

**MINUTES FROM A REGULAR MEETING OF THE UTILITY BOARD
OF THE CITY OF KEY WEST, FLORIDA, HELD AT 5:00 P.M. ON
MAY 27, 2009 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 Chairman Hernandez. Present and answering to the roll call were Utility Board members: Charles Bradford, Peter Batty, Mona Clark and Ty Symroski. Also present at the meeting: Lynne Tejeda, General Manager & CEO; Nathan Eden, Board Attorney; Jack Wetzler, Assistant General Manager & CFO; Suzanne Greager, Director of Management Services; Alex Tejeda, Customer Services Director; Dale Finigan, Director of Engineering/Control Center; Eddie Garcia, Director of Generation, David Price, Director of T&D and Stan Rzad, Compliance Administrator.

AGENDA ITEM #4 – SET AGENDA

At this time Chairman Hernandez requested to move Agenda Item #8 - Other Business in order to allow Mr. Harry Bethel to make comments to the Board regarding the Budget Workshop held prior to the Regular Utility Board meeting.

Motion was made by Mr. Bradford and seconded by Mr. Batty to move Other Business. The motion passed unanimously.

Mr. Bethel thanked the Board for allowing him time to make his comments. He commended Mr. Batty for his praise towards KEYS' employees and stated that the employees are a valuable asset.

Mr. Bethel continued to express his opinion regarding any possible decreases in employee benefits due to budget constraints. He stated that economic times are hurting everyone but taking benefits from employees is not a desirable direction for the Board to take. Although, he feels that the Board will not go in that direction. He suggested cutting back on travel and prioritizing capital projects, although he cautioned the Board against eliminating capital projects and causing reliability issues.

Regarding a rate increase to utility bills, Mr. Bethel stated that a lot of residents in this community live on limited incomes and cannot afford a rate increase.

Mr. Bethel also commented on the Pension Plan saying that back in the 80's the Utility Board negotiated with management and later with the union to pay the employees' portion of the pension contribution in lieu of pay increases. He stated that perhaps the Board can reinstate pension contribution payments for new hires in order to save money.

AGENDA ITEM #5 – INFORMATIONAL ITEMS
Agenda Item #5a – Generation Report
Agenda Item #5b – Quarterly Financial Report

Mrs. Tejada informed the Board that the information is included in the Board packet and staff is prepared to answer any questions they may have. There were none.

AGENDA ITEM #6 – CONSENT AGENDA

- a) Approve Minutes - Regular Meeting – May 13, 2009
- b) Approve Disbursements Report
- c) Declare Non PCB Transformers as "Surplus"
- d) Declare Miscellaneous Wire and Metal as "Surplus"

Motion was made by Mr. Batty and seconded by Mr. Symroski to approve the Consent Agenda. The motion was unanimous.

AGENDA ITEM #7 – ACTION ITEMS

Agenda Item #7a - Approve Independent Auditing Services Contract with Cherry, Bekaert and Holland, LLP, for the Utility Board audit and Harvey, Covington, Thomas, LLC for the Retirement System Audit, Bid #12-09, for the years 2009 to 2011

Mrs. Tejada stated that staff is seeking approval from the Board to hire an independent auditing service for the Utility Board and the Retirement System. She stated that bids were requested six years ago and at that time the Utility Board awarded the contract to Oropeza & Parks for the Utility Board's Audit and to Cherry, Bekaert and Holland, LLC for the Retirement System Audit. The contracts were for three years with three year extensions. This year was time to go out again for competitive bids. Three proposals were received from good firms whose references

have been checked and have come back very positive. All of the firms have experience in the utility and pension industry.

Mrs. Tejada stated that staff recommends that the Utility Board Audit be awarded to Cherry, Bekart & Holland, LLP and that the bid for the Retirement System Audit be awarded to Harvey, Covington & Thomas, LLC. The recommendation is based on their being the low bidders. **Cherry Bekaert & Holland, LLP bid \$187,500** to perform the Utility Board Audit and **Harvey, Covington & Thomas, LLC bid \$40,970** to perform the Retirement System Audit.

Mrs. Tejada stated that after the initial three years there is an option to extend the contract for an additional three years if it is mutually agreed upon.

Mr. Symroski made a motion for discussion seconded by Mr. Batty.

Mr. Bradford stated that the Utility Board's employees are comprised of Lynne Tejada, General Manager & CEO, Nathan Eden, Board Attorney and the firm hired to make sure that everything is done in the manner in which it should be done within the utility. He stated that he appreciates the committee's effort in the selection of the low bidder. However, the relationship that the utility currently has with the audit firm is far more important than the dollars and cents submitted in the bids. Oropeza & Parks has served very well and has been trusted for the past six years.

Mr. Bradford commented that he appreciates the bids submitted by the other firms but personally sees no reason to change.

Mr. Symroski commented that Oropeza & Parks did not bid on the Retirement System Audit. He stated that he appreciates Mr. Bradford's comments stating that the Board needs to feel comfortable with the firm that performs the audit.

Mr. Symroski asked Mr. Bradford if he recommends using the low bidder for the Retirement System Audit.

Mr. Bradford responded that he will accept the low bidder for the Retirement System Audit but his comment is specifically for the Utility Board Audit.

Mr. Batty stated that keeping money in the community is extremely important. He commented that having someone attend the Board meetings regularly gives him

some comfort even though it is not a requirement. He commented that some staff feels that the current firm spends more time with the audit than is necessary. He stated that he has complete confidence in Oropeza and Parks and concurs with Mr. Bradford's comments.

Ms. Clark stated that she agrees with Mr. Batty and Mr. Bradford and that accessibility is an important factor.

Mr. Eden stated that staff did everything perfectly and did what is expected of them. He expressed that when a professional is hired it should not be on a bid basis and if he was asked to bid on his position as Board attorney he would not bid.

Chairman Hernandez stated that being able to trust the auditor and having direct access to them is extremely important. The money that will be paid to a local firm will remain in this community.

Mr. Symroski also agreed that the ability to stop at Oropeza and Parks office to ask questions regarding financial statements is very important to him.

At this time Mr. Symroski withdrew his motion.

Motion was made by Mr. Bradford and seconded by Ms. Clark to contract with Oropeza and Parks for the Utility Board Audit for the three year period starting in 2009-2011.

There being no further discussion Chairman Hernandez requested a roll call.

The roll was called and the following vote was recorded:

Mr. Batty	Yes
Mr. Bradford	Yes
Ms. Clark	Yes
Mr. Symroski	Yes
Chairman Hernandez	Yes

Chairman Hernandez proceeded to the Retirement System Audit bid.

For discussion purposes Mr. Symroski made a motion to recommended staff's endorsement on the Retirement System Audit bid seconded by Mr. Batty.

Mr. Symroski asked if Harvey, Covington, Thomas, LLC. has done other work in the community.

Mrs. Tejada responded that she does not believe that they have done other work in Key West but they have pension experience and have worked with other pension plans similar to KEYS'

Mr. Batty inquired if staff's recommendation to award to the low bidder is based solely on dollars and cents or was there any consideration given to qualifications. He asked if Cherry, Bekaert and Holland are the current auditors of the Retirement System.

Mrs. Tejada responded that Cherry, Bekaert and Holland are the current auditors of the Retirement System.

Mr. Batty asked if staff feels that they have done a superb job.

Mrs. Tejada stated that they have done a fine job and as the Board may recall during their first year they discovered a significant flaw in the previous audit. She proceeded to say that staff did make a recommendation based solely on price after references were checked.

Mr. Symroski stated that he shares Mr. Eden's comments that this is a professional service and he does not always look at the lowest bidder but does not have a comparison on qualifications other than the bid.

Mr. Batty stated that there is only a difference in the bids of \$7,030 over three years.

There being no further discussion Mr. Symroski withdrew his motion.

At this time motion was made by Mr. Bradford and seconded by Mr. Batty to approve the bid submitted by Cherry, Baekert & Holland to perform the Retirement System Audit. There being no further discussion Chairman Hernandez requested a roll call. The roll was called and the following vote was recorded:

Mr. Batty	Yes
Mr. Bradford	Yes
Ms. Clark	Yes
Mr. Symroski	Yes
Chairman Hernandez	Yes

OTHER BUSINESS

Mr. Batty requested to be excused from the May 13th Utility Board meeting.

Motion was made Mr. Bradford and seconded by Mr. Symroski to excuse Mr. Batty's absence from the May 13, 2009 Utility Board meeting. The motion passed unanimously.

ADJOURNMENT

Motion was made by Ms. Clark to adjourn the Regular Utility Board meeting of May 27, 2009 at 5:25 p.m.

APPROVE:



Lou Hernandez, Chairman

ATTEST:



Lynne E. Tejeda, General Manager & CEO/Secretary

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