federal funds expended by FPB on KIA project number F13-021 for a fee of \$3,000, if applicable.**

Staff recommends the Board retain Mountjoy Chilton Medley LLP (MCM) to conduct the fiscal year 2015-2016 financial statement audit of the Frankfort Plant Board. Attached is the audit engagement letter prepared by MCM for the year ending June 30, 2016 for your review. MCM has proposed a financial statement audit fee of \$32,200, which is a 2.88% increase from the prior year fee of \$31,300.

In fiscal year 2014-2015 FPB expended more than \$500,000 in Federal awards associated with the Kentucky Infrastructure Authority (KIA) water treatment plant generator loan (KIA Project Number F13-021), which required FPB to have a single audit in accordance with U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations related to the KIA loan specifically. MCM charged FPB \$3,000 for this single audit. MCM will review this loan again in fiscal year 2015-2016 to see if another single audit is required and if so, will charge FPB \$3,000 for the audit. FPB expects to spend less than \$250,000 on the water treatment plant generator project in fiscal year 2015-2016 and does not think a single audit will be required. If this audit engagement is approved by the Board audit fees of \$32,200 will be included in the FY 2016-2017 budget for the Frankfort Plant Board under the administration section.

Mr. Denton recommended retaining Mountjoy Chilton Medley for one more year for the 2015-2016 financial statement audit. He further advised that FPB would likely not expend enough KIA funds in this fiscal year to generate the need for the single audit.

Mr. Ludwig moved to approve retaining Mountjoy Chilton Medley, LLP to conduct the 2016 financial statement audit for a fee of \$32,200 and if applicable to conduct a single audit in accordance with OMC Circular A-133 related to federal funds expended by FPB on KIA project number F13-021 for a fee of \$3,000. Dr. Green seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

15. **Action Item: General Manager Evaluation.**

Mr. Liebman explained Mr. Bannister's consensus evaluation for 2015. He advised that the two (2) new Board members did not participate in this evaluation as the evaluation took place prior to their appointment. Mr. Liebman explained standards for scoring of the categories and further explained the categories to be scored. He noted that the evaluation was considered highly positive overall and noted that the comments indicated that Mr. Bannister had made affirmative steps on areas of concern.

Mr. Ludwig moved to accept the consensus evaluation report. Dr. Green seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

Mr. Ludwig explained stipulations for Board action on General Manager's compensation. He further noted that any increase would be retroactive to October 1, 2015. Mr. Ludwig stated that in the past, the Board had approved a 4% salary increase and extended the contract by one (1) year.

Dr. Green moved to increase the General Manager salary by 4% and extend the contract by one additional year. Mr. Ludwig seconded the motion. In response to Mr. Baldwin, Mr. Ludwig stated that he felt the 4% salary increase was reasonable given that Mr. Bannister's performance evaluations had been good. After additional discussion, Mr. Ludwig reiterated the motion on the floor, to increase the General Manager salary by 4% and extend the contract by one additional year. Ms. Poe called the vote by member and the motion passed with 3 "Yes" votes, 1 "No" vote, and 1 abstention. Mr. Ludwig, Dr. Green, and Mr. Pogrotsky voted "Yes", Mr. Baldwin voted "No" and Ms. Rosen abstained.

16. **Old & New Business:**

Action Item: Mr. Baldwin moved to adjust the cable rate increase based on the delta between Staff's initial best guess on the negotiating position of AMC and the actual increase pursuant to the final AMC Agreement. Mr. Baldwin amended motion to direct to staff to produce a rate decrease to commensurate with the change in the financial landscape. Mr. Higginbotham stated that Staff would provide the exact number to the Board the following morning.

Mr. Baldwin moved to reduce the rate commensurate with the values already provided by Staff to reflect the new terms of the AMC Agreement. Mr. Pogrotsky seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

Action Item: Mr. Ludwig suggested a motion to approve the AMC Agreement for clarity. Mr. Baldwin moved to approve the new terms of the AMC contract. Dr. Green seconded. Mr. Ludwig called for the vote and the motion passed with 4 "Yes" votes and 1 "No" vote. Mr. Baldwin, Ms. Rosen, Dr. Green and Mr. Pogrotsky voted "Yes" and Mr. Ludwig voted "No".

Action Item: Mr. Baldwin moved to amend the Agenda for the special meeting to include considering adding a work session to the Board's work flow and to consider change of venue to facilitate communication. Ms. Rosen seconded. Mr. Ludwig called for the vote and the motion passed with 4 "Yes" votes and 1 "No" vote. Mr. Baldwin, Ms. Rosen, Dr. Green and Mr. Pogrotsky voted "Yes" and Mr. Ludwig voted "No".

Informational Item: Ms. Dutta discussed the termination of the concrete sub-contractor and the hiring of a new sub-contractor. She discussed significant delays in the project, timing of delivery of the completed project, and a lien filed by Frank Shelton Construction.

As a point of order, Mr. Ludwig requested guidance from Mr. Liebman. Mr. Liebman advised that it was not a good idea to hear from Mr. Shelton, but that he would defer to the Board's wishes. Mr. Baldwin and Ms. Rosen stated that they were interested in hearing from Mr. Shelton.

Mr. Shelton explained the issues he had experienced with the general contractor. He discussed his research and opinions regarding the general contractor. He further noted that he would be filing a lawsuit.

17. **Informational Item: General Manager's Comments.**

18. **Request Permission to have Chair call for a Closed Session** pursuant to KRS 61.810 (1)(c) for the discussion of proposed or pending litigation against or on behalf of FPB; KRS 61.810(1)(f) for discussions which might lead to the appointment, discipline, or dismissal of an individual employee; and KRS 61.810 (1)(b) for the discussions of the future acquisition or sale of real property.

Dr. Green moved to go into closed session. Mr. Pogrotsky seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

19. **Closed Door Session:**

With no further business to discuss, Dr. Green moved to adjourn. Mr. Pogrotsky seconded. The motion passed unanimously and the meeting adjourned.





ATTEST: