

May 24, 2016

A Special 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 24, 2016 at 1:00 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
Herbbie Bannister, General Manager
David Billings, Chief Water Engineer
Bill Briscoe, Water Dist. Supt.
Katrina Cummins, Asst. Finance Director
David Denton, Finance Director
Sharmista Dutta, Water Engineer
Vent Foster, Chief Electric Engineer/Asst. GM Operations
Mark Harrod, Asst. Electric Superintendent
John Higginbotham, Asst. GM Cable/Telecommunications
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
Glenn Waldrop, Public Information Officer
Kim Phillips, Safety Director
Dave Pike, Cable 10 Videographer
Brad Bowman, State Journal

AGENDA

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

May 24, 2016 1:00 p.m. SPECIAL BOARD MEETING AGENDA

1. **Informational Item:** Review of FY 16-17 Budget.

BOARD ACTION

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

1. **Informational Item:** Review of FY 16-17 Budget.

Water

Mr. Billings discussed capital projects, funding revenues, expenses, and rates for the water division. He explained replacement of the traveling screen, the potential loss of a major wholesale water customer and the potential for the expansion of sales. He further discussed his meeting with the City of Georgetown regarding water sales and stated that additional revenues necessary for the water department would

have to come from rate increases. He explained the water rate comparison of FPB's rates to the Bluegrass Area Development District and stated that FPB's rates had been historically above the average yet below the highest cost water providers.

Mr. Denton discussed reserve balance deficits for the water department and that staff was attempting to allow each division to fully fund its own reserve requirements.

Mr. Billings further explained the additional cost per month for each average water user in each customer class and further discussed capital projects. He noted no projects at the water treatment plant other than the screen replacement and valve replacement. Mr. Billings advised that Staff was working to keep operating costs low and keep the budget as lean as possible. He discussed engineering and upcoming projects at the reservoir and advised that the engineering for the reservoir project would be completed in the 16-17 fiscal year and that construction would begin in fiscal year 17-18.

Electric

Mr. Foster discussed capital projects in the electric division. He discussed the long term goal to increase the number of smart grid components in FPB's system. Mr. Hudson discussed the need for a business case study for the Advanced Metering Infrastructure (AMI) project to assess the best practice in moving forward. He further discussed other capital projects and the feasibility of moving overhead to underground.

Mr. Foster discussed revenues and expenses for the electric division and Mr. Hudson discussed tree trimming, its costs and benefits. Mr. Foster discussed consultant costs and the purchase of electric power.

Mr. Denton explained revenues, power costs, the funding summary and net position for the electric division.

General/Administration/Board of Directors

Mr. Denton explained the flow of the budget and allocation factors for administrative overhead. He provided an overview of the expenses and revenues for general, administration and board of directors. He further explained changes in allocations going forward in the budgeting process.

Customer Service

Mr. Denton discussed payroll and general administrative expenses for the customer service department. He further discussed bad debt and collection expenses. Ms. Gilliam explained funds budgeted for improvements in customer service and customer satisfaction.

In discussion, Mr. Denton further explained payroll and benefits, interest on deposits and unclaimed deposits. Mr. Denton and Ms. Gilliam discussed potential promotions and reclassifications. Mr. Denton further explained the various methods in which Staff is working to reduce labor costs in each department.

Finance

Mr. Denton explained expenses including payroll and benefits and continuing education. He further explained allocation of expenses.

Fleet Services/Support Services

Mr. Redmon explained specific vehicle replacements for each division per FPB's replacement policy.

In discussion, Mr. Redmon explained the roof replacement at the Service Center, and the potential of purchasing hybrid or electric vehicles. Mr. Hudson discussed FPB's trial of a hybrid bucket truck. Mr. Bannister noted that FPB purchases from the State price contract and that the electric vehicles have not recently been included on the State price contract. Mr. Bannister stated that Staff will continue to look for opportunities for hybrid or electric vehicles.

Mr. Redmon reviewed and explained expenses for Support Services department. He specifically explained payroll, benefits, repair and maintenance, pest control, lawn maintenance and cell phones. Mr. Denton discussed allocation of expenses.

Human Resources

Ms. Schneider explained expenses including payroll and benefits for the three human resource employees, dues and subscriptions, continuing education which includes funds for companywide training and tuition reimbursement, employee activities, publishing for job openings, and consulting. Mr. Denton explained allocation of expenses.

Information Technology

Mr. Jones explained expenses and capital projects. In discussion, Mr. Jones explained new software purchases and the benefits to FPB. Mr. Denton explained ongoing license fees for various software.

Meter Reading

Mr. Denton explained expenses and allocations. Ms. Gilliam explained expenses for equipment replacements and the reasons for replacing current equipment. Ms. Gilliam further noted employee retirement eligibility over the next three (3) years.

Safety

Ms. Phillips explained expenses for the Safety department including CDL and various safety training, drug testing, immunizations, equipment safety, continuing education, personal protective equipment and equipment inspections. She further discussed potential changes for safety incentives.

Cable/Budget changes

Mr. Denton discussed various changes for Cable capital additions. He provided the Board with a spreadsheet of the changes for which Staff would be requesting Board approval with this budget.

Public Information

Mr. Waldrop explained FPB's mission to maintain positive and mutually beneficial relationships with its employees, customers and community through open and effective communications and involvement. He explained the utilization and allocation of budgeted funds for FPB's participation in events and community programs for the future.

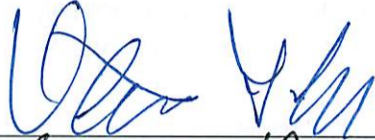
General Discussion

Mr. Denton provided the Board with a handout in connection with potential start-up costs for on bill financing pursuant to the start-up costs provided to FPB by MACED and explained those expenses. He further noted that these costs were the fixed costs to get the program started. After discussion by the Board, Mr. Foster discussed a past pilot project for regarding energy audits for approximately twenty (20) homes. He further explained information regarding home loan programs and vetted contractors available to the community through Kentucky Home Performance in

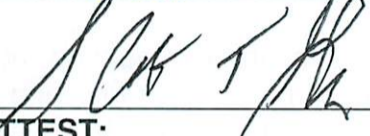
conjunction with the Kentucky Housing Authority which FPB has joined as a utility partner for the purpose of providing usage data if our customers are to participate.

After additional discussion, the consensus was to not include funds in the budget but to work with the Staff to continue to study this program.

Dr. Green moved to adjourn. Mr. Pogrosky seconded. Mr. Ludwig called the vote and the motion passed unanimously. The meeting adjourned.



CHAIRMAN



ATTEST: