



MINUTES

FPB Board Meeting

5:00 PM - Tuesday, January 21, 2020

Community Room

The Frankfort Plant Board held a Regular Board Meeting on Tuesday, January 21, 2020 at 5:00 PM in the Community Room.

ATTENDANCE:

Dawn Hale, Board Secretary/Treasurer
John Cubine, Board Chair
John Snyder, Board Member
James Liebman, Board Attorney
Gary Zheng, General Manager
David Billings, Chief Water Engineer
Harvey Couch, Marketing Video Content Coordinator
Katrina Cummins, Finance Director
David Denton, Chief Financial Officer
Ryan Henry, Assistant IT Director
Scott Hudson, Electric Superintendent
Casey Jones, IT Director
Cathy Jennings, Executive Assistant to CFO
Cathy Lindsey, Public Information Coordinator
Kathy Poe, Executive Assistant to GM
Hance Price, Assistant GM Administration/Staff Attorney
Kim Phillips, Safety Director
Leigh Ann Phillips, Support Services Director
Julie Roney, Water Treatment Superintendent
Dianne Schneider, HR Director
Alan Smith, Water Distribution Superintendent
Deron Rambo, Network Operations Center Director
Travis McCullar, Chief Electric Engineer
Jennifer Hellard, Purchasing Agent
State Journal

1 ACTION ITEM: APPROVAL OF MINUTES

- 1.1 Consider Approval of the Minutes for the December 17, 2019 Board Meeting.

John Snyder moved to approve the minutes for the December 17, 2019 Board Meeting. Dawn Hale seconded the motion.

CARRIED. 3 to 0.

2 ACTION ITEM: ACCEPT FINANCIALS

- 2.1 Accept Financial Report for month ending December 31, 2019.

Dawn Hale moved to accept financial report for month ending December 31, 2019. John Snyder seconded the motion.

CARRIED. 3 to 0.

3 PUBLIC HEARING WATER SUB-METERING

3.1 **Conduct a Public Hearing for: Changes to FPB's Tariff regarding Sub-Metering of Water Service.**

This Hearing will come to order. My name is John Snyder. 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 changes to FPB's Tariff regarding sub-metering of water service. This Public Hearing was advertised in accordance with the Regulations for Public Notification and appeared in the Weekend, January 10-12, 2020 edition of The State Journal newspaper.

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, February 17, 2020. To submit a comment, please contact FPB at 352-4372, or on our website www.fpb.cc.

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

Mr. Snyder opened the public hearing and Mr. Billings reiterated a summary of the changes.

There were no public comments received.

4 ACTION ITEM: APPROVE RENEWAL OF FPB INSURANCE POLICIES.

4.1 **Consider Approving Renewal of FPB's Insurance Policies in the Amount of \$804,568.72.**

FPB's current insurance coverages expire February 5, 2020. 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 is \$804,568.72. This price does not include our pollution policy, which was renewed in 2019 for a three (3) year term. This price also does not include the Workers' Compensation policy which renews on July 1, 2020.

The total annual premium increased by approximately 4.5% due primarily to increases in coverages, property values, payroll estimates, and other liability estimates. Specifically, this includes:

- An incorrect payroll estimate for the Electric division of \$2,700,000 was used last year. The renewal payroll estimate used for this year is \$4,059,232. This higher payroll estimate represents an increase in premium for the General Liability of \$11,279 this year. The General liability rates are the same as last year. If the higher payroll had been used last year, the total annual premium increase would have been \$23,125.94 or 3.0% this year.
- The limit for the Blanket Building and Contents increased by \$602,016 or .4% resulting in an additional premium of \$2,820 this year.
- The limit for the Business Income coverage increased from \$13,134,070 last year to \$18,275,750 which results in an additional annual premium of \$5,123.
- The annual premium for the Errors & Omissions and Network Security and Privacy Liability increased by \$2,311.29, a 3.2% increase due to a 2.9% increase in the estimated revenue.
- The annual premium for the Equipment Floater increased by \$2,388 or 4.0% due to an increase in the limit of \$767,749 or 4.8%.
- The annual premium for the Umbrella Liability coverage increased by \$4,197 or 3.3% over last year due to higher underlying General Liability premium.
- It should be noted that the retention for the Directors and Officers Liability coverage has increased from \$35,000 to \$50,000 as this is the lowest retention now available.

The insurance information as well as the ten (10) year policy premium comparison is included in the detail section of your board package.

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 \$804,568.72.

John Snyder moved to approve the renewal of FPB's insurance policies in the amount of \$804,568.72. Dawn Hale seconded the motion.

CARRIED. 3 to 0.

5 INFORMATIONAL ITEM: PUBLIC COMMENT

5.1 Tom Marshall spoke about KyMEA.

6 INFORMATIONAL ITEM: WEBSITE CUSTOMER COMMENTS

6.1 Website Customer Comments

7 INFORMATIONAL ITEM: DEPARTMENTAL REPORTS

- **TELECOMMUNICATIONS**
- **CUSTOMER SERVICE**
- **ELECTRIC DEPARTMENT**
- **SEPA**
- **KYMEA**
- **SAFETY**
- **WATER DISTRIBUTION**

- WATER TREATMENT PLANT
- NETWORK OPERATIONS CENTER (NOC)

8 ACTION ITEMS:

8.1 Consider Approval of Lease Agreement For Office Space Between The Frankfort Plant Board and The Kentucky Municipal Utility Association.

The Kentucky Municipal Utility Association (KMUA) represents 40 city-owned utilities that provide the essential services of electric power, water, wastewater, natural gas and telecommunications services. The FPB has been an influential member of KMUA for many years. KMUA is working to increase their presence and decrease operating costs for the Association. As a part of that effort, KMUA has contacted the FPB and requested to rent office space in the FPB's administration building at 151 Flynn Avenue in Frankfort.

FPB staff have evaluated the feasibility of KMUA's request and identified a space in our administration building that would suit their needs for two KMUA staff members. Staff requests the FPB Board consider approving the attached Lease Agreement for Office Space between the FPB and KMUA.

John Cubine moved to Approve Lease Agreement For Office Space Between The Frankfort Plant Board and The Kentucky Municipal Utility Association. Dawn Hale seconded the motion.

CARRIED. 3 to 0.

8.2 Consider Approving Fox Cable Agreement.

The Cable Advisory Committee and Staff recommend the Board approve the National Cable Television Cooperative (NCTC) renewal for Fox Cable. This NCTC agreement has a term from January 1, 2020 through December 1, 2023. The networks covered include: Fox News, Fox Business, and Fox Sports 1 on Classic Cable; and Fox Sports 2 on Preferred Cable. Fox News was the most viewed Cable network in Frankfort in 2019. This agreement also covers TVE and VOD rights.

The agreement represents programming license fee increases of 22% for Fox News and 7.1% for Fox Sports 1 in year one, and vary between 6% and 8% in following years. The increases are lower than what was budgeted and anticipated.

There are no additional carriage or migration requirements in this agreement.

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 21, 2020. The Staff Attorney has reviewed the agreement and it meets with his approval.

Dawn Hale moved to Approve Fox Cable Agreement. John Snyder seconded the motion.

CARRIED. 3 to 0.

8.3 Consider Approving Public Hearing Notice covering: (1) Reducing rate for Limited Cable service, (2) Increasing rate for Classic Cable service, (3) Increasing rate for Bulk cable I and Bulk cable II, and (4) Create new billing breakdown for Classic Cable.

As always, this proposed Classic Cable rate increase is a direct pass-through of increased programming costs of the networks on Classic Cable. Also, this is not

a result of a single agreement - each of the 7 major media companies own a piece of this increase. The FOX deal makes up only a portion of this increase.

Staff recommends the Board approve the Public Notice for the purpose of conducting public hearing at a special meeting of the Frankfort Plant Board on February 11, 2020 at 5:00 p.m. in the FPB Administration Building Community Room.

1) Reduce rate for the Limited Tier.

The public notice proposes to reduce the Limited Cable tier (channels 2-30) rate from \$16.00 to \$12.79 per month effective March 1, 2020.

2) Increase rate for Classic Cable Tier.

The public notice proposes to increase the Classic Cable tier (Channels 2-98) from \$67.00 per month to \$69.50 per month effective March 1, 2020. The increase is needed to keep pace with increases in the wholesale license fees FPB must pay to programmers.

3) Increase rate for Bulk Cable I and Bulk Cable II.

The public notice proposes to increase the rate for Bulk Cable I from \$13.26 per outlet per month to \$13.96 per outlet per month effective March 1, 2020. Bulk Cable I, as defined in the FPB Tariff, typically includes hotels and KSU dormitories. Staff proposes to increase the rate for Bulk Cable II from \$23.12 per outlet to \$24.35 per outlet per month effective March 1, 2019. Bulk Cable II, as defined in the FPB Tariff, typically includes office complexes with more than 8 outlets. These increases are the same percentage as Classic Cable and are needed to keep pace with increases in the wholesale license fees FPB must pay to programmers.

4) Create new billing breakdown for Classic Cable.

In order to increase transparency with regard to the main drivers in Classic Cable rates, the public notice proposes to break the Classic Cable rate into two factors: a Customer Charge would be \$12.79 and the Cable Network Pass-Through Fee would be \$56.71. Similar to our Retrans Surcharge, the Cable Network Pass-Through Fee is a direct pass-through of programming costs the FPB pays to media ownership groups for the right to distribute the cable networks on Classic Cable. The total of the two items equals \$69.50.

John Snyder moved to approve the public hearing notice covering: (1) Reducing rate for Limited Cable service, 2) Increasing rate for Classic Cable Service, 3) Increasing the rate for Bulk Cable I and Bulk Cable II, and 4) Create new billing breakdown for Classic Cable. Dawn Hale seconded the motion.

CARRIED. 3 to 0.

8.4 Consider Approval of Resolution to Adopt New 401(a) Defined Contribution Plan.

All full-time and eligible part-time employees of the Frankfort Plant Board (FPB) participate in the County Employee Retirement System (CERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System (KRS), an agency of the Commonwealth. The KRS currently administers three different pension benefit tiers within their defined benefit plans. The KRS Tiers 1 and 2 plans are true defined benefit plans. The KRS Tier 3 plan is a cash balance plan with benefits significantly reduced from Tiers 1 and 2. In order to address the concerns regarding the reduction in retirement benefits to our KRS CERS Tier 3 Hybrid Cash Balance Plan employees, staff is requesting FPB Board approval of a new 401(a) defined contribution plan.

The new, proposed 401(a) plan would be offered through the Kentucky Deferred Compensation Authority and managed by Nationwide Financial Services just like

FPB's existing 401(k) and 457 plans offered to FPB employees today. These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. Participation by eligible employees in these deferred compensation plans is voluntary. Today, the FPB does offer a 401(k) and 457 deferred compensation plans to all KRS CERS employees regardless of plan Tier. The proposed 401(a) defined contribution plan would be open only to FPB employees that are a member of the KRS CERS Tier 3 plan. The FPB would make employer matching contributions equal to 50% of the participant's elective deferrals that do not exceed 4% of a participant's compensation. FPB Tier 3 employees would receive matching employer contributions subject to the provision discussed above for elective deferrals made to the FPB 401(k) and 457 plans. Included in this board packet for your review is a summary of the plan specifics and all required documents needed to establish the plan.

The cost to FPB would be the employer contribution with fees from each employee account paying for management of the plan by Nationwide through Kentucky Deferred Comp. Based on current FPB Tier 3 deferred compensation participation rates, the annual estimated FPB employer contribution would be \$16,500.

We have included \$12,000 in the 2019-2020 FPB budget for this plan. We would make efforts internally to encourage Tier 3 employee participation in the plan and believe employees would recognize that FPB is working to provide a better future for their people. We also believe this will be an additional benefit to encourage future talent to come work for this great company.

John Snyder moved to approve the Resolution to Adopt New 401(a) Defined Contribution Plan for Tier 3 employees. Dawn Hale seconded the motion.

CARRIED. 3 to 0.

- 8.5 **Consider Request for Public Hearing to be Held February 11, 2020 at 5:00 or as soon thereafter as can be heard Regarding Adjustments to the Photo Classified Advertising Rate.**

In a changing landscape of cable television, staff believes our classified advertising is underperforming due to outdated pricing. We believe a lower rate, along with a simplified discount structure will increase interest and make our Channel 3 Marketplace more active and therefore more attractive to both viewers and advertisers.

The current rates are:

FPB Photo Classified Rates

1 Page	\$35 Weekly
1 Page	\$120 Monthly
2 - 4 Pages	\$200 Monthly
5 - 9 Pages	\$315 Monthly
10 - 14 Pages	\$420 Monthly
15+ Pages	Quote

Term Discounts

6 Months	10%
9 Months	15%
12 Months	20%

The proposed rates are:

1 Month	\$20 per page
6 Months	\$15 per page
12 Months	\$10 per page

Dawn Hale moved to approve the Public Hearing Notice regarding Adjustments to the Photo Classified Advertising Rate Card. John Snyder seconded the motion.

CARRIED. 3 to 0.

9 INFORMATIONAL ITEM: GENERAL MANAGERS COMMENTS

None.

10 INFORMATIONAL ITEM: OLD & NEW BUSINESS

Ms. Hale stated that she would soon be disseminating a draft board governance policy to Board members.

11 REQUEST PERMISSION TO HAVE CHAIR CALL FOR A CLOSED SESSION

11.1 Move to call a closed session pursuant to KRS 61.810(1)(c) to discuss pending litigation regarding the reservoir.

John Snyder moved to call a closed session pursuant to KRS 61.810(1)(c) to discuss pending litigation regarding the reservoir. Dawn Hale seconded the motion.

CARRIED. 3 to 0.

12 CLOSED DOOR SESSION

Dawn Hale moved to come back into open session. John Snyder seconded. The motion carried unanimously.

John Snyder moved to direct Staff to application and revised set of planning document for a new submission to the Planning and Zoning commission regarding the reconstruction of the reservoir. Further request Staff to complete that in an expedited manner no later than February 15, 2020 if feasible and direct to post the documents submitted to Planning and Zoning on the FPB website. Dawn Hale seconded. Ms. Poe called the vote by member.

CARRIED 3-0

John Snyder moved to waive the FPB's procurement policy's requirement for this procurement of legal services only and an RFQ be issued for professional services. This is because KRS 424.260 allows for the procurement of professional services without first making newspaper advertisement for bids. This is needed in order to meet the February 15, 2020 deadline of Planning and Zoning. Dawn Hale seconded. Ms. Poe called the vote by member.

CARRIED 3-0

John Snyder moved to authorize Staff to retain legal counsel for assistance with the 6.5 million gallon reservoir submittal to Planning and Zoning as soon as possible in light of the urgent need to being construction. The Board understands that the General Manager and Staff Attorney will contact three (3) attorneys to

gage interest and them make a selection. Staff is authorized to select an Attorney and enter into an agreement with the Attorney chosen. Dawn Hale seconded. Ms. Poe called the vote by member.

CARRIED 3-0

13 ACTION ITEM: ADJOURNMENT

13.1 *John Snyder moved to adjourn. Dawn Hale seconded.*

CARRIED 3-0.



Board Chair



Board Secretary/Treasurer