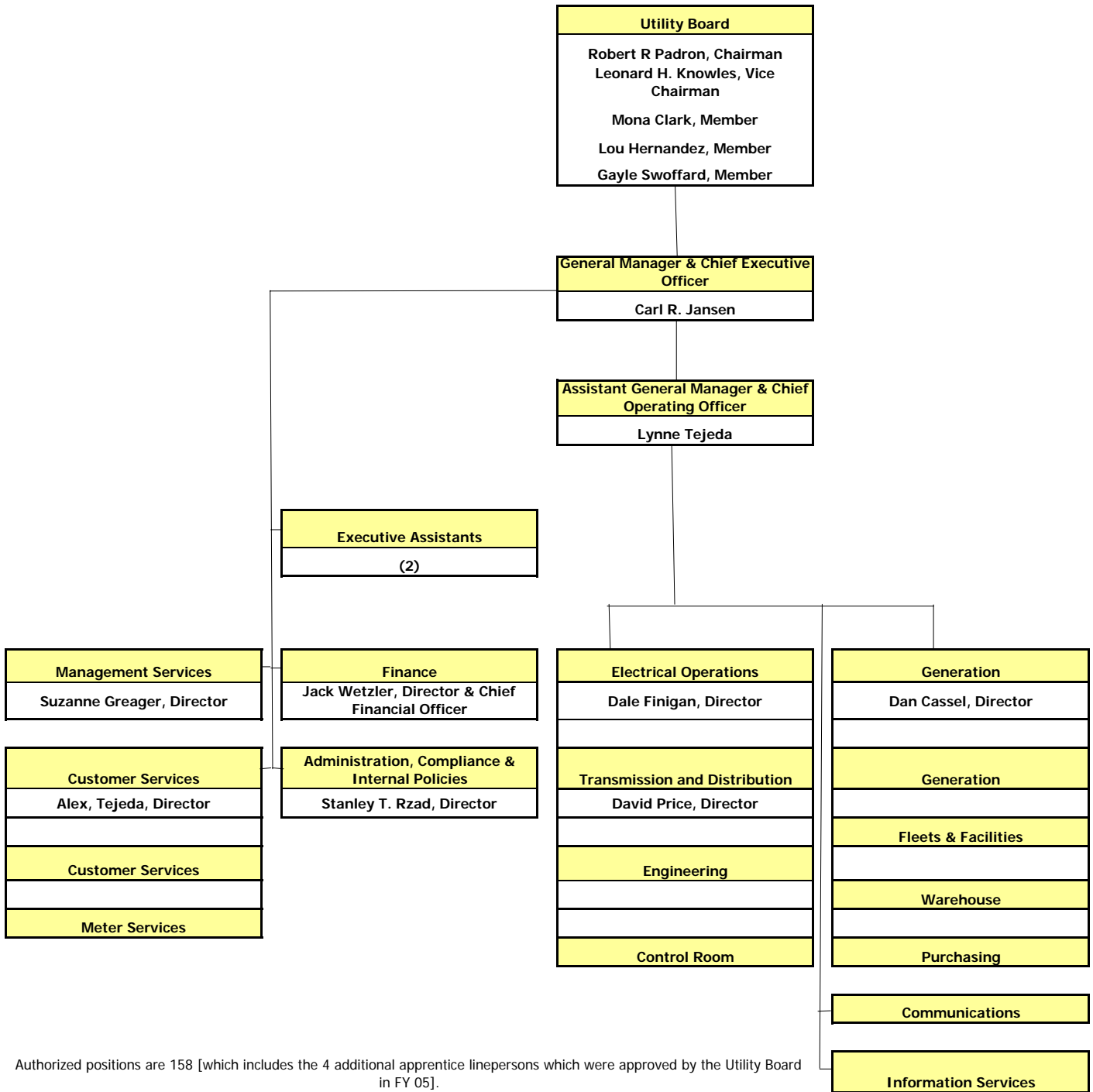


# Organizational Chart - Overview



Authorized positions are 158 [which includes the 4 additional apprentice linepersons which were approved by the Utility Board in FY 05].

## Organizational Chart - Count by Section

<b>Executive</b>
<b>General Manager &amp; CEO (1)</b>
Asst. General Manager & COO (1)
Director of Administration, Compliance & Internal Policies (1)
Executive Assistants (2)

<b>Management Services</b>
<b>Director (1)</b>
Human Resources, Training & Grants Coordinator (1)
Secretary (1)
Environmental & Safety Officer (1)
Risk Management Officer (1)
Human Resource Specialist (1)
Mail Courier (1)
Custodian (1)

<b>Finance</b>
<b>Director &amp; CFO (1)</b>
Department Staff Assistant (1)
Supervisor - Accounting & Analysis (1)
Accounting & Financial Analyst (2)
Accounting Services Coordinator (1)
Accounting Representatives (4)

<b>Electrical Operations</b>
<b>Director (1)</b>
<b>Transmission and Distribution</b>
<b>Director (1)</b>
Secretary (1)
Supervisor Substation (1)
Supervisor T&D (2)
Electronics Specialist (1)
Substation Electricians (6)
Instrument & Electrical Technicians (2)
Line Leaders (2)
Journey Lineman (8)
Apprentice Lineman (10)
Tree Trimmers (3)
General Helpers (2)

<b>Engineering</b>
Supervisor (1)
Secretary (1)
Project Engineers (2)
GIS Operator (1)
Auto Cad Operator (1)
Engineering Field Representatives (4)

<b>Control Room</b>
Supervisor-Power System Control (1)
Power System Coordinators (5)
Load Dispatchers (3)

<b>Generation</b>
<b>Director (1)</b>
Department Staff Assistant (1)
<b>Generation</b>
Supervisor - Generation (1)
Shift Leader (1)
Control Room Operators (2)
Auxiliary Operators (3)
Instrument & Electrical Leader (1)
Instrument & Electrical Technicians (1)
Maintenance Leader (1)
Welder Generation Technician (2)
Diesel Generation Technician (4)
General Helpers (1)
Apprentice Power Plant Mechanic (1)

<b>Fleets &amp; Facilities</b>
Supervisor - Fleets, Facilities & Warehouse (1)
Fleets Leader (1)
Auto Diesel Vehicle Technician (2)
Apprentice Vehicle Technician (1)
Maintenance Leader (1)
Maintenance Persons (2)
Pipe Fitter Generation Technician (1)
Apprentice Power Plant Mechanic (1)
Apprentice Maintenance Person (1)

<b>Warehouse</b>
Storekeeper (2)

<b>Purchasing &amp; Contract Administration</b>
Supervisor - Purchasing & Contract Administrator (1)
Administration & Compliance Secretary (1)
Buyer/Inventory Analyst (3)

<b>Customer Services</b>
<b>Director (1)</b>
Dept. Staff Assistant (1)
<b>Customer Services</b>
Supervisor-Customer Services (1)
Supervisor Branch Office (1)
Customer Service Leader (1)
Customer Service Representatives (8)
Receptionist (1)
Delinquent Accounts Representative (1)
Final Bill Representative (1)
Senior Programs Representative (1)
Customer Accounts Representative (2)
Customer Programs Representative (1)

<b>Meter Services</b>
Supervisor Meter Services (1)
Meter Service Leader (1)
Senior Meter Service Technician (1)
Delinquent Accounts Field Representative (1)
Meter Service Technicians (3)
Meter Reader Leader (1)
Meter Readers (4)

<b>Information Services</b>
Supervisor - Information Technology (1)
Systems Analysts (3)
PC Technician (1)

<b>Communications</b>
Communications/Marketing Coordinator (1)

## Number of Authorized and Budgeted Positions

Department Name	Budget FY 2004	Budget FY 2005	Budget FY 2006
Executive	3	4	5
Information Technology	5	5	5
Marketing	2	1	1
Human Resources	6	6	6
Finance	10	10	10
Purchasing	3	6	5
Facilities	6	6	6
Engineering	11	11	11
Control Center	9	9	9
Risk Management	1	1	1
Environmental	1	1	1
Fleets	5	5	5
Warehouse	3	3	2
Customer Accounts	20	20	20
Meters	12	12	12
Transmission & Distribution	34	35	39
Other Power Supply	<u>23</u>	<u>19</u>	<u>20</u>
<b>Total</b>	154	154	158

Asst General Manager/COO moved to the Executive Department from Marketing

Executive Assistant moved to the Executive Department from Marketing

Director of Administration, Compliance & Internal Policies moved to the Executive Department  
from Purchasing & Contract Administration

The Materials Services Coordinator position in the Warehouse Department is vacant

The Transmission & Distribution Department has added four Apprentice Linemen positions

A General Helper was moved from the Transmission & Distribution Department to the Other  
Power Supply Department



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UTILITY BOARD OF THE CITY OF KEY WEST

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September 8, 2005

Members of the Utility Board of the City of Key West, FL

Dear Utility Board Members:

**Summary**

The Grand Total Budget of \$89.0 million is an increase of \$5.2 million, or 6.2% as compared to the 2005 Amended Budget.

**Sales of Electricity**

The 2006 sales of electricity are conservatively planned at 1.0% over the 2004 actual sales. As a result, 2006 sales are being projected only .35% over the 2005 budget.

In the Five-Year Financial Plan, annual percentage increases range from 0.35% to 1.75%.

	Amended Budget FY 2005	Budget FY 2006	2006 Budget vs. 2005 Amended Budget	
			Amount Inc (Dec)	Percent Inc (Dec)
Number of Customers	29,508	29,731	497	1.7%
Sales of Electricity - kWh	<u>739,896,143</u>	<u>742,485,780</u>	<u>2,589,637</u>	<u>0.4%</u>
Increase (decrease) from prior year	0.78%	0.35%		

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Number of Customers	29,731	29,973	30,220	30,467	30,718
Sales of Electricity - kWh	742,485,780	755,479,289	768,700,177	782,152,430	795,840,097
Increase compared to prior year projected	0.35%	1.75%	1.75%	1.75%	1.75%

**Electric Revenues**

Electric Revenues are \$81.1 million, which is \$3.0 million, or 3.9% above the 2005 Amended Budget. Higher power cost adjustment revenue accounts for \$2.8 million of the increase.

Current electric rates are projected to recover revenue requirements for the fiscal year ended September 30, 2006. However, due to increasing expenditures (as

explained below), base rate revenues in 2007 must increase 6 ¼% above 2006 base rate revenues. The exact rate increase will be based upon a cost of service study. This rate increase may not be necessary if revenues increase and other steps are taken to mitigate the increase.

	Amended Budget FY 2005	Budget FY 2006	2006 Budget vs. 2005 Amended Budget	
			Amount Inc (Dec)	Percent Inc (Dec)
Revenues				
Energy and Demand	\$ 57,772,513	\$ 57,984,669	\$ 212,157	0.4%
Power Cost Adjustment ( PCA )	18,160,558	20,971,628	2,811,069	15.5%
Customer Charge	<u>2,100,202</u>	<u>2,116,421</u>	<u>16,218</u>	<u>0.8%</u>
subtotal Electric Revenues	78,033,273	81,072,718	3,039,445	3.9%

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Number of Customers	29,731	29,973	30,220	30,467	30,718
Sales of Electricity - kWh	742,485,780	755,479,289	768,700,177	782,152,430	795,840,097
Increase compared to prior year projected	0.35%	1.75%	1.75%	1.75%	1.75%
Energy Charge & Billing Demand	\$57,984,669	\$62,382,239	\$63,458,461	\$64,553,516	\$65,667,735
Power Cost Adjustment (PCA)	20,971,628	20,990,067	21,748,310	22,675,825	24,012,820
Customer Charge	<u>2,116,421</u>	<u>2,135,015</u>	<u>2,154,452</u>	<u>2,174,166</u>	<u>2,194,581</u>
subtotal Electric Revenues	81,072,718	85,507,321	87,361,223	89,403,506	91,875,136
Gross Receipts Tax (GRT)	<u>2,078,704</u>	<u>2,192,408</u>	<u>2,239,942</u>	<u>2,292,306</u>	<u>2,355,678</u>
subtotal Operating Revenues	83,151,422	87,699,729	89,601,164	91,695,812	94,230,814

### All Other Revenues

The 2005 trends in all categories were used as a basis for forecasting. The increase over the 2005 Amended Budget is \$2.1 thousand or 55.1% and is primarily a result of budgeted revenue associated with the Navy Privatization in the amount of \$1.8 million.

The Five-Year Financial Plan includes:

- Navy Privatization revenue - \$10.7 million
- Credits from Florida Municipal Power Agency - \$7.8 million
- Reserve Capacity credits from the Florida Keys Electric Cooperative - \$2.1 million
- The KWSP redevelopment lease provisions - \$2.0 million
- SO<sub>2</sub> Emission Credit revenue - \$1.2 million

	Amended Budget FY 2005	Budget FY 2006	2006 Budget vs. 2005 Amended Budget	
			Amount	Percent
			Inc (Dec)	Inc (Dec)
Other Operating Revenue	3,115,925	4,722,805	1,606,880	51.6%
Non-Operating Revenue ( Interest Income )	226,960	559,086	332,126	146.3%
Non-Operating Revenue ( Other )	450,279	600,988	150,709	33.5%
subtotal Non-Operating & Other Revenues	3,793,164	5,882,880	2,089,716	55.1%

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Other Operating Revenue	4,722,805	4,926,372	4,990,426	5,056,256	5,122,877
Non-Operating Revenue (Interest Income)	559,086	595,046	642,697	645,971	770,766
Non-Operating Revenue (Other)	600,988	2,301,445	747,611	773,740	1,829,445
Transfer from Rate Stabilization Fund	1,000,000	0	0	0	0
Total Revenues	\$6,882,880	\$7,822,863	\$6,380,734	\$6,475,967	\$7,723,087

### Operations & Maintenance Expenses

The Total O&M Budget increased \$5.7 million, or 8.0%, to a level of \$77.2 million.

**Purchase Power Costs** are higher than 2005 expenses by \$2.9 million. This is due to the rates charged by FMPA. The 2005 budget included an energy rate of \$40.15 per MWh while the 2006 budget includes \$42.50 per MWh.

**Other Power Supply Expenses** are higher than 2005 expenses by \$136.0 thousand.

**Transmission Expenses** are higher than 2005 expenses by \$74.4 thousand.

**Distribution Expenses** are higher than 2005 expenses by \$975.6 thousand due to the Navy Privatization costs of \$935.0 thousand.

**Customer Expenses** are higher than 2005 expenses by \$6.8 thousand.

**Administrative & General Expenses** are higher than 2005 expenses by \$1.6 million. The major increases are:

- Insurance (premiums and self insurance) associated with the Navy Privatization - \$402.2 thousand
- Pension Contribution - \$235.0 thousand
- Employee and retiree health insurance premiums - \$118.5 thousand
- A&G Payroll - \$121.1 thousand
- Transportation (leased vehicles and fuel) - \$110.9 thousand

	Amended Budget FY 2005	Budget FY 2006	2006 Budget vs. 2005 Amended Budget	
			Amount	Percent
			Inc (Dec)	Inc (Dec)
Expenses				
Revenue Related Expenses:				
Purchase Power	48,247,763	51,121,683	2,873,920	6.0%
Other Power Supply	1,023,349	1,159,815	136,466	13.3%
Transmission	3,704,266	3,778,671	74,405	2.0%
Distribution	3,074,771	4,050,415	975,644	31.7%
Customer Service	1,204,025	1,210,847	6,822	0.6%
Administrative & General	<u>14,242,300</u>	<u>15,875,538</u>	<u>1,633,238</u>	<u>11.5%</u>
Operating & Maintenance Expense	71,496,474	77,196,969	5,700,496	8.0%

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
<u>Operation &amp; Maintenance Exp</u>					
Total Purchase Power Costs	\$51,121,683	\$52,112,996	\$53,402,487	\$54,866,010	\$56,743,867
Total Other Power Supply	1,159,815	1,207,619	1,159,946	1,209,135	1,318,213
Total Transmission	3,778,671	3,870,062	3,954,204	4,047,780	4,204,041
Total Distribution Expense	4,050,415	4,091,144	4,213,380	4,339,256	4,468,878
Total Customer Expense	1,210,847	1,251,001	1,284,352	1,318,864	1,354,577
Total Admin & General Expense	<u>15,875,538</u>	<u>16,575,089</u>	<u>16,917,435</u>	<u>17,528,062</u>	<u>18,183,835</u>
Total Expenses	<u>\$ 77,196,969</u>	<u>\$ 79,107,910</u>	<u>\$ 80,931,804</u>	<u>\$ 83,309,106</u>	<u>\$ 86,273,412</u>

### Multi-Year Capital Plan

Capital projects were budgeted using the Capital Project Prioritization Process. At the 2006 Strategic Planning Session, the following business priorities were identified

- Implement a reliability plan to maintain system outage benchmarks that exceed industry levels
- Achieve Optimum Levels of Customer Service
- Identify, formulate and implement plans that will improve upon key employee issues
- Investigate and develop implementation plans for new revenue sources in communications and land use
- Maximize the benefits derived from the FMPA relationship

Based upon these priorities, capital projects totaling \$6.6 million are proposed for 2006.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Transmission	\$ 325,000	\$ 728,435	\$ 751,300	\$ 445,200	\$ 1,125,200
Distribution	5,350,624	3,297,000	3,243,125	4,520,459	3,272,000
Generation	430,000	360,000	885,000	170,000	700,000
Facilities	80,000	155,000	105,000	115,000	175,000
Fleets	25,000	260,000	428,000	325,000	535,000
Information Technology	325,000	425,000	85,000	75,000	225,000
Other	40,000	40,000	40,000	40,000	75,000
Total Proposed Capital Projects	6,575,624	5,265,435	5,537,425	5,690,659	6,107,200
Adjustment (1)	0	(99,340)	(99,257)	(159,920)	(32,561)
Total Capital Project Funding Level	<u>\$6,575,624</u>	<u>\$5,166,095</u>	<u>\$5,438,168</u>	<u>\$5,530,739</u>	<u>\$6,074,639</u>
<u>Percentage by Category</u>					
Transmission	4.9%	13.8%	13.6%	7.8%	18.4%
Distribution	81.4%	62.6%	58.6%	79.4%	53.6%
Generation	6.5%	6.8%	16.0%	3.0%	11.5%
Facilities	1.2%	2.9%	1.9%	2.0%	2.9%
Fleets	0.4%	4.9%	7.7%	5.7%	8.8%
Information Technology	4.9%	8.1%	1.5%	1.3%	3.7%
Other	<u>0.6%</u>	<u>0.8%</u>	<u>0.7%</u>	<u>0.7%</u>	<u>1.2%</u>
Total Proposed Capital Budget	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Average annual change compared to prior year                      29.4%                      -19.9%                      5.2%                      2.8%                      7.3%

(1) The annual Strategic Planning Session sets the business priorities for the budgeting process. Based upon these priorities, each capital project is ranked. The projects that cannot be funded in the current year are re-evaluated annually.

Staff has determined that due to the annual and ongoing commitments mentioned above, reliability and safety issues, the underlying transfer from the Revenue Fund to the Renewal and Replacement Fund must increase from \$3.4 million in 2006 to \$6.0 million in 2010.

Major five-year major projects, by function, are:

Transmission

Reinsulate 69 kV transmission line - \$600.0 thousand

Replace transmission oil circuit breakers - \$700.0 thousand

Reinsulate line 4 water portion - \$400.0 thousand

Distribution:

Navy privatization - \$6.1 million

Work orders & engineering's requests - \$4.5 million

Construct new substation on Stock Island - \$1.6 million

Transformer replacements - \$1.5 million

Contracted distribution system maintenance - \$2.0 million

Purchase of meters - \$1.2 million

Generation:

Purchase MSD turbo charges - \$850.0 thousand

Rebuild CT#1 casing - \$700.0 thousand

Navy privatization upgrade - \$400.0 thousand

Upgrade emissions monitoring - \$120.0 thousand

MSD service water piping - \$110.0 thousand

Perform top end overhaul on the MSD's - \$100.0 thousand

Fleets:

Replace company vehicles - \$1.3 million

Overhaul company vehicles - \$210.0 thousand

Information Technology:

Replace or upgrade SCADA system - \$300.0 thousand

Replace network switching equipment - \$200.0

Customer service and financial systems software upgrade - \$225.0 thousand

**Fund Balances**

Rate Stabilization Funds, in the amount of \$1.0 million are transferred to the Revenue Fund in 2006 to defer a base rate increase. The funds are scheduled to be returned to the Rate Stabilization Fund in 2007.

The Renewal & Replacement Fund is supplemented by a loan from the FMPA Pooled Loan Fund in the amount of \$2.5 million to complete Navy privatization projects. The loan is scheduled to be fully paid within the Five-Year Financial Plan period.

The Operating Reserve Fund has sufficient balances to maintain the 90-day requirement. The Emergency Reserve Fund balance of \$2.0 million remains unchanged throughout the Planning Period.

**Debt Service Coverage**

Debt Service Coverage for 2006, before capitalized overhead, is anticipated to be 1.49 compared to the required 1.25 x coverage in Bond Resolution No. 532, Article V, Section 5.01, B.

**Payment to the City of Key West**

The Payment to the City of Key West combined with projected In-Kind Services exceeds \$700,000 per year.

Respectfully Submitted,



Jack Wetzler  
Director of Finance & CFO

CC:

Carl R. Jansen, General Manager & CEO  
Lynne Tejeda, Asst. General Manager & COO

## Comparison of Projected Operating Results

	Actual FY 2004	Amended Budget FY 2005	Budget FY 2006	2006 Budget vs. 2005 Amended Budget	
				Amount Inc (Dec)	Percent Inc (Dec)
<b>Number of Customers</b>	29,234	29,508	29,731	497	1.7%
<b>Sales of Electricity - kWh</b>	<u>734,175,250</u>	<u>739,896,143</u>	<u>742,485,780</u>	<u>2,589,637</u>	<u>0.4%</u>
Increase (decrease) from prior year	-0.28%	0.78%	0.35%		
<b>Revenues</b>					
Energy and Demand	\$ 59,513,093	\$ 57,772,513	\$ 57,984,669	\$ 212,157	0.4%
Power Cost Adjustment ( PCA )	16,695,062	18,160,558	20,971,628	2,811,069	15.5%
Customer Charge	<u>2,076,473</u>	<u>2,100,202</u>	<u>2,116,421</u>	<u>16,218</u>	<u>0.8%</u>
subtotal Electric Revenues	78,284,628	78,033,273	81,072,718	3,039,445	3.9%
Gross Receipts Tax		<u>2,000,773</u>	<u>2,078,704</u>	<u>77,931</u>	<u>3.9%</u>
subtotal Operating Revenues	78,284,628	80,034,047	83,151,422	3,117,376	3.9%
Other Operating Revenue	3,054,809	3,115,925	4,722,805	1,606,880	51.6%
Non-Operating Revenue ( Interest Income )	301,862	226,960	559,086	332,126	146.3%
Non-Operating Revenue ( Other )	<u>738,283</u>	<u>450,279</u>	<u>600,988</u>	<u>150,709</u>	<u>33.5%</u>
subtotal Non-Operating & Other Revenues	<u>4,094,954</u>	<u>3,793,164</u>	<u>5,882,880</u>	<u>2,089,716</u>	<u>55.1%</u>
<b>Revenues</b>	<b>82,379,582</b>	<b>83,827,210</b>	<b>89,034,302</b>	<b>5,207,092</b>	<b>6.2%</b>
<b>Expenses</b>					
<b>Revenue Related Expenses:</b>					
Purchase Power	44,523,179	48,247,763	51,121,683	2,873,920	6.0%
Other Power Supply	887,371	1,023,349	1,159,815	136,466	13.3%
Transmission	3,298,491	3,704,266	3,778,671	74,405	2.0%
Distribution	3,250,018	3,074,771	4,050,415	975,644	31.7%
Customer Service	1,085,522	1,204,025	1,210,847	6,822	0.6%
Administrative & General	<u>12,025,898</u>	<u>14,242,300</u>	<u>15,875,538</u>	<u>1,633,238</u>	<u>11.5%</u>
<b>Operating &amp; Maintenance Expense</b>	<b>65,070,479</b>	<b>71,496,474</b>	<b>77,196,969</b>	<b>5,700,496</b>	<b>8.0%</b>
<b>Transfers</b>					
Senior Lien Debt Service	8,508,320	8,511,550	8,451,538	(60,013)	-0.7%
Transfer to Renewal & Replacement	3,504,000	3,375,450	3,483,614	108,164	3.2%
Transfer (from) to Emergency Reserve	(573,001)	-	-	-	0.0%
Junior Lien Debt Service-FMPA Pooled Loan	353,600	272,550	836,933	564,383	207.1%
Transfer to Rate Stabilization	617,180	(500,000)	(777,778)	(277,778)	55.6%
Transfer (from) to Operating Reserve	(478,496)	176,223	715,000	538,777	305.7%
Payment to City of Key West, Florida	<u>325,998</u>	<u>317,863</u>	<u>320,297</u>	<u>2,435</u>	<u>0.8%</u>
<b>O&amp;M Expenses and Transfers</b>	<b>\$ 77,328,080</b>	<b>\$ 83,650,109</b>	<b>\$ 90,226,573</b>	<b>\$ 6,576,464</b>	<b>7.9%</b>

## SIGNIFICANT POLICIES

### **Accounting Policies**

The accounting policies of the Utility Board have been designed to conform to generally accepted accounting principles as applicable to governmental units, in accordance with the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

### **Basis of Accounting**

The Budget, as well as the financial statements, is prepared on the accrual basis; accordingly budgeted revenues are recognized when earned and budgeted expenses are recognized when incurred.

### **Disbursements and Bidding Threshold Amounts**

On October 13, 1999, the Utility Board approved Resolution No. 679 regarding disbursements and bidding threshold amounts. A policy regarding payments under Section 11 of Florida Statute 69-1191 is as follows:

1a) Payments related to bond principal and interest, customer deposit refunds, payroll, power costs, and transmission expense, may be made by staff, without first seeking approval of the Board.

1b) The staff may also make disbursements under \$25,000, for all other expense categories related to Operations and Maintenance and Capital Projects, without first seeking approval of the Board, provided that such expenditures are within the existing Budget.

1c) Disbursements related to Operations and Maintenance and Capital expenses, over \$25,000, require prior Utility Board approval, unless otherwise specified as outlined in Paragraph 1a.

1d) Staff will present two listings to the Utility Board at each meeting. The first will show all disbursements made since the last Board meeting. The second will be a "To Be Paid" listing whereby disbursements will be made after Utility Board approval. Board approval of both reports means that all items listed are approved, whether they are over \$25,000, or any of the already paid items listed above.

A policy regarding contracting under Section 13 of Florida Statute 69-1191 is as follows:

1a) All construction, reconstruction, repairs or work of any nature by the Utility Board, where the entire costs, value, or amount of such construction, reconstruction, repairs or work, including the labor and materials shall exceed \$25,000, shall be done only under contract or contracts to be entered into on approval by the Utility Board.

1b) All supplies, equipment, machinery and materials costing more than \$25,000, shall be purchased only after the provision of competitive bidding.

1c) All purchases of commodities or contractual services under provisions of local, state, and federal purchasing contracts shall be exempt from the competitive procurement requirements, provided that the following criteria are all satisfied:

1) The terms and conditions of the original contract by the federal, state or local government are satisfactory to the Utility Board and such terms and conditions are expressly extended to other municipalities pursuant to the bid documents.

2) The original contract by the federal, state or local government was executed within twelve (12) months prior to the proposed purchase of commodities or services by the Utility Board.

3) The purchasing agent has performed an informal solicitation to determine if the prices of the original contract are fair and reasonable, and to assure local vendors have an opportunity to compete.

4) The Utility Board authorizes such procurement when the cost of commodities (materials) or contractual services (labor and materials) exceeds \$25,000.

### **Property, Plant and Equipment**

Property, Plant and Equipment is stated at cost, which includes costs of contract work, labor, materials and allocated indirect charges, and capitalized interest. Major renewals and replacements are capitalized while minor replacements and repairs are expensed as incurred. Under Federal Energy Regulatory Commission accounting practices, the cost of electric plant retired, together with removal costs less salvage, is charged to accumulated depreciation at such time as property is removed from service.

### **Debt Administration**

Chapter 69-1191, Laws of Florida, grants the Utility Board the exclusive right to issue and sell from time to time revenue bonds against the income of said public utility, at prices determined by said Board, and the exclusive right to incur indebtedness against said public utility; providing for prior approval by the City Commission of the City of Key West, Florida before said Utility Board may validate and issue any bonds.

Revenue bonds may be issued by the Utility Board for the purpose of refunding outstanding revenue bonds as well for any other purposes which the Board deems proper in the management, operation, maintenance, control, improvement, extension, betterment, financing and refinancing of the electric public utility, as well as for purposes of acquisition, purchase, building and construction and operation of additional public utilities which are deemed proper by the Board, and revenue bonds may also be issued against the income of any additional public utilities so acquired. The granting of such authority to the

Utility Board, to issue revenue bonds against income of the electric public utility or against the income of any additional public utilities hereafter acquired by the Board, is exclusive to the Board.

There is no statutory limit on debt. However, the following policies have been used to govern the issuance of debt: *Purposes* – debt may be used to fund projects, property acquisition and/or equipment purchases. *Debt Maturity* – the type of debt incurred and the maturity date should be equal to or less than the life of the asset. *Types of Debt* – long-term revenue bonded debt and short-term loans. *Debt Structure* – the debt structure will be in accordance with applicable Federal, State, and other legal requirements.

Total debt was comprised of three refunding bond issues: 1991, 2000 and 2001. All outstanding debt had fixed interest rates. All three issues are rated AAA by Standard & Poor's Ratings Group and insured by AMBAC Indemnity Corporation. In May 2002, the Board approved the redemption of the remaining Electric System Revenue Bonds, Series 1987.

### **Treasury Management**

Assets are invested in accordance with the Utility Board policy, which is governed by State Statutes. Moneys must be deposited in banks designated as qualified public depositories by the State of Florida, Department of Insurance and Treasurer. "Authorized Investments" shall mean any of the following if and to the extent the same are at the time legal for investment of municipal funds:

- (i) Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;
- (ii) Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable prior to maturity or (b) which are insured and thereby rated by a nationally recognized bond rating agency within its highest rating category or which are secured as to principal, redemption premium;
- (iii) Bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America and whose obligations represent full faith and credit obligations of the United States;
- (iv) New housing authority bonds or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions or a requisition or payment agreement with the United States of America;
- (v) Direct and general obligations of any state of the United States of America, to the payment of which the full faith and credit of said state is pledged, which at

the time of investment are rated by any nationally recognized bond rating agency by a rating which denotes a security with investment characteristics of a security presently rated by Moody's Investors Service, Inc. or Standard and Poor's Corporation, in one of the three highest rating categories;

(vi) Certificates of deposit, whether negotiable or non-negotiable, issued by any bank, savings and loan association, trust company or national banking association (including the trustee, if any, and Paying Agent) which are members of the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation;

(vii) Repurchase agreements with any bank, trust company or national banking association insured by the Federal Deposit Insurance Corporation, which agreement is (A) fully and continuously secured by obligations described in clause (i), (ii), (iii), (iv) or (v) of this definition, (b) subject to a perfected security interest of the Board, and (C) has a term not to exceed one hundred eighty (180) days;

(viii) Units of participation in the Local Government Surplus Funds Trust Fund established pursuant to Part IV, Chapter 218, Florida Statutes, or any similar common trust fund which is established pursuant to law as a legal depository of public moneys and for which the Florida State Board of Administration acts as custodian;

(ix) Commercial Paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1" by S&P and which matures not more than 270 calendar days after the date of purchase;

(x) Investment agreements and guaranteed investment contracts which meet the criteria established by AMBAC Assurance Corporation.

### **Risk Management**

All assets are protected through the Risk Management Program developed and managed by the Management services Section. Under this program, coverage is provided for worker's compensation, comprehensive general liability, auto comprehensive and physical damage, crime and fiduciary, errors and omissions, property, boiler and machinery, windstorm, flood and pollution. See the Appendix section for more details.

The Management Services section, through their coordinated and continuous efforts in monitoring potential risk exposures and implementing safety control programs, such as Safety Training Observation Program ("STOP"), coupled with effective claims administration, is striving to meet the goal of continuous no-lost time accidents and minimizing injury claims.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Utility Board of the City of Key West  
Florida**

For the Fiscal Year Beginning

**October 1, 2004**

President

Executive Director

## Budget Policy

### General Comments

On September 11, 1996, the Board approved changes in the Budget process that eliminated the Amended Budget and allows Budget amendments throughout the year. Known as the Budget Amendment Policy, staff has the authority to make changes within either the Capital or Operations and Maintenance (“O&M”) Budget as long as the total amount in either respective Budget does not change. The change is reported at the next Board meeting. Changes in the Budget that exceed the Enabling Act limitation, affect Board approved bids, increase the total O&M or capital Budget, involve a new capital project not previously approved by the Board, or involve transfers between the O&M and Capital Budget, require Board approval.

The Utility Board’s balanced budget uses current year’s revenues and reserves, when necessary, to fund disbursements and transfers.

### Budget Amendment Policy Detail

1. Adopt Budget for Revenues, O&M Expenses & Capital in accordance with Resolution 532, Article V, Section 5.01, (A). The Board shall annually prepare at least forty-five (45) days preceding each of its Fiscal Years, and adopt prior to the beginning of such Fiscal Year, a detailed Budget of the estimated expenditures for the operation and maintenance of the System during such next succeeding Fiscal Year.
2. Staff will have the authority to make changes within the O&M and/or Capital Budgets under the following conditions:
  - a. The combined O&M and Capital Budget do not change.
  - b. Within the Capital, funds may be moved to create a new capital project not to exceed the limitations set forth in Resolution #679 <sup>(1)</sup>.
3. Staff will recommend budget changes to the Utility Board under the following conditions:
  - a. The combined O&M and Capital Budget increases above prior amount.
  - b. Creating a new capital project exceeds the limitations set forth in Resolution #679 <sup>(1)</sup>.
  - c. Cumulative line item changes exceed the amounts set forth in Resolution #679 <sup>(1)</sup>.
  - d. The change will be documented on a Budget Amendment Form.
4. The General Manager reserves the discretion to require that a formal budget amendment be prepared even though it falls within staff’s authority.

### **Budget & Financial Plan Preparation Process**

The Board shall annually prepare at least forty-five (45) days preceding each of its Fiscal Years, and adopt prior to the beginning of such Fiscal Year, a detailed Budget of the estimated expenditures for operation and maintenance of the System during such next succeeding Fiscal Year.

<sup>(1)</sup> Resolution #679, A Resolution Regarding Disbursement and Bidding Threshold amounts, dated 10/13/99.

Budget control is provided by monthly revenue and expense reports. Monthly financial reports are provided to the Board. The Budget & Financial Planning process for the ensuing fiscal year (October 1 to September 30) begins when the staff reviews the load forecast and the Board and staff attend the annual Strategic Planning Workshop. The Department Directors develop and review the proposed Budget & Financial Plan before submitting to the General Manager for review and comment.

Upon completion of the proposed Budget & Financial Plan, a public workshop session is held to review all proposed Budget & Financial Plan items. Subsequently, a public hearing is held to gather additional comments. The proposed Budget & Financial Plan thereupon is submitted to the members of the Board for their final review and adoption prior to the commencement of the succeeding fiscal year. Upon valid adoption, all expenditures in the Budget constitute appropriations and amendments to the can only be made in accordance with the provisions of law and Board policy.

### **Budget & Financial Plan Preparation Calendar in 2004**

Board & staff attends Strategic Planning Workshop	April 21-22
Budget Kick-off meeting	May 4
Develop revenue assumptions	May 9
1 <sup>st</sup> budget meeting	May 9
2 <sup>nd</sup> budget meeting	May 20
3 <sup>rd</sup> budget meeting	May 24
Finance distributes preliminary budget & financial plan	June 6
GM & CEO, Asst. GM & COO & CFO review preliminary plan	June 8
GM & CEO informs Utility Board of proposed budget timeline	June 8
Budget & Financial plan is distributed to staff	June 30
Finance distributes preliminary budget & financial plan to the Utility Board members	June 30
Utility Board workshop	August 10
Public hearing & approval of budget & financial plan	Sept 14

## Key West and Monroe County Demographics and Statistics

	Key West	Monroe County
Population (1)	25,811	80,537
Median Age (2)	38.9	42.6
Population by Race (2)		
White	71.4%	77.2%
Black	8.8%	4.5%
Hispanic	16.5%	15.8%
Other	3.3%	2.5%
Registered Voters (3)	14,472	52,279
Employees by Industry (2)		
Services	N/A	14,440
Retail Trade	N/A	10,882
Government	N/A	3,217
Unemployment Rate (1)	2.3%	2.3%
Schools (1)	10	17
Places of Worship (1)	35	82

Key West is an island city located at the end of US Highway 1, approximately 160 miles southwest of Miami, Florida. The City of Key West is the county seat of Monroe County. Monroe is a county of islands connected by an overseas highway with 19.3 miles of bridge spans. The service area for the Utility Board of the City of Key West includes the city as well as half of Monroe County.

The millions of tourists that visit Key West and the county each year provide the major source of employment for local residents. Retail services, commercial fishing and government employment are the other industries. Currently 32% of county residents live in the city of Key West.

### Climatological Data for Key West

	Rain	Temperature
Monthly Average (2)	3.24	78.0
Above (below) Average (2)	0.06	(0.07)

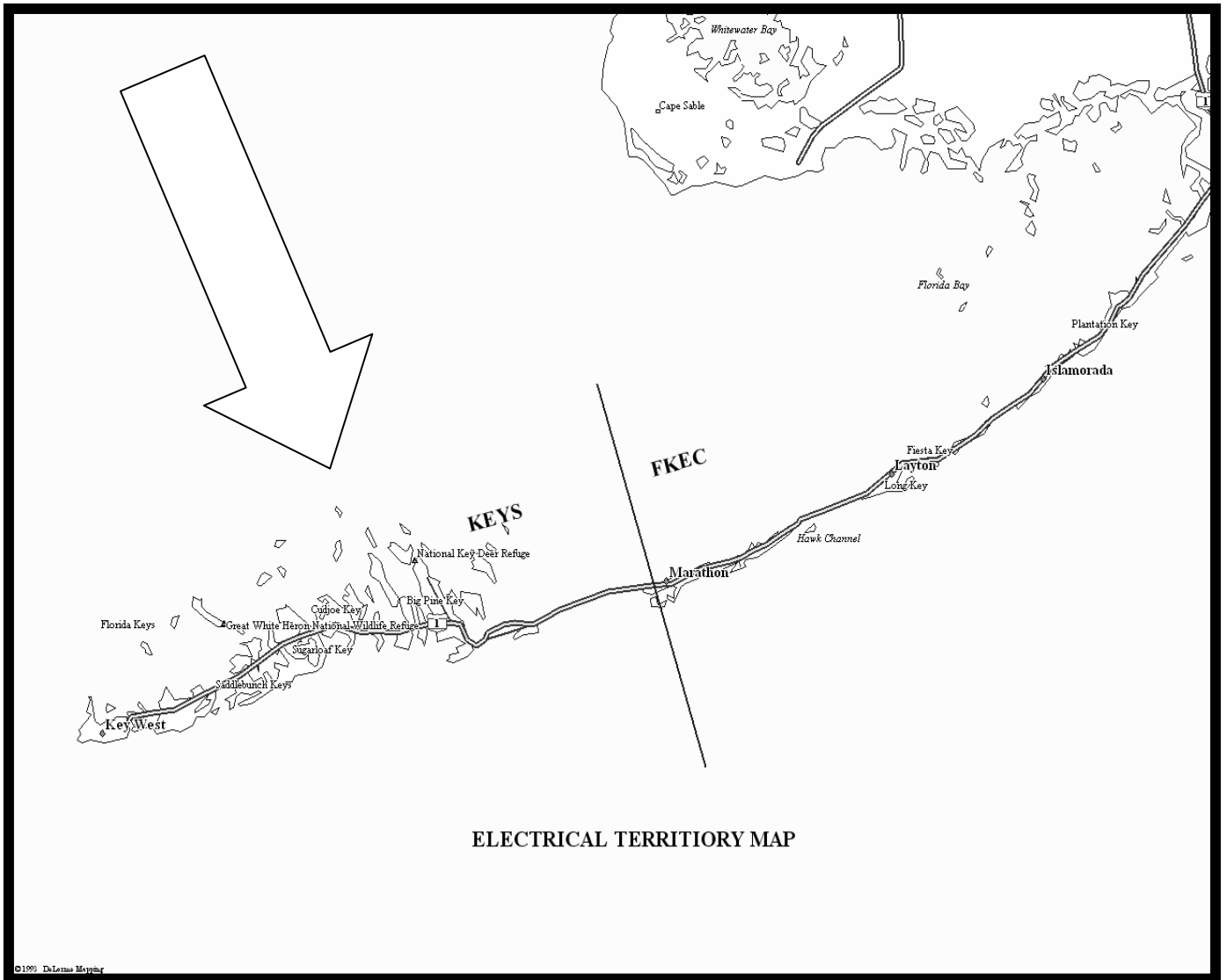
Source: City of Key West Chamber of Commerce

(1) Data as of 2003

(2) Data as of 2000

(3) Data as of 2004

# SERVICE AREA



KEYS = KEYS ENERGY SERVICES  
FKEC = FLORIDA KEYS ELECTRIC COOPERATIVE