

**MINUTES FROM A REGULAR MEETING OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 5:00 P.M. ON JULY 11, 2007 AT THE WILLIAM ARNOLD SERVICE BUILDING LOCATED AT 1001 JAMES STREET, KEY WEST, FLORIDA**

The above referenced meeting of the Utility Board of the City of Key West, Florida, convened at 5:00 P.M., on the above date and location and was called to order by Vice - Chairman Hernandez. Present and answering to the roll call were Utility Board members: Peter Batty, Charles Bradford, Mona Clark and Lou Hernandez. Also present at the meeting: Lynne Tejeda, General Manager & CEO; Jack Wetzler, Assistant General Manager & CFO; Nathan Eden, Board Attorney; Suzanne Greager, Director of Management Services; Alex Tejeda, Customer Services Director and Stan Rzas, Compliance Administrator

**AGENDA ITEM #4 – RECOGNITION**

**Item #4a – KEYS' Outstanding Employee – 3<sup>rd</sup> Quarter – Dave Gerstenkorn**

Vice-Chairman Hernandez welcomed Mr. Gerstenkorn and along with the Board congratulated him for being named KEYS' Outstanding Employee for the 3<sup>rd</sup> Quarter of 2007.

**Item #4b – Completion of 2<sup>nd</sup> Year Line Apprenticeship  
Josh Yarbrough, Barry Travis and Herschell Major**

Vice-Chairman Hernandez stated that the second year of the four year training program consists of learning to safely work on energized conductors below 600 volts using proper personal protection equipment, and gaining a better understanding of positioning trucks on the job sites, public safety, and trouble shooting electrical problems.

Josh, Barry, and Herschell have been with KEYS for just over two years.

Mrs. Tejeda informed the Board that Mr. Yarbrough was on a trouble call and Mr. Travis and Mr. Major were not at work today.

**Item #4c – Completion of 1<sup>st</sup> Year Line Apprenticeship – Alberto Pumar**

Vice Chairman Hernandez stated that the first year of training consists of numerous elements ranging from electrical theory and safe practices, to learning the tools of the trade and mathematical formulas to determine electrical currents, amperes, and conductors.

The first year program also includes on-the-job training which includes climbing poles and working de-energized electrical lines.

Alberto has been with KEYS for just over a year.

Mr. Pumar thanked the Board for the recognition.

**Item #4d – Certified Public Manager Course Graduates – Heather Arencibia, Dan Cassel, Fred Culpepper, Eddie Garcia and Lynne Tejada**

Vice-Chairman Hernandez stated that the Board would like to recognize five employees who have invested thirty-two hours in the classroom, completed six projects and passed seven exams, all to become Certified Public Managers.

Heather Arencibia, Dan Cassel, Fred Culpepper, Eddie Garcia and Lynne Tejada graduated from Florida State University's Certified Public Manager Program on June 15 in Tallahassee.

**AGENDA ITEM #5 – INFORMATIONAL ITEMS**

**Item #5a – Power Supply Report**

Mrs. Tejada informed the Board that since the last Utility Board meeting there have been no distribution outages, four transmission outages and ten reclosures.

**Item #5b – Generation Report**

Mr. Wetzler reported that as of this afternoon there are 60 megawatts available. CT #4 is undergoing an inspection and it is possible that it will be available this afternoon which will bring the available megawatts to 104. A coupling for the synchronous condenser is due to arrive this week. It is anticipated that the coupling will be installed by Friday night but it may run into next week. CT #3 is still unavailable and is due to be back in service by August 10<sup>th</sup>

### **Item #5c – Quarterly Unit Price Purchase Order Report**

Mrs. Tejeda informed the Board that the report is included in their packets and staff is prepared to answer any questions. There were no questions.

### **Item #5d – Utility Board Attorney Contract**

Mrs. Tejeda informed the Board that Mr. Nathan Eden's contract expires at the end of September 2007 and staff is seeking direction from the Board in moving forward.

Vice-Chairman Hernandez asked what the Board's options are.

Mrs. Tejeda stated that the options are:

- Negotiate with Mr. Eden for renewal
- An interim contract until a new contract is in place, or the Board may want to delay until after elections
- Call for Bids for an attorney

Motion was made by Mr. Batty and seconded by Mr. Bradford to extend Mr. Eden's contract until after the election in October and let the new Board determine the direction they would like to take during the first Utility Board meeting in October. There being no discussion the motion passed unanimously.

Mr. Eden cautioned the Board not to go out for bids. He stated that he has never seen that work.

Mr. Batty requested that a copy of Mr. Eden's existing contract be provided to the Board members and that perhaps it would be best to bring the issue before the Board at the second Utility Board meeting in October to provide ample time to review the contract to make a determination.

At this time Mr. Eden requested to add his partner Ms. Erin Nevius to the Keys Energy health insurance plan while his contract is pending, at no cost to the Utility Board. The premium will be paid by the firm.

Mrs. Tejeda informed the Board that Mr. Eden's current contract allows for him and Deniece Eden to be covered under KEYS' health insurance plan. It does not have any provisions for any partners.

Mr. Eden stated that KEYS does not pay for Deniece Eden's premium that he absorbs that cost.

Motion was made by Mr. Bradford and seconded by Ms. Clark to add Ms. Nevius to KEYS' health insurance plan with the premium to be paid by Mr. Eden's firm.

Under discussion Mr. Batty inquired if it is legitimate, from an insurance prospective, to add Ms. Nevius to KEYS' health insurance plan.

Mrs. Greager stated that she will have to investigate and would get an answer for the Board.

Mr. Batty asked if the Board can vote on the motion pending on the ability to add Ms. Nevius to KEYS' health insurance plan.

The response was yes. There being no further discussion the motion passed unanimously.

Mr. Eden thanked the Board.

#### **AGENDA ITEM #6 – CONSENT AGENDA**

- a) Approve Minutes - Regular Meeting - June 13, 2007
- b) Approve Disbursements Report and Budget Amendment #07-33  
Construction of a Pole Storage Yard at Stock Island
- c) Declare Miscellaneous Wire & Metal as "Surplus"
- d) Declare Non-Stock Items as "Surplus"

Motion was made by Ms. Clark and seconded by Mr. Bradford to approve the Consent Agenda. The motion passed unanimously.

#### **AGENDA ITEM #7 – ACTION ITEMS**

##### **Item #7c – Approve Management Compensation Plan with Evergreen Solutions, LLC – Effective July 9, 2007**

Mrs. Tejada stated that during the 2006 Strategic Planning Session, one of the strategies identified was to "Create a Stable, Capable and Committed Workforce". One of the focus areas of this strategy was "Attracting and Retaining Employees in the Management Area". This includes reviewing the current salaries and benefit package for the management employees. KEYS hired Evergreen Solutions. Mr. Sal Nuzzo is the consultant and he is present tonight to make a presentation to the Board.

Mr. Sal Nuzzo introduced himself to the Board and proceeded with his presentation. He reviewed the methodology, analysis, findings, recommendations and implementation plan. The presentation follows:

# **Compensation and Classification Study Findings and Recommendations**

Presented to:  
Keys Energy Services

**Evergreen Solutions, LLC**

July 11, 2007

## **Presentation Outline**

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- ✓ **Overview of Study Objectives**
- ✓ **Our Methodology**
- ✓ **Analysis**
- ✓ **Preliminary Findings**
- ✓ **Proposed Recommendations**
- ✓ **Implementation Plan**
- ✓ **Next Steps**
- ✓ **Questions and Answers**

## **Overview of Study Objectives**

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- 1. Review current classification and compensation systems to ensure internal equity**
- 2. Survey peer organizations to ensure external equity**
- 3. Produce recommendations to provide Keys Energy with a classification and compensation system that is equitable, both internally and externally**

## **Our Methodology**

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- 1. Preliminary Data Collection**
- 2. Outreach Activities**
- 3. JAT Collection**
- 4. Classification Analysis**
- 5. Market Data Collection**
- 6. Compensation Analysis**
- 7. Solution Analysis**
- 8. Recommendations and Report**

## **Analysis**

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- 1. Current Conditions**
- 2. Classification Phase**
- 3. External Phase**
- 4. Solution Phase**

## **Preliminary Findings**

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- **50 percent range spread comparable to most municipal organizations**
- **Tenure breaks between senior management and middle management**
- **Quartile Analysis presented unique situation**
- **Clustering at midpoint present**
- **Competitive market data shows slight competitive disadvantage – 3-5 percent below adjusted market average**
- **Pockets of positions well below market**

## **Proposed Recommendations**

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- **Restructure the current plan from 19 to 13 grades**
- **Reduce number of steps in plan from seven to six**
- **Maintain the 50 percent range spread**
- **Upgrade selected positions to reflect internal equity or market differential**
- **Increase midpoint progression / consider aggressive post-midpoint merit**
- **Adopt formal policies for administration of classification plan**
- **Investigate merit system for 2007-08 FY**

## **Implementation Plan**

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- **Initial implementation plan for July 1, 2007 (remainder of 06-07 FY)**
- **Placement in range based on closest step not resulting in a salary reduction**
- **Tenure-in-classification translates to step placement**
- **1-2 percent tenure adjustment (10-15 years)**
- **Initial cap at 10 percent (plus step)**
- **Total initial cost of \$31,500**
- **Average increase – 4.25 percent**

A copy of the Compensation and Classification Study is available upon request.

Motion was made by Ms. Clark and seconded by Mr. Bradford to approve the Evergreen Solutions Management Compensation Plan and implement effective July 8, 2007; and immediately adopt recommendations 2, 3, 4, 5, 7, and 8.

Under discussion Mr. Batty asked about the competitive market data showing a slight competitive disadvantage of 3-5 percent below adjusted market average. He if asked if that includes benefits.

Mr. Nuzzo responded that they did look at benefits as a percent of total compensation.

Mr. Batty asked Mr. Wetzler how the pay increases will affect the budget due to the decline in sales.

Mr. Wetzler responded that the actual cost to implement the plan being recommended this evening will cost \$31,500.

Vice-Chairman Hernandez asked how it will affect the five-year budget plan if the merit increases are implemented in October.

Mr. Wetzler stated that the five-year plan includes average costs. The previous salary costs were used as an annual average figuring that half will be allocated in October and the remainder in April. The COLA (Cost of Living Allowance) increase will be less than the increase that was estimated for October.

Mrs. Tejada stated that traditionally the increases are a blend of COLA and a percentage as a reward for the work the employees have done. With the proposed plan the COLA will be automatic on October 1, 2007 and on April 1, 2008 the extra component will be put in place, which the board can set either through budget or an action item.

Mr. Batty asked Mr. Wetzler a question regarding the five-year plan. He asked if KEYS is still using R.W. Beck's numbers for projected sales for the increases in the five-year plan.

Mr. Wetzler responded that they were not. A brief discussion ensued on this issue.

Mr. Batty asked if staff was comfortable that the pay increases could be covered with the new projections for sales in the five-year plan.

Mr. Wetzler responded yes. He stated that the increase was approximately one hundredth of one percent of revenues.

At this time Mrs. Tejada stated that staff is recommending that the Board approve recommendations 2, 3, 4, 5, 7, and 8 as recommended by Evergreen Solutions. Item #1 is a philosophical recommendation where the Board will adopt a compensation

philosophy. Before that is adopted it will be best to discuss it at a Strategic Planning Workshop and have it integrated into KEYS' Strategic Plan. That is why Item #1 is not being recommended at this time. Item #6 is the merit component. Mrs. Tejada stated that staff is not prepared to make a recommendation for a merit component to the Board. Staff does not have a merit program in place. Between now and April 1, 2008 staff can work with Mr. Nuzzo to prepare an appropriate methodology for a utility. Most likely in April of 2008 staff will recommend to the Utility Board an across the board merit increase for management employees who have contributed to the achievement of the goals of the utility for the last two years. In April of 2008, the new methodology will be in place where employees can work for a full year knowing what the criteria is that will be used for a merit increase. April 2009 will then be the first true merit component that employees will receive.

Motion was made by Mr. Batty and seconded by Ms. Clark to approve the Evergreen Solutions Management Compensation Plan effective July 8, 2007.

Vice-Chairman Hernandez requested that the roll be called for this item.

The roll was called and the following vote was recorded:

Mr. Batty	Yes
Mr. Bradford	Yes
Ms. Clark	Yes
Vice-Chairman Hernandez	Yes

#### **Item #7b – Award Bid for Pole and Padmount Transformers – Bid #19-07**

Mrs. Tejada stated the award for pole and padmount transformers is an annual event. The reason it is on the agenda as an action item is because of the amount of the purchase which is \$1.3 million. Staff requested competitive bids as is normally done and the Engineering Section has evaluated the bids with regard to technical specifications.

Mrs. Tejada informed the Board that there is one difference this year and that is to purchase an environmentally friendly transformer. The environmental friendly coolant transformers are 15% of the total quantity order and 33% of the 25 kVa transformers. The cost difference is \$78.00 per transformer, a total added cost of approximately \$9,000. Staff would like to test the environmentally friendly transformers this year and do some further research before more are ordered in the future.

The following chart summarizes the award by vendor:

Vendor	Item # Awarded	Complies to Technical Specifications	Complies to General Terms & Conditions	Total Cost
Gresco Cooper	1, 2, 3, 4, 5	Y	Y	\$984,060.00
Gresco Cooper-FR3 Oil	1	Y	Y	\$143,290.00
Electric Supply-General Electric	6	Y	Y	\$ 8,220.00
Wesco Distribution	7, 8, 9	Y	Y	\$191,580.00
<b>Total</b>				<b>\$1,327,150.00</b>

Motion was made by Mr. Batty and seconded by Mr. Bradford to Award the purchase of Pole and Padmount Transformers, Bid #19-07, to **Gresco Cooper, Gresco Cooper – FR# Oil, Electric Summly General Electric and Wesco Distribution** in accordance with the unit prices on the attached Exhibit I for quantities with a total estimated cost of **\$1,327,150.00**, excluding taxes, their bids being the lowest cost and/or best bids complying with specifications.

Under discussion Mr. Batty inquired as to how long the environmentally friendly transformers have been in the marketplace, the warranty and their longevity.

Mrs. Tejeda responded that they have been on the market for approximately twenty years and there has been positive experience and warranties are the same as for other transformers.

Mr. Batty commended staff for moving in this direction.

There being no further discussion the roll was called and the following vote was recorded:

Mr. Batty	Yes
Mr. Bradford	Yes
Ms. Clark	Yes
Vice-Chairman Hernandez	Yes

**Item #7c Approve Emergency Purchase to Rebuild a Coupling for the Synchronous Condenser from Hydraulic Mechanical Systems**

Mrs. Tejeda stated that the synchronous condenser is off line due to a failed coupling. KEYS has contracted with Hydraulic Mechanical Systems to rebuild the coupling. There are two options; rebuild the coupling at a cost of \$14,850 which will take four weeks or \$26,340 which will take only two weeks.

Mrs. Tejeda stated that staff believes that it is the best business decision to expedite the purchase and therefore pay the \$26,340. Mrs. Tejeda informed the Board that it cost approximately \$106,000 in fuel every two weeks to run the medium speed diesels for VAR support.

Staff has contacted Florida Municipal Power Agency and they support the decision and have agreed to reimburse the incremental cost for the two week delivery of the coupling. FMPA will reimburse in the amount of \$11,490.

Motion was made by Mr. Batty and seconded by Ms. Clark to approve the emergency purchase to rebuild a coupling for the synchronous condenser from **Hydraulic Mechanical Systems**, in the amount of **\$26,340**.

Under discussion Mr. Batty stated that the age of the synchronous condenser greatly concerns him. He stated that the sooner staff can get an alternate for VAR support the better. Mr. Batty asked if this item is in the five-year budget.

Mr. Wetzler responded that it is not in the five-year budget but it is in the five-year plan. The issue is being reviewed quite aggressively.

Mrs. Tejeda stated that KEYS, FMPA and Florida Keys Electric Cooperative have contracted with Florida Power and Light to conduct a stability study.

Mr. Batty asked if FMPA would possibly pay for some of the cost for VAR support, it is their problem as well as KEYS'.

Mrs. Tejeda responded that Mr. Roger Fontes of FMPA will be in Key West in August and that is one of the primary topics staff plans to discuss with him.

Following a brief discussion the motion passed unanimously.

### **AGENDA ITEM #8 – OTHER BUSINESS**

Vice-Chairman Hernandez told the Board that he had taken a tour of the General Electric Plant in Houston, Texas which was very informative. He also informed the Board that he attended the American Public Power Association Annual Conference in Austin, Texas and the one thing that was stressed in the meetings was efficiency.

A brief discussion ensued on S02 Credits and Green Energy.

There being no further business to come before the Board the Regular Utility Board meeting of July 11, 2007 adjourned at 6:00 p.m.

APPROVED:

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Robert R. Padron, Chairman

ATTEST:

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Lynne E. Tejeda, General Manager & CEO/Secretary

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