

February 16, 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, February 16, 2016 at 5:00 p.m.

**ATTENDANCE:**

Ralph Ludwig, Board Chair  
Rick Pogrosky, 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.  
David Denton, Finance Director  
Monique Gilliam, Customer Service Director  
Dana Goodlett, Cable Installation and Process Manager  
Adam Hellard, Broadband/security Manager  
Scott Hudson, Electric Supt.  
Casey Jones, Asst. IT Director  
Travis McCullar, Electric Engineer  
Michele Walker, Executive Assistant  
Hance Price, Staff Attorney/ Asst. GM Administration  
Mark Redmon, Support Services Director  
Chris Riddle, WTP Superintendent  
Julie Roney, Asst. WTP Superintendent  
Dianne Schneider, HR Director  
Glenn Waldrop, Public Information Coordinator  
Kim Phillips, Safety Director  
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:

**FEBRUARY 16, 2016 BOARD MEETING AGENDA**

1. **Action Item:** Consider Approving Minutes for the January 19, 2016 Board Meeting.
2. **Action Item:** Consider Accepting the Minutes for the January 27, 2016 Special Board Meeting.
3. **Action Item:** Consider Accepting the Minutes for the January 22, 2016 Credit Card Committee Meeting.
4. **Action Item:** Consider Accepting the Minutes for the February 10, 2016 Credit Card Committee Meeting.
5. **Action Item:** Electric, Water and Cable Financial & Statistical Data for January 2016.
6. **Informational Item:** Public Comment Period.

7. **Informational Item:** Departmental Reports:
  - Cable Dept.
  - Customer Service
  - Electric Dept.
    - SEPA
  - KyMEA
  - Safety
  - Water Distribution
  - Water Treatment Plant
  - Administration Building
  - Headend
  
8. **Action Item:** Consider Approval of Contractor Agreements for Storm Response with Davis H Elliot, Groves Construction, and Bowlin Companies.
  
9. **Action Item:** Consider Approving Engagement Stoll, Keenon, Ogden PLLC Concerning Old Pension Plan Termination.
  
10. **Action Item:** Consider Approving NBCUniversal Agreement.
  
11. **Informational Item:** Proposed New Investment Policy to Replace Current Investment Policy Adopted by Board on February 21, 1996.
  
12. **Informational Item:** Discuss Goals for General Manager.
  
13. **Old & New Business:**
  
14. **Informational Item:** General Manager's Comments.
  
15. **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.
  
16. **Closed Door Session:**

## **BOARD ACTION**

Mr. Ludwig called the meeting to order. Ms. Walker called the roll. She noted four (4) Board members present and noted Dr. Green absent.

1. **Action Item:** Consider Approving Minutes for the January 19, 2016 Board Meeting.

Mr. Pogrotsky moved to approve the minutes for the January 19, 2016 board meeting. Mr. Ludwig seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

2. **Action Item: Consider Approving Minutes for the January 27, 2016 Special Board Meeting.**

Mr. Pogrotsky moved to approve the minutes for the January 27, 2016 special board meeting. Ms. Rosen seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

3. **Action Item: Consider Accepting the Minutes for the January 22, 2016 Credit Card Committee Meeting.**

Mr. Ludwig moved to accept the minutes as submitted for the January 22, 2016, Credit Card Committee meeting. Mr. Baldwin seconded. Mr. Baldwin clarified meaning of the acronym AML. Mr. Ludwig called for the vote and the motion passed unanimously.

4. **Action Item: Consider Accepting the Minutes for the February 10, 2016 Credit Card Committee Meeting.**

Mr. Ludwig moved to accept the minutes for the February 10, 2016 Credit Card Committee meeting. Mr. Pogrotsky seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

**Information Item: FPB's Current Payment Methods. (This item was added during the meeting)**

Mr. Denton made a presentation and discussed various payment methods currently available and utilized by FPB customers. He further explained the percentages of utilization of each payment method as well and the cost associated with each payment method.

Ms. Rosen added that coming into the FPB office and paying is one of the most expensive payment methods to FPB. Mr. Baldwin added that those costs have a direct impact on the rates that are passed on to the customers.

5. **Action Item: Electric, Water and Cable Financial & Statistical Data for January 2016.**

Mr. Denton explained how revenues are utilized within the company. He further discussed the statement of net position and balance sheet through January 31, 2016. He discussed the cash investment schedule as well as the summary of bonds, leases and loans payable. 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 January 2016. Mr. Pogrotsky seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

6. **Informational Item: Public Comment Period**

Kathy Warren addressed the Board and expressed her appreciation for allowing public comments. She noted that she had some concerns about Big Rivers taking over the telephone but would wait to see how everything would play out before making any additional comments. She also noted her appreciation for allowing public feedback to the Board via the website. She asked about charges for paying bills in the downtown office and discussed a rumor that the Board was considering charging for receiving a paper bill. Ms. Rosen stated that paying in the office is included in the normal cost of doing business and that the Board was not considering a fee for paper billing statements. Mr. Ludwig added that charging for paper bills was previously considered by the Board but was not approved.

Shelly Spillman addressed the Board and expressed her appreciation for allowing public comment. She discussed her internet service issues and requested information regarding what plans there were for improvements? Mr. Ludwig stated that the efforts were ongoing to upgrade and troubleshoot as well as keep up with customer demand. He noted that Staff and the Board were concerned and were working to make improvements.

Mr. Bannister discussed congestion and splitting nodes to improve congestion issues. Mr. Jones noted that the new Headend facility and expansion in that facility would enable additional improvements for broadband customers. Mr. Spillman noted that they had called after hours but experienced issues with getting trouble tickets addressed or even getting someone to return a call to them. Mr. Spillman noted that he would like to see better follow up and responses in a timelier manner. They noted that they had called several times after hours but that no one from FPB had been to their home.

The Board and Staff discussed additional upgrades for broadband in connection with the completion of the new Headend facility as well as budgeted funds.

7. **Informational Item: Departmental Reports:**

**Cable:** Mr. Goodlett 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 discussed the implementation of data tracking to improve the customer service.

**Electric:** Mr. Hudson noted 18 electric outages for the month of January.

**SEPA:** Mr. Bannister explained the graphs for SEPA and discussed profit/loss statistics for 2015 as well as for the month of December 2015. In response to Ms. Rosen he noted that the price per kwh was lower and that the amount of kwh energy sold was significantly lower.

**KyMEA:** Mr. Bannister explained that the organization continued to review purchase power agreements and that those agreements would be brought to the Board for consideration in the coming months.

**Safety:** Ms. Phillips noted no OSHA recordable accidents and no vehicle accidents for the month of January.

**Water Distribution:** Mr. Briscoe noted two (2) new services, five (5) main breaks, and one (1) outage. He noted that the outage was due to one of the main break.

**Water Treatment:** Mr. Riddle reviewed the Water Treatment Plant report and stated that FPB produced more than 234 million gallons of potable water for the month of January for an average daily production of 7.5 million gallons per day.

**Administration Building:** Mr. Bannister introduced Josh Marrillia, President of Marrillia Construction. Mr. Marrillia referenced material and photographs provided to the Board prior to the meeting. He discussed the status of the building and stated that a tremendous amount of work had been completed in the past 30 days. He further explained the specifics of the work completed to date and work to be completed in the coming days and weeks. Mr. Marrillia discussed delays in the construction schedule as well as the implementation of resolutions to mitigate further delays and the recovery of days on the construction schedule. He further advised that the current schedule would allow the building to be presented to FPB in December 2016.

**Headend Building:** Mr. Hellard stated that the Headend building was about 80-85% complete and reviewed photos of the building's progress.

8. **Action Item: Consider Approval of Contractor Agreements for Storm Response with Davis H Elliot, Groves Construction, and Bowlin Companies.**

Staff asks that the Board approve agreements with Davis H. Elliot, Groves Construction and Bowlin Companies for storm response. In order for FPB to be eligible for FEMA reimbursements we must have on file agreements with contractors that can provide services to FPB in an outage restoration.

These three (3) companies have provided pricing and would charge these amounts to FPB for work performed in an outage restoration after an emergency such as a storm. These companies are located in Kentucky and perform quality work. Staff asks that the board move to approve the agreements and rate sheets with Davis H. Elliot, Groves Construction, and Bowlin Companies.

Mr. Hudson explained mutual aid agreements for assistance in the event of a major storm event. He further advised that the contracts presented for consideration were directly related to FPB's eligibility for FEMA reimbursements if there were a major weather event in Frankfort.

In discussion, Mr. Hudson noted that the Staff Attorney had reviewed the contracts and only the prices had changed. He further noted the differences between utilizing these contractors and calling on other communities for help under the mutual aid agreements. Mr. Hudson noted that this was a third line of defense. He stated that these contractors would always supply FPB's need when called on and that FPB would be eligible for FEMA reimbursement.

Mr. Pogrosky moved to approve the contractor agreements for storm response with Davis H Elliot, Groves Construction, and Bowlin Companies. Mr. Ludwig seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

9. **Action Item: Consider Approving Engagement Stoll, Keenon, Ogden PLLC Concerning Old Pension Plan Termination.**

Staff requests that the Board consider engaging Stoll, Keenon, Ogden to research and assist in the possible termination of the Frankfort Plant Board's frozen pension plan with an estimated cost of between \$5,000 and \$10,000. Funding for this expense is available in the current budget; \$3,000 was included specifically for the frozen retirement plan maintenance, \$4,000 for plan valuation, and \$35,000 for Human Resources related legal services.

**Background:**

Between 1965 and 1988 eligible Frankfort Plant Board employees participated in a non-contributing defined-benefit pension plan.

In June of 1988, the Board approved freezing the existing pension plan and joining the County Employees Retirement System (CERS) effective July 1, 1988. Current employees had the option of converting service credit to CERS or keeping their service credit in the old plan. Effective June 30, 1988 benefit accruals under the old plan ceased.

FPB continues to manage the frozen pension plan. Funds for the plan are maintained at Farmer's Bank who is the Trustee and Cuni, Rust, and Strenk provides actuarial services including plan valuation. There are currently 3 members receiving monthly benefits. Two vested former employees will become eligible for benefits between now and 2023 and 1 current employee is eligible for benefits (but has not yet applied for benefits). The plan document has not been updated since 1988.

The actuary has indicated that the plan is overfunded. Plan assets were funded by FPB without employee contributions. It is Staff's understanding that upon termination and after plan participants receive distributions, excess plan assets revert to FPB.

### Plan Termination:

A retirement committee consisting of Dianne Schneider, David Denton, Hance Price, and Ralph Ludwig was appointed in 2013. Committee members are interested in the possible termination of the plan.

Stoll, Keenon, & Ogden will be able to provide the expertise to update the plan document with required changes, determine if the plan can be terminated and ensure the plan is properly terminated if the Board elects to do so. Plan termination would save administrative expenses including approximately \$3,000 every three years for actuarial studies, expenses for future plan document maintenance, approximately \$1,000 for each benefits analysis, related banking fees, and Staff's time spent working on the plan.

Ms. Schneider explained the need for advisement regarding work necessary for the frozen pension plan. She noted that Stoll, Keenon, Ogden would be able to assist with updating the plan as well as the eventual termination of the plan. Ms. Schneider also explained benefits to FPB if the plan were terminated. She advised the Board of the number of plan members.

Mr. Pogrotsky moved to approve engaging Stoll, Keenon Ogden, PLLC concerning old pension plan termination. Mr. Ludwig seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

10. **Action Item: Consider Approving NBCUniversal Agreement. (See Tab 10) Hance Price will discuss (pgs. 167-180)**

The Cable Advisory Committee and Staff recommend the Board approve the standard National Cable Television Cooperative (NCTC) agreement for NBCUniversal (NBCU). This NCTC agreement has a term from January 1, 2016 through December 31, 2018. The networks covered include: USA, NBC Sports Network, Syfy, Oxygen, Bravo, E!, CNBC, MSNBC, Golf Channel, and Universal HD on Classic Cable; Sprout, Chiller, and Esquire on Preferred Cable; and Olympics Programming. This agreement also covers TVE and VOD rights.

The agreement represents programming license fee increases of 13.4% in year one, and 9% in years two and three. The increases were budgeted and anticipated. The increases were included in the rate increase approved in the December board meeting.

There are no additional carriage or migration requirements in this agreement. However, beginning in October 2017, FPB will begin paying a fee for NBC broadcast On Demand content (Saturday Night Live, The Voice, etc). Currently, we offer that content but don't pay a fee for it. We do currently pay a similar fee for On Demand content for ABC and FOX. Those fees are included in the retrans surcharge. Staff would recommend including this NBC On Demand fee in the retrans surcharge when we renegotiate our retransmission consent agreements and set a new retrans surcharge amount in January 2018.

Please consider the networks as a take all or have none scenario as this agreement does not allow a la carte purchasing. The deadline for participation in this agreement is February 22, 2016. The Assistant GM-Administration has reviewed the agreement and it meets with his approval.

Mr. Price explained the term of the agreement and the channels and programming included with the renewal. He noted that fees were already accounted for in the budget.

Mr. Pogrotsky moved to approve the NBCUniversal Agreement. Ms. Rosen seconded. Ms. Walker called the vote by member and the motion passed unanimously.

11. **Informational Item: Proposed New Investment Policy to Replace Current Investment Policy Adopted by Board on February 21, 1996. (See Tab 11) David Denton will discuss (pgs. 181-196)**

Included in this board packet is a proposed, new investment policy that staff is providing to you for your review. Staff would like this proposed, new investment policy to replace the existing 20 year old investment policy that was approved by the Board on February 21, 1996. Below are a few ways this proposed, new policy differs from the current policy:

- Would allow FPB to place funds into interest earning investments faster by allowing Finance Director to move funds under direct supervision of the GM and Assistant GM of Administration. The current policy delegates management responsibility to the GM, which can delegate it to the Finance Director. The new policy provides the same supervision for the investment purchasing process, but gives FPB the ability to invest in a timely manner. This improved flexibility will allow FPB to achieve higher return on investment, which is a fundamental objective of any investment policy as stated in Section IV of the proposed policy.
- Proposed policy add an "Ethics and Conflicts of Interest" section that does not exist in the current policy.
- Proposed policy clearly states documents required by authorized financial institutions and broker/dealers to evaluate financial soundness and requires written acknowledgement of having read the investment policy of FPB.
- Proposed policy would expand the options of financial institutions that FPB could do business with allowing FPB to better meet the return on investment objective. The policy would allow FPB to invest with local, regional, and national entities.
- Proposed policy would expand the types of financial instruments FPB could invest in while still being in compliance with KRS 66.480 related to investment of public funds by counties, cities, and other local units.
- Proposed policy changes the maximum maturity on investments from three to five years and even allows for longer term if investment is matched to specific obligation of FPB (ex. revenue bond reserves) or if reserves are designated for certain purpose that is beyond five years.

Staff would like to give the Board time to review and provide questions and/or comments on the proposed policy changes. Comments and/or questions can be sent to the Finance Director who will then reply to all Board members and the GM to keep everyone informed of the ongoing policy discussions. Staff would like to present a final draft of the policy to the Board at the March 15, 2016 and ask for approval.

Mr. Denton explained that the current investment policy was 20 years old and noted restrictions in the current policy. He further explained the differences in the new policy. He noted that the revisions would make the current policy stronger, would allow Staff to move quicker in getting funds invested and allow for longer investments where appropriate. He noted that the policy was in line with industry standard and met all KRS restrictions for such policies. He requested that the Board review the information over the next month and bring him any questions, comments or suggestions they may have so that the item can be presented for approval in the March meeting.

12. **Informational Item: Discuss Goals for General Manager. (See Tab 12) (pgs. 197-198)**

**Goals from Ms. Rosen:**

**Long term planning**

Study each of the 3 business areas and envision how they will be different in 10 years. From this extrapolate what we can be done now to be in position to deal with future developments.

Achieve this by:

Reading trade literature.

Study government projections on climate, population changes, future energy and resource requirements.

Coordinate with University efforts to explore future developments in scientific advancements, energy needs, and engineering possibilities.

Attend Water, Energy, and Communication Conferences which envision the future challenges.

Access FPB's competitive position in each of the business areas. How does it compare with area providers?

5 year plan for each area with yearly forecast and 6 month status report.

**Revenue Growth**

Given the likely reduction in revenue from two of our larger business units identify opportunities for revenue and service growth over the next 5 years. i.e. data services and security.

**Employee Satisfaction**

Devise and implement a way to evaluate overall employee satisfaction. Include a suggestion box and or electronic drop box for improvement ideas. Implement an exit interview system with departing employees.

**Improve customer service and satisfaction**

Implement a process of continuous improvement in customer service department. Process should provide a means, by engaging customers, to quantify the current state of customer experience and identify pain points as well as define, implement and measure solutions.

**Goals from Walt Baldwin:**

**Key Initiatives**

1. Improve customer satisfaction.
2. Implement process of continuous improvement.
3. Implement metrics to measure customer satisfaction and service level.

Ms. Rosen discussed her goals for the General Manager as listed above and highlighted ideas on strategic long term planning for approximately 5 to 10 years.



She further discussed ideas for additional marketing in some areas to increase revenues in some areas, specifically with Security.

At the request of Mr. Bannister, Ms. Rosen clarified some areas of long term strategic planning and noted that she was looking for a theoretical plan instead of a budgetary plan.

Mr. Bannister discussed load forecast and future energy needs and other items on the list of goals which are currently being performed by himself and Staff.

Mr. Baldwin discussed his goals for the General Manager as listed above. He emphasized the need for a continuous process of customer service improvements and for follow up on resolution of trouble calls as well as overall customer service. Mr. Bannister discussed items currently being discussed and implemented as well as ideas to be pursued in the future.

Mr. Pogrotsky noted that his goals for the General Manager were to improve FPB's image in community and with the customer base, and to improve the relationship with the City.

Mr. Ludwig emphasized the need to continue making progress on the major projects that are currently underway.

Mr. Bannister, Ms. Rosen and Mr. Baldwin further discussed development of a strategic plan. Mr. Baldwin discussed the need for consultants but pointed out the need for continued education and research of management so that FPB is not solely relying on consultant information.

13. **Old & New Business:**

None

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

None

15. **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; and KRS 61.810(1)(f) for discussions which might lead to the appointment, discipline, or dismissal of an individual employee.

16. **Closed Door Session:**

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

The Board came out of closed session and with no further business to discuss the meeting was adjourned.

  
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**ATTEST:**