

March 27, 2017

A Board meeting of the Electric and Water Plant Board of the City of Frankfort, Kentucky, was held at United Bank and Capital Trust, located at 125 W. Main Street, Frankfort, Kentucky, on Monday, March 27, 2017 at 5:00 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  
Harvey Couch, Marketing and 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  
Adam Hellard, Broadband/Security Manager  
Ryan Henry, Asst. IT Director  
John Higginbotham, Asst. GM Cable/Telecommunications  
Scott Hudson, Electric Superintendent  
Casey Jones, IT Director  
Cathy Lindsey, Public Information Coordinator  
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  
Zach Hubbard, Cable 10 Videographer  
Alfred Miller, State Journal

**AGENDA**

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

**March 27, 2017 BOARD MEETING AGENDA**

1. **Action Item:** Independent Review of KyMEA Contracts.
2. **Informational Item:** Discuss FY 17-18 Budget.

**BOARD ACTION**

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

1. **Action Item:** Independent Review of KyMEA Contracts.

Mr. Liebman reiterated the history of this item. He advised that Mr. Cubine and Mr. Baldwin assisted him in identifying qualified firms. Mr. Liebman explained that there were two components to the review: legal analysis and subject matter analysis.



Mr. Liebman stated that the Kentucky Attorney General's office had been contacted to complete the legal analysis due to their expertise in interlocal agreements and utility oversight. He advised that the report was forthcoming.

Mr. Liebman stated that a RFP was sent to seven (7) firms with four (4) responses received. He advised that all responses had been disseminated to the Board and should be considered confidential and proprietary. Mr. Liebman discussed the scoring matrix and stated that the work group recommended approval of Energy & Environmental Economics, Inc. (Ethree) based on the scoring matrix.

Mr. Ludwig stated that he had reviewed the responses and noted that they were highly technical. Ms. Rosen stated that she had read the proposal and concluded that Ethree would be her recommendation. Mr. Ludwig noted that they had promised a quick turnaround.

Mr. Baldwin moved to award the contract review item to Ethree. Mr. Cubine seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

**2. Informational Item: Discuss FY 17-18 Budget.**

Mr. Denton explained the historical process of preparing the budget. He stated that this meeting was scheduled in response to the Board's request for more input and direction for incorporation of items in the budget. He explained that Staff would explain their ideas and thoughts on upcoming projects, and that Staff would like to discuss Board ideas to be included for approval on the April agenda.

Mr. Denton explained that the FPB budget was on a fiscal year ending June 30, 2017. He stated that Staff is preparing a one-year budget with a five-year plan. The Board would be asked to approve the budget for the 17-18 fiscal year and accept the five-year plan. He explained that FPB was a very capital-intensive business and that reinvesting funds back into the infrastructure was a huge commitment. He explained that the five-year plan assisted with planning large capital projects, debt service, cash flow and reserves. Mr. Denton further stated that the current budget was on FPB's website for the public to review.

Mr. Denton stated that FPB was currently in the planning stage of the budget process and that management and department heads are continually discussing projects and costs in order to prepare. He further explained preparation and evaluation process.

Mr. Denton stated that FPB was considered a special purpose government entity. He discussed KRS 65A and procedural process required by FPB and noted that the budget must be adopted prior to July 1, 2017. He explained that the total budgeted amount was set for the year and further explained that funds could be moved as needed to allow for flexibility.

Mr. Denton explained budget software and the manner in which the software was utilized throughout the year by management as well as during the budgeting process. He explained allocation factors and the many moving parts of FPB's budget. He further explained that administration costs are allocated to each line of business and discussed budget changes and the manner in which changes effect the final budget and rates.

Mr. Denton explained the development methods. He explained the four factors utilized to compute rates: 1) cost for FPB to operate, 2) level of funding for infrastructure spending (try to match capital spending to depreciation), 3) debt service, and 4) reserve requirements. The total of these items will determine what rates need to be set in order to meet these revenue requirements. Mr. Denton stated that FPB would like to fund large projects at a pace in which FPB can pay for them in cash in order to reduce debt service. He stated that if any piece changes in the four factors, it could cause rates to change.



Mr. Denton explained a new line item in the budget for \$250,000 due to a new City ordinance and stated that in order to make that addition budget neutral a cut would need to be made in something else or funds would need to be taken from reserves. Otherwise, the addition could necessitate a rate increase. Mr. Denton advised that he would like to see all projects and expenses become budget neutral. He further advised that Staff's goal was to keep rates as low as possible for the community without sacrificing service, reliability or safety.

Mr. Denton stated that Staff did not have all the information at this time to discuss rates. Mr. Denton advised that half of the overall budget was electric power costs. He explained that Kentucky Utilities would notify FPB of its rate increases for wholesale power in May.

Mr. Denton discussed information regarding revenue projections. He discussed electric customers and usage, historical numbers and the load forecast utilized to make revenue projections. He stated that the electric division alone was 80% of the FPB budget and payroll was 15%. He further advised that if the cost of infrastructure reinvestment and all of electric payroll were removed from the budget it still would not cover the cost of the increases for wholesale power.

Mr. Denton discussed the notice of termination to Kentucky Utilities and joining KyMEA. He noted that those changes would be noted and realized in this new budget. He stated that there were solid projections regarding costs savings with KyMEA. He explained SEPA changes within KyMEA and noted the potential for a significant increase in revenue by including SEPA in the KyMEA portfolio.

In response to Mr. Cubine, Mr. Foster stated that Kentucky Utilities (KU) customers also take rate increases similar to increases passed on to FPB by Kentucky Utilities. Mr. Foster noted however, that the mechanism was different and that the rate increases for KU retail customers came at a different pace.

Mr. Denton explained water usage and the changes in customer volume and historical usage. He noted an increase in customers and a gradual decrease in the amount of water treated. Mr. Denton discussed cost of service studies performed over time to allocate costs appropriately and set rates for the respective customer classes.

Mr. Denton further advised that the cost of the administration building and the cost of replacing the reservoir were included in the most recent cost of service studies. He further explained how usage changes affect the budget and estimates.

Mr. Denton explained Cable/Telecommunications customer counts, services and historical changes in customer numbers for cable, security, telephone and broadband.

Mr. Denton stated that these were working papers and that Staff was in the very beginning stages of the budget process. He noted that the projected budget to actual numbers were annualized figures of actual expenditures through February. He explained that if a department had spent a significant amount of their budgeted funds in the first part of the fiscal year, it would appear as though that department was over budget. He further explained that if department had spent a significant amount on the back end of the fiscal year, it would appear as though that department was under budget. He advised that the figures for projected budget to actual would definitely change as the budget development process continued.

Mr. Denton advised that this initial draft budget included a first request for capital expenditures for the FY 17-18 budget year. He stated that these items were not a wish list and that they are requests for projects that management feel are significant and necessary. He further noted that there are some projects that may need to be deferred in order to balance the budget. He advised that it is not a matter of if these projects will be completed but when they will be completed.



In response to Mr. Cubine, Mr. Denton explained health insurance and retirement contributions. He advised that the KRS would slightly increase, that health care costs were currently at \$2.8 million and that number would remain flat through the 17-18 FY budget and five-year plan. He advised that the KRS assumption would increase slightly in the new fiscal year and that the payroll tax and other tax allocations would remain flat. Mr. Denton stated that staff would make payroll assumption based on the board approved compensation plan and assume that all eligible employees would receive the board approved salary increases. He advised that these three elements equate to approximately 23% of the budget.

In response Mr. Cubine, Mr. Denton explained that budget managers would budget for potential additional employees and promotions through the company as they believed were necessary. He stated that the Staff makes every effort to budget payroll based on actual personnel need in each department.

Mr. Denton further explained that FPB has continued to make cuts to the budget since 2009 but that budget cuts have consequences. He advised that companywide; FPB was at a point that there was little left to cut without significant consequences. Mr. Cubine stated that he did not believe across the board cuts could be accomplished and that everything should be evaluated prior to making cuts.

In response to Dr. Green, Mr. Denton reiterated that Staff would not know the amount of the KU rate increase until May 1, 2017 but that Staff was confident that there would be a rate increase from KU. Mr. Foster acknowledged that there would likely be an increase due to the amount of spending KU has encountered and due to the ash pond expense. Mr. Foster advised that the assumption is that the increase would be 2%-3% larger than normal due to the ash pond expense.

Mr. Cubine stated that these charts show that 60% of the funds collected by FPB go right back out the door to pay invoices for services provided. Mr. Denton acknowledged that information and further discussed annual increases in cable contracts. Mr. Foster advised that the average rate increase received from KU was 5.6% annually since 2009. He further advised that FPB had received a 3% increase in 2009 after not receiving an increase since 1996 and an increase of 2.8% in 2016 for electric services and operational expenses. He further discussed actual increases from KU for wholesale power since 2009.

### **Electric Division**

Mr. Foster explained an overview of the electric department budget. He noted that goals were to 1) provide reliable power while maintaining safe working conditions, 2) provide competitive electric rates while maintaining sound financial practices, 3) meet all requests for services in a friendly and timely manner, and 4) be environmentally responsible while maintaining competitive rates.

Mr. Foster explained that many projects in the budget began many years ago. He advised that FPB's electric loss rate runs at about 3% and that the national average for municipal systems was 4-4.9%. He stated that RECC and investor owned companies were significantly higher. He stated that FPB has a better-built system than most utilities. He advised that at the 4-4.9% loss rate FPB would spend an additional \$403,000 annually, which nearly pays for the tree trimming FPB does throughout the year.

Mr. Foster advised that FPB reliability numbers average four times better than the national average. He further acknowledged that FPB's electric rates were better than the competition and with savings projected through KyMEA, the outlook to maintain stable and competitive rates was positive. He discussed the potential re-establishment of a 24/7 dispatch system in order to improve receipt of customer information and to improve customer satisfaction. In response to Mr. Cubine, Mr. Foster advised that customer satisfaction with the current use of the call center was negative. He discussed the expense involved in order to re-establish an on-site



dispatch center at about \$600,000 annually and approximately \$100,000 initial investment to get started.

Mr. Higginbotham explained the manner in which cable/telecom utilizes the afterhours call center and how an on-site dispatch would improve customer service. He further explained additional concerns with security and safety for employees. Mr. Foster added that electric has added an additional after hours employee in the field in order to alleviate the safety issues without on-site dispatch. He reiterated that many of these projects cannot be cut but some can be deferred. He explained that if tree trimming were cut this year that likely twice the amount would need to be spent in the next fiscal year plus the potential of additional costs with the increased risk of outages. Mr. Foster further explained past projects to improve and maintain infrastructure in order to maintain reliability and ultimately reduce costs.

Mr. Foster explained AMI and the potential for infrastructure improvements and implementation in the 20-21 fiscal year and 21-22 fiscal year. He further advised that staff was anticipating utilizing savings from KyMEA to pay for this project in an effort to not take on additional debt services.

In response to Mr. Cubine, Mr. Foster explained that AMI now is a fairly mature technology and discussed the forthcoming business case report that would explain and further advise staff and the board as to which pieces of AMI would specifically be most beneficial. He advised that additional information from the business case would be provided to the board at the May meeting.

Mr. Foster continued explaining GIS mapping, working that into an outage management system, upgrades with the outage management system, tree trimming, overhead re-conductor and underground infrastructure replacement, and substation/transformer replacement. Mr. Hudson discussed the tree-trimming contract and advised that the contract would be re-bid this year.

Mr. Foster explained specifics of capital infrastructure replacement in the electric department and staggering replacements of large cost items. In response to Mr. Cubine, Mr. Denton stated these replacements would be replaced with cash and capitalized over their life expectancy.

In response to Mr. Cubine, Mr. Foster advised that staff performed routine maintenance and testing to determine which transformers should be replaced first. He further noted that catastrophic failures do happen and in those cases reserves are needed to make those costly capital repairs, thus the reason reserve balances are so important. He reiterated the benefit potential from KyMEA.

In response to Ms. Rosen, Mr. Hudson stated that there are 19-20 of the most costly transformers in the FPB system. Mr. Foster reiterated that the system was in good shape and in a good position, but that continued efforts were necessary to maintain and continue to invest in the infrastructure.

In response to Mr. Cubine, Mr. Foster stated that no new employees were being requested for electric. He explained that if the board decided to bring back the on-site dispatch that the cost of those employees would be allocated to each business line as a cost of operation.

In response to Ms. Rosen, Mr. Foster stated that AMI meters would self-report in the case of an outage and would provide a better idea of where the problems areas were in order to better dispatch and make more timely repairs. He further noted that AMI would alleviate some reporting issues and reiterated that staff was hopeful that AMI could be funded with savings from KyMEA.

## **Water Division**

Mr. Foster explained rate pressure due to the number of large-scale replacements at the water treatment plant over the years. He noted that there were still upgrades



that were needed in the water treatment system but that large-scale replacements had caused water rate increases over the years. Mr. Foster explained that the water department had pulled back on many projects in order to slow down rate increases and maintain competitive rates. He reiterated that plant maintenance and the reservoir must be completed for the system to remain reliable.

Ms. Roney explained that the common goal was to treat and distribute the highest quality water, the most aesthetically pleasing water, and to meet all state and federal regulations while maintaining efficiency and reasonable rates. She stated that her focus was to 1) maintain the infrastructure in place at the water treatment plant, 2) maintain water quality, and 3) maintain and train staff. Ms. Roney explained that the water treatment plant (WTP) was currently understaffed. She further explained requirements necessary for positions to be filled and advised that qualified candidates were difficult to find in this area.

In response to Mr. Cubine, Ms. Roney advised that she was budgeting to fill all open positions within the WTP. She stated that currently two operators are working 6 days per week in order to keep the plant running.

Ms. Roney stated that she reviewed historical data and trends in order to prepare the WTP operations budget. She explained the capital budget preparation and discussed carry over projects and projects that have been deferred. She explained projects that are necessary in the 17-18 FY budget. Ms. Roney discussed issues with the water quality lab and explained that it was original to the plant (1974) and that renovations were needed. She noted that the lab renovation was scheduled for FY 2020 and discussed renovations to the pipe gallery and other projects to be deferred to FY 2022.

Mr. Denton reiterated that the goal was to fund large electric projects with savings from KyMEA and that the goal in the water department would be to fund many water projects with cash after water bonds are satisfied in 2019 to keep water rates flat.

In response to Mr. Cubine, Mr. Denton stated that FPB had applied for a KIA loan to fund the reservoir replacement. Mr. Denton explained the payment schedule for that scenario as well as for electric and water revenue bonds. Mr. Denton further discussed bond rates and stated that rates would depend on numerous factors. He stated that it was likely that the first bond payment could be due June 2018.

Mr. Billings explained that budgeting in the distribution system included routine maintenance and replacement. He explained that the goal was to take on self-funded capital projects that were absolutely necessary. He stated that staff was continually looking at ways to increase non-sales driven revenue and continue to look for opportunities to increase wholesale water sales. He further advised that staff had budgeted \$4 million dollars for reservoir replacement and that staff had not budgeted for future mitigation with Tanglewood or for AMI.

In response to Mr. Cubine, Mr. Billings advised that FPB increased water sales to North Woodford Water District and South Anderson Water District, but that it was anticipated that FPB may lose sales in the future to Louisville water. He further explained that Louisville could be more competitive due to economies of scale.

In response to Mr. Baldwin, Mr. Billings stated that staff could track business/industry sectors that are potentially large water consumers and work with economic development in the service area to attract new business/industry customers. Mr. Smith added that FPB had added two new wholesale customers in the last 5 years and that they had made up for the wholesale losses.

In response to Mr. Cubine, Mr. Billings stated that staff believes sewer rates are a driver for reduction or water usage as well as conservation efforts in society. Mr. Smith discussed new faucets, toilets, and appliances that are more efficient. Mr. Billings explained FPB's defined geographic area and that there continues to be little to no growth in FPB's residential and industrial service areas.



In response to Mr. Baldwin, Mr. Billings stated that there was no active marketing directed at customers drinking bottled water to encourage the use of FPB tap water. Mr. Bannister stated that FPB had invited a marketing executive from Louisville Water to the May Board meeting to discuss how they have addressed the bottled water market. Mr. Bannister further stated that staff believes FPB will need to spend money on marketing in order to promote water sales and capture some of the bottled water market. Ms. Rosen stated that FPB could utilize the website and FPB TV to promote the benefits of tap water over bottled water.

Mr. Bannister further discussed the possibility of enticing additional industries to Frankfort. In response to Mr. Cubine, Mr. Billings explained that Louisville Water rates were lower than FPB's. Mr. Bannister advised that FPB pays an additional 20 cents per 1000 gallons for water drawn from the Kentucky River that water drawn from the Ohio River due to a fee paid directly to the Kentucky River Authority.

Mr. Billings reiterated that an additional item in the amount of \$250,000 had been added to this fiscal year budget for street and asphalt replacement due to City ordinance changes. In response to Mr. Cubine, Mr. Billings further explained permitting requirement changes in road repair if the FPB digs into the road for water line repair or replacement. He explained that the new road repair requirements from the City would necessitate the replacement of more road surface at FPB's expense. Mr. Smith added that historically, FPB had completed those road repairs in house and under the new ordinance, the City would hire a contractor to perform the road repair work and FPB will be required to pay for the repairs. Mr. Smith further discussed coordination of projects with the City in order to combine replacement projects and reduce road repair costs. Mr. Billings added that efforts were being made to coordinate with other utilities as well.

Mr. Cubine discussed FPB subsidizing the sewer billing. Mr. Denton stated that in a recent study, it was calculated that the true cost of sewer billing would be approximately \$500,000 and that FPB collects \$96,000 from the City to provide sewer billing. In response to Mr. Cubine, Mr. Denton stated that electronic billing provides a cost saving and explained the manner in which FPB does encourage e-billing and discussed past ideas of adding a fee to those customers who request a paper bill. He further stated that all customers could sign up for e-billing on the FPB web portal. In response to Mr. Cubine, Mr. Denton further explained cost allocations.

At this time, Mr. Ludwig suggested a second meeting be scheduled. Mr. Denton stated that he would like to hear from the Board regarding ideas on what items Board members would like to see added to the budget. After additional discussion, the Board decided to take a brief recess. Mr. Bannister added that Mr. Denton wanted to hear from the Board what projects they would like to see included in the budget.

### **Cable/Telecommunications**

Mr. Higginbotham discussed budget items and ideas. He stated that the main goals were to keep the infrastructure up and running, maintain as good of quality as possible, to attract and retain customers in a competitive environment. He discussed infrastructure improvements that have been completed as well as improvements made in the field. He further stated that additional upgrades were necessary in order to continue to maintain and improve services. He discussed employee turnover in the department and advised that there has been a 40% turnover in the installation department. He advised that some transferred within the company, some were promoted and one who left the company completely. He further advised that many supervisors would be set to retire within the next 5 to 6 years. Mr. Higginbotham stated that the ability to attract qualified new employees has diminished over time.

In response to Mr. Cubine, Mr. Higginbotham explained that bringing in new employees was difficult in part due to salary and benefits, but that it was also difficult to locate potential qualified employees. He further noted that one employment offer was turned down due to better pay and logistics. Mr. Higginbotham stated that FPB



was competing with AT&T, Time Warner and other cable/telecom companies. He advised that those companies outsource many of the installer positions. Ms. Schneider further stated that it was difficult to recruit at the entry-level salary position. She advised that some potential employees were not able to complete the screening process. At the request of Mr. Bannister, Ms. Schneider stated that recently four applicants failed to appear for their scheduled job interviews. She noted that it was a tight labor market and that FPB may need to review starting salary.

Mr. Higginbotham discussed revenue and estimates regarding customer losses and gains. He discussed the potential skinny bundle and noted that many companies that have introduced a skinny bundle have not been successful at bringing in new customers due to the cost. Mr. Higginbotham discussed future rate increases due to current approved contracts with increases already built in and discussed the potential for increases in retransmission for local channels.

In response to Mr. Cubine, Mr. Denton explained that costs included in approved programming contracts were scheduled throughout the budget years. He advised that the increases were allocated in the budget and that FPB could not absorb the rate increases that are already built in to current programming contracts.

Mr. Higginbotham continued discussing retransmission and the respective fees. He advised that those channels were free to FPB until 2009 and today FPB was charged a fee for that programming. He stated that FPB passes that fee through to the customer and that based on industry discussion, those fees are likely to double if FPB continues to carry duplicate local channels. He advised that staff had cut the duplicate local channels from this draft budget in order to reduce costs. Mr. Higginbotham stated that staff wanted input from the customers and from the board. He further explained past surveys of customers regarding local stations and advised that the Lexington channels were largely more watched than Louisville channels based on viewership data.

In response to Mr. Cubine, Mr. Higginbotham discussed the poll completed in the past through a research company. He further stated that staff would not know what the increase might be until September. Mr. Higginbotham discussed viewership data, which was overwhelming in favor of the Lexington channels.

Mr. Higginbotham stated that there was positive growth in broadband but that growth had begun to slow down. He advised that security growth was flat and explained that it was a difficult market in which to compete due to the amount of devices on the open market.

In response to Ms. Rosen, Mr. Higginbotham stated that there were no additional funds in the budget for marketing in the security department. Mr. Hellard advised that to make the security service grow the housing market in Frankfort would need to improve and grow. He stated that the customers who want security already have it and have contracts in place. Mr. Higginbotham continued to discuss new customers acquired by the new business products specialist over the past few months. Mr. Hellard discussed security contracts and stated that there was some timing involved to get customers who have security through another company due to contractual obligations.

In response to Mr. Cubine, Mr. Higginbotham advised that losses in telephone were on the residential side and that FPB had picked up some new business services in the past few days. He stated that FPB would likely continue to lose residential customer in telephone.

In response to Mr. Cubine, Mr. Higginbotham stated that the market continued to change. He discussed the "over-the-top" market where customers stream programming as well as wire line offerings. He stated that the consultants were reviewing FPB's current system and hoped to have a report and additional insight into the business plan in June or July. Mr. Higginbotham stated that he would like to receive Board input but cautioned taking on additional debt in the Cable department.



Mr. Higginbotham stated that staff was looking at phasing out contract installers as FPB was able to hire more qualified employees. In response to Mr. Cubine, Mr. Higginbotham explained that a couple of new installers would need to be hired and that there were some other ideas that may or may not make it into the budget.

In response to Mr. Baldwin, Mr. Higginbotham explained moving CMTS from IT to Cable side. Mr. Hellard stated that the networking would likely stay with IT and the day to day functions of CMTS would move to the headend. Mr. Baldwin stated that it would be his vote to move both.

In response to Mr. Baldwin, Mr. Higginbotham explained revenue and expense numbers in telephone, specifically line 20 and line 65. Mr. Higginbotham advised that FPB did not have as many customers move over to the new telephone packages as had been anticipated. He stated that it had been more difficult to get out of the long distance business than staff had originally anticipated and that there were some additional expenses than were originally anticipated. He advised that the unanticipated expenses were more than \$100,000 but would get Mr. Baldwin a better number later. Mr. Denton stated that the expense line was not all Big River fees and that it also included more cost allocations due to changes in accounting practices. Mr. Higginbotham stated that the new allocations allowed for better expense tracking in order to better budget costs to the appropriate line of business.

In response to Mr. Baldwin, Mr. Higginbotham explained that the amount budgeted for set top boxes was less than in past years. He explained that this was to replace some older set top boxes and for the roll out of the TIVO products. He further explained the effect the skinny bundle would have on set top box rentals. Mr. Hellard and Mr. Higginbotham explained additional efforts required for the skinny bundle as well as bandwidth requirements.

In response to Mr. Baldwin, Mr. Higginbotham explained that FPB does not own the rights to a strictly streaming service for cable programming.

In response to Mr. Baldwin, Mr. Higginbotham explained replacement of 1500-1600 outdoor MTAs installed when service initially converted in 2003 that presented a significant problem. Mr. Hellard further explained issues with the older outdoor units. Mr. Higginbotham, Mr. Hellard and Mr. Jones further explained changes noted in expenses over the five (5) year plan. Mr. Jones explained IP mapping changes and upgrades. Mr. Higginbotham explained allocation of expense and how the upgrades would work with the system. Mr. Baldwin requested an email with details and specifics on budget lines 693 and 698 on page 21 of the draft budget.

At this point Mr. Ludwig stated that he had another commitment and turned the meeting over to Mr. Baldwin. Mr. Ludwig advised that the next regular Board meeting was scheduled for April 18, 2017.

Mr. Denton added that there was a current construction loan with a draw down as needed for Cable up to \$9 million. He advised that the draw down was approximately \$5.7 million today and that the draw down would freeze on December 31, 2017 and FPB will begin to pay back borrowed funds.

In response to Mr. Cubine, Mr. Denton stated that the items in this budget staff feels are important, necessary, and critical to FPB at this point. If it was not included in this budget, it was because staff did not feel it was meeting a mission critical goal. He advised that staff would like to know if there were items which the Board would like to see in the budget, staff would like to hear those ideas and would like to have the items voted on for inclusion.

Mr. Denton briefly discussed credit card acceptance. Mr. Cubine added that he has heard some that would like to use credit cards but don't want to pay extra for it and think we should absorb. He requested staff to try to refine the numbers on credit cards and further discuss with the Board.



Mr. Cubine further discussed subsidization of some service fees. Mr. Denton explained that miscellaneous fees were recently reviewed and fees were updated for certain services. He advised that with those fee changes there was no subsidization of fees for the most part at this point.

Mr. Baldwin stated that there were two big questions with the credit card acceptance issue: 1) are we offering the best service fee structure to our customers, and 2) should we charge a service fee or not? Mr. Denton discussed potential issues and disseminated a spreadsheet with payment data over the last two years. Mr. Baldwin suggested inserting the chart into the video. Mr. Denton explained information included in the chart.

In response to Mr. Cubine, Mr. Denton further explained the different payments methods. He advised that automatic bank draft was where customers have signed and agreed that FPB can automatically debit their designated bank account around the scheduled due date of each month. He explained that ACH allows the customer to contact their bank and instruct the bank to pull funds and send to FPB on the date that is most convenient for the customer. Mr. Denton further explained that the most used payment method was the cashiers in the office. He stated that utilizing a credit card would incur fees and those fees would depend on the type of card utilized. Mr. Denton stated that an item for credit cards might need to be placed on the agenda for a vote.

Ms. Rosen discussed possibly reducing the fleet. Mr. Denton stated that implementation of AMI may assist with that. He further discussed fleet replacement policy which staff was following.

In response to Mr. Cubine, Mr. Denton stated moving fleet replacement out could affect costs positively or negatively, and noted that the policy could be reviewed at the board's discretion. Mr. Redmon explained that old vehicles were sold on govdeals.com and further explained specifics of the fleet replacement policy.

In response to Ms. Rosen, Mr. Redmon explained the past review of using electric vehicles for some departments. He further explained the main consideration was the use of the vehicle in order to not over buy. Mr. Foster stated that with the AMI business case, purchase of meter reader vehicles might be deferred. Mr. Redmon advised that the water department had lightened their fleet over the years to reduce costs. In response to Mr. Baldwin, Mr. Redmon stated that all take home vehicles were small class vehicles but were based on job use. Mr. Foster stated FPB had looked at electric vehicles but had run into some issues. Mr. Redmon advised that most electric and hybrid vehicles had been removed from off the state price contract.

Ms. Rosen discussed energy efficiency and assisting customers with reducing their energy usage. Mr. Denton disseminated a spreadsheet and information regarding on bill financing. He explained potential implementation and estimated startup costs. He explained his reservations and concerns about this program. He stated that Staff believed this was not within the FPB mission to provide electric, water and cable/telecom services. He stated that it was a decision of whether FPB wanted to go down the road of becoming a lender. The other consideration was the amount administrative work required would necessitate at least one additional full time employee and possible two employees just to handle the work load for a program of this nature. In response to Mr. Cubine, Mr. Denton noted that his estimates were just startup costs and did not include additional personnel. In response to Mr. Baldwin, Mr. Denton stated that he felt like the figures from MACED were fair and were estimated at the highest range but it would take a minimum of six figures to get the program started. In response to Mr. Cubine. Mr. Baldwin stated that the program would work however the board decided they wanted it to work and that he thought it applied to rental property as well as owner occupied properties.

Mr. Baldwin suggested sending concerns to MACED for follow up responses. Ms. Rosen suggested to potentially partner with a company or housing inspector to



advise and educate property owners. Mr. Cubine stated that community action units may have some involvement in this type of service but that he was unsure of their level of funding. Mr. Denton stated this was more of a public service and would likely see no benefit until millions of dollars had been spent.

Mr. Denton stated that the biggest savings potential would be seen with FPB's new power supply relationship with KyMEA. With savings through KyMEA, FPB could become a very financially stable company if things were planned properly, and that staff could make happen many of the things the board wanted to see in the future if KyMEA works out as scripted. Mr. Denton advised that FPB is a non-profit and there is no profit motive at FPB. He stated that every penny sent to FPB by its customers goes right back in to reinvesting in the system, hiring qualified staff to ensure reliability of services and to making sure that we stick to the fiduciary obligation we have to ensure this is a stable financial company for the future. Mr. Foster added that another benefit with KyMEA was that they would lead development of energy efficiency programs and spread that cost to all of its city members, which could equate to savings for FPB customers. Mr. Baldwin stated that the bigger picture was for FPB to be actively thinking of ways to reduce the demand for energy.

Mr. Cubine recommended putting the budget together and seeing what was hanging out with a menu of items for what staff recommends should be done or cut for the ratepayers and the community. That staff put together what items they believes could be done and not done, and ideas on how to fund items.

Mr. Denton stated that many of FPB expenses are set and not negotiable. The remainder is deciding what capital projects must be done now and which projects can be deferred. Mr. Baldwin reiterated that staff should follow up with MACED on concerns.

Mr. Denton stated that staff would update the budget and come back to the board with a more in depth discussion of what staff believes is important and options to pay for them. Mr. Cubine discussed options of deferring, which have little savings because those make the next budget more difficult. Mr. Foster advised that most of the projects were deferrals because they will eventually be necessary for system improvement and reliability.

Mr. Baldwin stated that he would like to look at colocation for the headend building with the unused rack space. Mr. Hellard stated that staff had looked at colocation at the headend but did not recommend due to potential issues with additional traffic in Tanglewood as well as issues with entry of facilities by non-FPB staff. He advised that there would be additional space in the NOC building.

Mr. Baldwin stated that there were multiple benefits to renting space and stated that colocation should be considered with all FPB buildings where empty space is available.

Mr. Baldwin stated that he would like see the expansion of marketing FPB water over bottled water in an effort to increase water sales as well as offering fiber to high occupancy buildings, and looking for other revenue streams.

Mr. Baldwin reiterated the branding of FPB water to encourage tap water over bottled water. Mr. Baldwin discussed potentially offering fiber to high occupancy buildings, point-to-point VPN, and greater bandwidth over those channels as additional services to bring in an additional revenue stream. Mr. Baldwin stated that he would like staff to be thinking about these options and what can be accomplished. He further discussed adding more features to packages and offerings to businesses to generate more revenue.


In response to Mr. Cubine, Mr. Bannister stated that FPB would continue to lose money on SEPA through 2019. He advised that a loss of \$175,000 was budgeted in the current fiscal year and would likely be the same for the next fiscal year. Mr. Bannister stated that staff would come to the board with a presentation on SEPA

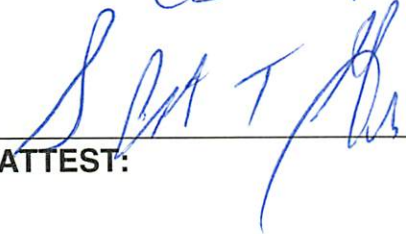


and ask for a decision on SEPA allocation to KyMEA due to the transmission application for transmission through LG&E. He stated that if the board does not act on SEPA soon the cost for the transmission application would be \$15,000 if they approved the SEPA allocation later. Mr. Denton added that the important aspect was not to get hung up on the dollar loss in the interim through May 2019 due to the amount of economic benefit that would come to FPB once KyMEA takes over. Mr. Foster added that Brown Thornton had been scouring the market for any other SEPA options. Mr. Foster stated that the market is complicated but reviewing how other entities are doing in the market may be feasible. Mr. Foster stated that market price is the same regardless of where the power was sold and advised that Brown Thornton would address the board on SEPA.

In response to Mr. Baldwin, Mr. Foster stated that all other KyMEA city have allocated SEPA rights to KyMEA and transmission submissions need to be submitted by the end of April. If a decision were not made, FPB would have to pull its SEPA allocation from the application and re-apply on its own at a later date if the Board decides to proceed. He advised that waiting on the decision would only cost FPB more money.

With no further business to discuss, Ms. Rosen moved to adjourn. Mr. Cubine seconded. Mr. Baldwin called for the vote. The motion passed unanimously and the meeting adjourned.

  
\_\_\_\_\_  
CHAIRMAN  
FPB

  
\_\_\_\_\_  
SECRETARY

**ATTEST:**