

May 17, 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, May 17, 2016 at 5:00 p.m.

**ATTENDANCE:**

Ralph Ludwig, Board Chair  
Rick Pogrosky, Vice Chair  
Dr. Scott Green, Secretary/Treasurer  
Anna Marie Pavlik Rosen, Board Member  
Walt Baldwin, Board Member  
James Liebman, Board Attorney  
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  
Scott Hudson, Electric Supt.  
Casey Jones, Asst. 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  
Dianne Schneider, HR Director  
Alan Smith, Asst. Water Superintendent  
Zach Hubbard, Cable 10 Videographer  
Seth Littrell, State Journal Reporter  
Connie Heppenstall, Gannett Flemming  
Aaron Nickerson, GRW Engineers  
Chris Woolery, MACED  
Jason Loomes, MACED

**AGENDA**

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

**MAY 17, 2016 BOARD MEETING AGENDA**

1. **Action Item:** Conduct a Public Hearing for the Establishment of fees for: (1) Residential Telephone package and (2) Business Telephone package, (3) Acceptable Use Unlimited Long Distance Plans Policy.
2. **Action Item:** Consider Approving Minutes for the April 19, 2016 Board Meeting.
3. **Action Item:** Consider Approval of Change Order No. 4 for the Administration Building for an addition of \$9,397.00.
4. **Informational Item:** Presentation from Chris Woolery from Mountain Association for Community Economic Development (MACED) for In Bill Financing Proposal.
5. **Action Item:** Electric, Water and Cable Financial & Statistical Data for April 2016.

6. **Informational Item: Public Comment Period.**
7. **Informational Item: Departmental Reports:**
  - Website Customer Comments
  - Cable Dept.
  - Customer Service
  - Electric Dept.
    - SEPA
  - KyMEA
  - Safety
  - Water Distribution
  - Water Treatment Plant
  - Administration Building
  - Headend
8. **Action Item: Consider Cost of Living Pay Increase – effective July 1, 2016.**
9. **Action Item: Consider 1% Merit Pay Increase – effective July 1, 2016.**
10. **Action Item: Consider Award of Bid Invitation #1617 for East Main Substation Fence to Myers Fence, Inc. in the Amount of \$31,075.**
11. **Action Item: Consider Accepting the Water Cost of Service (COS) Study by Gannett Flemming.**
12. **Action Item: Consider Approval of Addendum to Windstream Agreement for purchase of additional bandwidth (\$87,600).**
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. Poe called the roll. She noted five (5) Board members in attendance.

1. **Action Item: Conduct a Public Hearing for the Establishment of fees for: (1) Residential Telephone package and (2) Business Telephone package, (3) Acceptable Use Unlimited Long Distance Plans Policy.**

This Hearing will come to order. My name is Dr. Scott Green; I have been requested by the Board to conduct this Hearing. With me today are Board Members and Staff of the Frankfort Electric and Water Plant Board. We are here to receive comments regarding the following: (1) Residential Telephone package and (2) Business Telephone package, (3) Acceptable Use Unlimited Long Distance Plans Policy. This



Public Hearing was advertised in accordance with the Regulations for Public Notification.

To conduct this hearing in an organized fashion, we ask that you register with the Secretary if you wish to speak.

This Hearing will be conducted informally and voluntarily by the Frankfort Electric & Water Plant Board in order to accept comments on the above item. Both oral and written comments will be accepted. Any and all persons present who wish to make a statement will be afforded an opportunity to do so. If you have a written statement to accompany your oral presentation, a copy of the written statement should be provided to the Board prior to your presentation. Oral presentations should be limited to no more than 3 minutes. If necessary, I will interrupt and request the presentation to be completed due to this time limit. I may ask questions of any person presenting oral comments where it is necessary to clarify the nature or substance of the comments.

The Board reserves the right to answer questions at a later date. It is the job of the Board to fairly consider various points of view and information. We want public input and involvement and I hope you do not find our standard procedures restrictive.

Additional oral comments and written comments will be accepted and considered if they are submitted no later than the end of normal business hours on Monday, May 23, 2016. To submit a comment, please contact FPB at 352-4372, or on our website [www.fpb.cc](http://www.fpb.cc).

Before we open the floor for comments, Mr. Couch will provide a summary of the details.

Mr. Pogrotsky opened the public hearing.

Mr. Couch summarized the new telephone packages, options and pricing. He reiterated that current customers would have the choice to retain their current service and price or could choose one of the new plans. He further reiterated that all new customers would be required to sign up under the new package plans.

In response to Mr. Baldwin, Ms. Gilliam stated that if a current customer moved services from one location to another within the service area they would be able to maintain their current plan/pricing.

Mr. Pogrotsky asked if any member of the public in attendance wished to speak and there were none. Mr. Pogrotsky reiterated that oral and written comments on this item would be accepted until 4:30 p.m. on Monday, May 23, 2016. With no further comments or discussion, Mr. Pogrotsky closed the public hearing.

2. **Action Item: Consider Accepting Minutes of the April 19, 2016 Board Meeting.**

Dr. Green moved to approve the minutes of the April 19, 2016 Board Meeting. Mr. Ludwig seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

3. **Action Item: Consider Approval of Change Order No. 4 for the Administration Building for an addition of \$9,397.00.**

In March of 2015, the Board awarded the construction contract for the new administration building to Marrillia Design and Construction for \$15,730,293.

As construction has progressed, additional items to be added, modified, and removed have been determined. A list of the items is included in the board package.



A summary of the change orders is listed below:

Summary:

Original Construction Contract	\$15,730,293.00
Change Order #1 (addition):	\$ 23,306.00
Change Order #2 (deduction):	\$ 94,775.42
Change Order #3 (deduction):	\$ 50,753.00
Change Order #4 (addition):	\$ 9,397.00

**New Contract Amount: \$15,617,467.58**

Staff recommends the Board approve Change Order #4 with Marrillia Design and Construction.

Ms. Dutta explained the history of the project and the previous change orders for the project. Mr. Aaron Nickerson of GRW Engineers explained each line item in the change order, the cost of change order #4, the total cost of all change orders, and the new total cost of the building.

Dr. Green moved to approve Change Order No. 4 for the Administration Building for an addition of \$9,397.00. Mr. Pogrotsky seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

**Administration Building:** Ms. Dutta discussed activities at the administration building site. She explained progress and discussed photos provided in the Board package. She further explained the field inspector and reports.

In response to Ms. Rosen, Mr. Nickerson stated that the glass for the customer service area was in the final shop drawing stage. He noted that changes could be made but any changes made and the glass could be removed from the scope but that all changes would come with consequences.

At the request of Mr. Baldwin, Ms. Dutta discussed cost per square foot as well as details of the building.

4. **Informational Item: Presentation from Chris Woolery from Mountain Association for Community Economic Development (MACED) for In Bill Financing Proposal.**

In our ongoing community focused portion of the Board Meeting, Chris Woolery from Mountain Association for Community Economic Development, (Maced) is preparing an In Bill Financing proposal streamlined for FPB. Chris presented How\$martKY at the December, 2015 Board Meeting. This will be an actionable proposal for consideration in the 2016 -17 Budget. Chris will present how a "Pay as you Save System" might be implemented, the benefits, and a program costs.

Mr. Woolery discussed his power point presentation. He explained On-Bill Financing, the manner in which to attract customers, the benefits if utilizing On-Bill Financing, and how customers could potentially benefit. He further explained the program design and the manner in which FPB could get started and move forward as well as how FPB could potentially lower its demand charge paid to Kentucky Utilities.

In discussion, Mr. Woolery advised that there were several options in which the Board could elect to pursue. He further discussed what electric co-ops were doing to facilitate on-bill financing for their customers. Mr. Woolery discussed the necessity for a line of credit which FPB would take from MACED, transferability of the financing if the property is sold, loss reserves for foreclosure or non-payment, and potential options for renters.



Mr. Ludwig stated that the Board could review during budget discussion the potential to explore some options. Mr. Pogrotsky stated that he had many questions was not ready to commit to anything formal.

11. **Action Item: Consider Accepting the Water Cost of Service (COS) Study by Gannett Flemming.**

The last COS study utilized to adjust retail water rates was performed 2013. The goal of staff is to conduct COS studies every two years to ensure revenue requirements are being properly addressed. As such, Gannett Flemming was tasked to conduct a COS study in November of 2015 and include known changes to expenses and capital additions over the next 5 years (FY17 through FY21).

As a matter of course, Gannett Flemming has completed the COS study for the test year ending June 30, 2021 and is in attendance to present their findings.

Staff recommends the Board accept the Water COS study.

Mr. Billings explained the history of FPB's cost of service studies and introduced Connie Heppenstall of Gannett Flemming. Ms. Flemming advised that the cost of service study was performed for future revenue needs. She presented a power point and explained customer classes and ratios, as well as rates for retail customers and water producers. She explained revenue requirements, expenses, capital costs, as well as rate design, goals and structure. She explained the increases necessary for the customer charge as well and the usage costs for each customer class and explained how FPB compared to other water producers in the region. Mr. Billings stated that the cost of service study did include debts service for the upcoming reservoir replacement as well and the administration building project.

After some additional discussion, Mr. Rosen moved to accept the cost of service study report. Mr. Ludwig seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

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

Mr. Denton explained that FPB was a not for profit organization and explained how funds can be utilized by FPB as a non-profit organization. He further discussed the statement of net position and balance sheet through April 30, 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 with the budget for the period.

Dr. Green moved to accept the Electric, Water and Cable Financial & Statistical Data for April 2016. Mr. Pogrotsky seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

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

Mr. Ludwig opened the floor for public comment. Andy McDonald thanked the Board for its consideration of MACED and the On-Bill Financing project. He noted that he had utilized their services with positive results.

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

Mr. Ludwig asked if the Board wanted to hear from any departments due to the length of the Agenda.

**KyMEA:** Mr. Foster explained that the issuance of an RFP on peaking capacity was approved which would be complete in a few weeks. He stated that draft language for the all service requirements contract between the individual members and the



KyMEA and noted that some contracts would be ready for the July Board meeting. In response to Mr. Baldwin, Mr. Foster stated that utilizing generators owned by FPB for power generation to the grid would depend on efficiency and permitting but that Staff could study the possibility. He further noted that flexibility for utilization of the generators would be built into the contracts.

**Headend Building:** In response to Dr. Green, Mr. Hellard stated that the building was complete and that Staff was waiting on furniture. He stated that Staff could move into the building any time.

**Website Customer Comments:** Mr. Pogrotsky reiterated a customer comment from the website. Mr. Foster advised that Staff could place minutes on the website. After discussion, the Board instructed Staff to place minutes on the website going forward and to go back twelve (12) months.

Mr. Pogrotsky noted that the meetings were also available on YouTube for customers to view.

8. **Action Item: Consider Cost of Living Pay Increase – effective July 1, 2016.**

The FPB employee compensation plan provides for a cost of living increase to be considered by the Board annually. The increase in the Consumer Price Index for All Urban Consumers (CPI-U) increased by {to be determined} for the 12-month period from May 1, 2015 through April 30, 2016.

**The CPI-U data for the above reference time frame will be published at 8:30 a.m. on May 17<sup>th</sup>, the day of our Board meeting. The following narrative includes blank spaces as a result of the CPI data not being available. This information will be discussed at the Board meeting.**

If approved, a \_\_\_ cost of living increase will be included in the FY 2016-2017 proposed budget and subject to final approval by the Board (estimated budget impact: \_\_\_).

Based on the compensation policy, only those employees whose current pay is at or above the mid-point of the pay grade (54 employees) will receive the cost of living pay increase effective July 1, 2016. Other than the proposed cost of living and merit pay increases, this group of employees receive no other pay increases during the 12-month period, (unless they receive a promotion).

Dr. Green moved to approve a 1.5% cost of living pay increase effective July 1, 2016.

Ms. Schneider advised that the CPI-U for the period noted a cost of living increase of 1.1%. She stated that Staff recommended a 1% cost of living increase for the 54 employees that were at or above the midpoint of their pay grade. She further advised that the budget impact for a 1% cost of living increase would be approximately \$31,000. Ms. Schneider further advised that this group of employees would receive no other pay increases besides COLA and Merit for the twelve (12) months ending June 30, 2017 unless they receive a promotion.

Dr. Green reiterated his motion for a 1.5% cost of living increase effective July 1, 2016. Mr. Pogrotsky seconded. Ms. Poe called the vote by member and the motion passed unanimously.

9. **Action Item: Consider 1% Merit Pay Increase – effective July 1, 2016.**

Staff requests the Board consider approving an amount equal to 1% of budgeted payroll for employee merit pay increases. This 1% will be used to reward individual employee work performance based on employee's most recent performance appraisal rating (3.5 rating or higher) for those employees whose pay is at or above the mid-point for their pay grade (54 employees).



If approved, the 1% merit increase will be included in the FY 2016-2017 proposed budget and subject to final approval by the Board (estimated budget impact: \$31,000). Other than the proposed cost of living and merit pay increases, this group of employees receive no other pay increases during the 12-month period, (unless they receive a promotion).

Ms. Schneider stated that Staff requested the Board consider approval of a 1% Merit increase for the 54 employees at or above the midpoint of their pay grade who score a 3.5 or higher on their annual performance appraisal. She advised that a 1% Merit increase was approved the previous year.

Mr. Pogrotsky moved to approve a 1% Merit increase effective July 1, 2016. Dr. Green seconded. Ms. Poe called the vote by member and the motion passed unanimously.

10. **Action Item: Consider Award of Bid Invitation #1617 for East Main Substation Fence to Myers Fence, Inc. in the Amount of \$31,075.**

Staff prepared an invitation for a new fence and gates at East Main substation. The invitation was publicly advertised and sent to three vendors. Two responses were received. After reviewing all the bids, staff recommends awarding to Myers Fence, Inc. in the amount of \$31,075. Myers Fence submitted the lowest bid and met the specifications.

This fence replacement is necessary as part of the East Main substation project to accommodate a new entrance to the station from Meredith Avenue and a new retaining wall along the East Main side of the station. This project will also cover the replacement of the remaining portions of fence to meet the latest National Electric Safety Code standards.

Mr. Foster discussed the bid specifications and the responses received and explained Staff's recommendation for the bid award to Myers Fence, Inc. in the amount of \$31,075.

Mr. Baldwin moved to award bid invitation #1617 for East Main Substation fence to Myers Fence, Inc. in the amount of \$31,075. Mr. Ludwig seconded. Mr. Ludwig called for the vote and the motion passed unanimously

12. **Action Item: Consider Approval of Addendum to Windstream Agreement for purchase of additional bandwidth (\$87,600).**

Staff recommends the approval of the Addendum to the June 2013 Windstream Customer Service Agreement for Broadband Services in order to purchase an additional 5 Gigabit of bandwidth. This will provide FPB with a redundant failover path for our other Windstream link and will also provide additional Internet bandwidth to assist with increasing demand. **Monthly Recurring Cost \$7,300**

The Assistant GM-Administration has reviewed the amendment and it meets with his approval.

Mr. Jones explained the vendors and various pricing for one year, three years and five years. He further discussed correspondence with representatives from KyWired and Level III.

In discussion, Mr. Jones stated that FPB was currently at 75% saturation and was growing at a rate of 60% year over year. After additional discussion, Mr. Jones stated that he did not recommend delaying the approval for the purchase of additional bandwidth.

Ms. Rosen moved to delay until more information from KyWired was received. Mr. Baldwin seconded. Ms. Poe polled the Board and the motion passed with a 4-1 vote.



Mr. Ludwig, Dr. Green, Mr. Baldwin and Ms. Rosen voted "Yes" and Mr. Pogrotsky voted "No".

13. **Old & New Business:**

**Cycle Billing Report:** Ms. Rosen explained splitting customer billing into two separate cycles and stated that the group proposed holding a special meeting to conduct a public hearing on cycle billing on May 25, 2016 at 5:00 p.m. She further noted that the public hearing would also be for changing the budget billing reconciliation month to May.

In discussion, Ms. Rosen stated that the process would take about six (6) months and explained the testing and the methods of informing customers. She further stated that they were looking at implementing the change in November. Mr. Pogrotsky stated that he believed it would be more ideal to hold the public hearing in early June. Ms. Gilliam further explained testing and customer notifications. Dr. Green stated that the Board should get the budget approved first.

Mr. Ludwig moved to hold a special meeting to conduct a public hearing to solicit public comments for cycle billing and budget billing reconciliation on Wednesday, May 25, 2016 at 5:00 p.m. at Farmers Bank Community Room. Ms. Rosen seconded. Mr. Ludwig called for the vote and the motion passed unanimously.

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; 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.

None

16. **Closed Door Session:**

With no further business to discuss, Mr. Pogrotsky moved to adjourn. Mr. Baldwin seconded. Mr. Ludwig called for the vote and the meeting adjourned.

  
\_\_\_\_\_  
CHAIRMAN.

  
\_\_\_\_\_  
ATTEST: