

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

**DATE:** June 27, 2018

**TO:** Office of Commission Clerk (Stauffer)

**FROM:** Office of Industry Development and Market Analysis (Williams, Bates, Fogleman, Long) *CFW JB AZ CH*  
Office of the General Counsel (Page) *PHP S.M.C.*

**RE:** Docket No. 20180099-TP – Commission approval of Florida Telecommunications Relay, Inc.'s 2018-2019 proposed budget.

**AGENDA:** 07/10/18 – Regular Agenda – Proposed Agency Action for Issue 1 – Issue 2 is Procedural - Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Fay

**CRITICAL DATES:** September 1, 2018 – Effective date of Florida Telecommunications Relay, Inc. budget. Notification of any change in the Telecommunications Access System Act surcharge must be made to carriers prior to September 1, 2018.

**SPECIAL INSTRUCTIONS:** Anticipate the need for sign language interpreters and assisted listening devices. Please place near the beginning of the agenda to reduce interpreter costs.

## Case Background

The Telecommunications Access System Act of 1991 (TASA) established a statewide telecommunications relay system effective May 24, 1991. Section 427.701(1), Florida Statutes (F.S.), provides that the Florida Public Service Commission (Commission or FPSC) shall establish, implement, promote, and oversee the administration of the statewide telecommunications access system to provide access to telecommunications relay services by

persons who are deaf, hard of hearing or speech impaired, and those who communicate with them. It is estimated that approximately three million persons living in Florida have been diagnosed with having a hearing loss.<sup>1</sup> This system provides telecommunications service for deaf or hard of hearing persons functionally equivalent to the service provided to hearing persons.

The Florida Relay System provides deaf or hard of hearing persons access to basic telecommunications services by using a specialized Communications Assistant that relays information between the deaf or hard of hearing person and the other party to the call. The primary function of the Florida Relay System is accomplished by the deaf or hard of hearing person using a Telecommunications Device for the Deaf (TDD). The person using the TDD types a message to the Communications Assistant who in turn voices the message to the other party, or types the message to a Captioned Telephone which displays real-time captions of the conversation.

TASA provides funding for the distribution of specialized telecommunications devices and provision of intrastate relay service through the imposition of a surcharge of up to \$0.25 per landline access line per month. Accounts with over 25 access lines are billed for only 25 lines. Pursuant to Section 427.704(4)(a)1, F.S., a surcharge is collected only from landline access lines.<sup>2</sup>

Florida Telecommunications Relay, Inc. (FTRI), a non-profit corporation formed by the local exchange telephone companies, was selected by the Commission to serve as the Telecommunications Access System Act Administrator. On July 1, 1991, the local exchange telecommunications companies began collecting an initial \$0.05 per access line surcharge pursuant to Order No. 24581. Since July 1, 1991 the surcharge, which is currently \$0.10 per month, has changed to reflect FTRI's budgetary needs.

As part of its oversight responsibilities for the Florida Relay System, the Commission reviews and approves a budget submitted by FTRI on an annual basis. Attachment A is FTRI's letter to the Commission presenting its proposed budget that was approved by its Board of Directors. FTRI also compared its proposed budget to last year's Commission approved budget and estimated revenue and expenses for the current fiscal year. FTRI's estimated revenues and expenses were based on data from the first two quarters of Fiscal Year 2017/2018.

Staff sent an initial data request to FTRI on a number of issues included in its proposed Fiscal Year 2018/2019 budget. FTRI's responses to staff's data request were submitted on May 16, 2018, and are included in the docket file. Subsequently, staff also sent additional data requests to FTRI regarding the Fiscal Year 2018/2019 budget.

On May 21, 2018, FTRI filed updated third quarter financial information. With additional financial information, staff formulated new estimated budget results for Fiscal Year 2017/2018. This additional data is reflected in staff's estimate in Attachment B.

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<sup>1</sup> <http://www.floridahealth.gov/provider-and-partner-resources/fccdhh/index.html>, accessed on May 21, 2018.

<sup>2</sup> Florida Telecommunications Relay, Inc. projects a 4.8 percent decrease in landline access lines subject to the relay surcharge for Fiscal Year 2018/2019.

Docket No. 20180099-TP

Date: June 27, 2018

This recommendation addresses FTRI's proposed Fiscal Year 2018/2019 budget and what the relay surcharge should be for the upcoming fiscal year. The Commission is vested with jurisdiction pursuant to Chapter 427, F.S.

## Discussion of Issues

**Issue 1:** Should the Commission approve FTRI's proposed budget as presented in Attachment A for Fiscal Year 2018/2019, effective September 1, 2018, and should the Commission maintain the current Telecommunications Relay Service (TRS) surcharge at \$0.10 per month?

**Recommendation:** Staff recommends that the Commission reduce FTRI's proposed budget expenses for Fiscal Year 2018/2019 by \$19,823 for legal expense and by \$39,469 for insurance expense. Staff also recommends that the Commission allow FTRI to transfer \$203,746 from the Reserve Account to offset projected expense increases resulting from the new relay contract, and \$57,723 in additional expense primarily related to equipment, employee compensation, and auditing. Staff recommends that the Commission order all local exchange companies to continue billing the \$0.10 surcharge for Fiscal Year 2018/2019. Staff further recommends that the Commission order FTRI to continue to require detailed, itemized bills from its legal counsel and to continue in-house analyses for Insurance-Health/Life/Disability and Retirement expenses. Staff recommends that FTRI be ordered to provide updated results of its analyses to staff by January 31, 2019. (Williams, Bates, Fogleman, Long)

### **Staff Analysis:**

#### **Traditional Telecommunications Relay Service**

Minutes of use for traditional TRS have been declining. The traditional TRS cost to FTRI as approved in Sprint Communications Company, L.P.'s (Sprint) contract is currently \$1.35 per session minute. Sprint's projections indicate that traditional minutes will continue to decline during Fiscal Year 2018/2019. Traditional relay users are transitioning to the following services:

- Internet Protocol (IP) Relay<sup>3</sup>
- Video Relay Service (VRS)<sup>4</sup>
- Captioned Telephone (CapTel) Service<sup>5</sup>
- Internet Protocol Captioned Telephone Service<sup>6</sup>
- Internet Protocol Speech-to-Speech (STS) Service<sup>7</sup>
- Wireless Service<sup>8</sup>

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<sup>3</sup> IP Relay allows people who have difficulty hearing or speaking to communicate through an Internet connection using a computer and the Internet, rather than a Text Telephone (TTY) and a telephone.

<sup>4</sup> Video Relay Service enables persons with hearing disabilities who use American Sign Language to communicate with voice telephone users through video equipment, rather than through typed text. Video equipment links the VRS user with a TRS operator so that the VRS user and the operator can see and communicate with each other in signed conversation.

<sup>5</sup> A CapTel telephone is a telephone that displays real-time captions of a conversation.

<sup>6</sup> IP captioned telephone service allows the user to simultaneously listen to and read the text of what the other party in a telephone conversation has said, where the connection carrying the captions between the service and the user is via an IP address and routed link.

<sup>7</sup> Speech-to-Speech (STS) relay service utilizes a specially trained CA who understands the speech patterns of persons with speech disabilities and can repeat the words spoken by such an individual to the other party to the call. IP STS uses the Internet, rather than the public switched telephone network, to connect the consumer to the relay provider.

<sup>8</sup> Specifically, wireless services offer applications such as text, instant messaging, and Facetime.

### **CapTel Service**

CapTel service uses a specialized telephone that provides captioning of the incoming call for a deaf or hard of hearing person. Sprint's projections show that CapTel minutes of use will also decrease during Fiscal Year 2018/2019. The CapTel cost to FTRI as approved in the Sprint contract is currently \$1.69 per session minute.

### **Florida Telecommunications Relay Inc. Budget**

Attachment A reflects FTRI's Fiscal Year 2018/2019 proposed budget, which was reviewed and adopted by FTRI's Board of Directors prior to filing with the Commission. The proposed budget includes an increase in expenses of \$263,106 from the Fiscal Year 2017/2018 Commission approved budget. The expense increase is primarily attributable to the increase in TRS and CapTel service cost resulting from the new relay contract with Sprint that went into effect on March 1, 2018.

The FTRI 2018/2019 proposed budget projects total operating revenues of \$5,793,651 and total expenses of \$6,114,412. Based on the projected revenues and expense increase, FTRI requests that the Commission grant FTRI authority to transfer \$320,761 from the Reserve Account to offset the shortfall. FTRI also requests that the Telecommunications Relay surcharge be maintained at \$0.10 per access line for Fiscal Year 2018/2019.

The largest increase in expense in FTRI's budget is attributable to relay provider services provided by Sprint. On July 26, 2017 the Commission approved \$2,219,366 for relay provider expense for FTRI's 2017/2018 budget. However, on March 1, 2018, a new relay service contract with Sprint went into effect with higher service rates, resulting in higher actual and projected cost. FTRI's proposed relay provider expense for its 2018/2019 proposed budget is \$2,826,281, resulting in an increased cost of \$606,915 when compared to the Fiscal Year 2017/2018 Commission approved budget. Sprint's estimated Fiscal Year 2018/2019 traditional Telecommunications Relay surcharge minutes of use are 1,129,663, at a rate of \$1.35 per minute for a total of \$1,525,045. Sprint's estimated CapTel minutes of use for Fiscal Year 2018/2019 are 769,962, at a rate of \$1.69 per minute for a total of \$1,301,236.

A comparison of FTRI's Fiscal Year 2017/2018 Commission approved budget, FTRI's Fiscal Year 2017/2018 estimated actual revenues and expenses, and FTRI's Fiscal Year 2018/2019 proposed budget as filed is shown in Table 1 below.

**Table 1**  
**FTRI Budget Comparison**

|                                   | <b>Commission<br/>Approved<br/>2017/2018</b> | <b>FTRI<br/>Estimated<br/>Actual<br/>2017/2018</b> | <b>FTRI<br/>Proposed<br/>2018/2019</b> |
|-----------------------------------|--|--|--|
| Operating Revenue:                |  |  |  |
| Surcharges                        | \$6,273,379                                  | \$6,131,016  | \$5,695,749                            |
| Interest Income                   | 53,849                                       | 83,056   | 97,902                                 |
| Total Operating Revenue           | \$6,327,228                                  | \$6,214,072  | \$5,793,651                            |
| Operating Expenses:               |  |  |  |
| Relay Provider Services           | \$2,219,366                                  | \$2,622,535  | \$2,826,281                            |
| Equipment & Repairs               | 1,335,920                                    | 1,295,308  | 1,040,360                              |
| Equipment Distribution & Training | 773,938                                      | 700,465  | 705,986                                |
| Outreach                          | 558,976                                      | 558,976  | 546,250                                |
| General & Administrative          | 963,106                                      | 939,915  | 995,535                                |
| Total Expenses                    | \$5,851,306                                  | \$6,117,199  | \$6,114,412                            |
| Annual Surplus                    | \$475,922                                    | \$96,873   | (\$320,761)                            |
| Reserve Account                   | 17,337,883                                   | 17,301,477   | 17,398,350                             |
| Total Reserve <sup>9</sup>        | \$17,813,805                                 | \$17,398,350                                       | \$17,077,589                           |

Source: FTRI's Fiscal Year 2018/2019 proposed budget.

### Analysis

In its budget filing, FTRI acknowledges that access lines have decreased at the rate of 4.8 percent during the past three years (2015-2017) and believes that trend will continue as more consumers transition from landline phones to other technologies. As a result, FTRI's revenues will be reduced as the number of access lines decline, holding the surcharge constant. Continued efforts by FTRI to reduce expenses are important.

Staff developed its own estimate of FTRI's expenses for Fiscal Year 2017/2018. This data is presented in Attachment B. Staff used actual data from July 2017 through March 2018 and estimated the fourth quarter by averaging the first three quarters of the fiscal year. Staff's

<sup>9</sup> The Federal Communications Commission may mandate state funding of Video Relay Service, Internet Protocol Relay Service, and Internet Protocol Captioned Telephone Service. It is estimated that at a minimum \$32 million would be needed to adequately fund the state program. On June 8, 2018 in CG Docket No. 13-24 and CG Docket No. 03-123, the FCC released a Report and Order, Declaratory Ruling, Further Notice of Proposed Rulemaking, and Notice of Inquiry addressing, in part, whether state relay programs should be allowed or required to administer Internet Protocol Relay Service. <https://docs.fcc.gov/public/attachments/FCC-18-79A1.pdf>.

estimates were then used as one element in evaluating FTRI's proposed budget. Attachment B includes FTRI's budgeted information for comparison purposes. Below is staff's review of selected items from FTRI's proposed budget expense by category.

### **Category I – Relay Services**

The relay service expenses are based on the minutes of use as projected by Sprint and relay service contract rates. Sprint's historical projections have proven to be reasonable and it has multi-state experience with such projections. As a result of the new relay contract that went into effect on March 1, 2018, the TRS rate increased from \$1.09 to \$1.35 per minute, and the CapTel rate increased from \$1.65 to \$1.69 per minute. Staff believes that the estimates for Fiscal Year 2018/2019 are reasonable and should be used for budgetary purposes.

### **Category II – Equipment & Repairs**

Category II expenses reflect the purchase of equipment to be distributed to clients and the repairs that FTRI must make to keep the equipment in working order. FTRI's equipment budget reflected declines in equipment distribution, but includes equipment orders to maintain a sufficient inventory to serve its clients. FTRI used contract pricing for equipment multiplied by the number of units it plans to order over the course of the year. FTRI's proposed budget represents a \$295,560 decrease in expense when compared to the 2017/2018 Commission approved budget. After comparing FTRI's proposed budget with its own estimates for Fiscal Year 2017/2018, staff believes that FTRI's proposed budget for Category II expense is reasonable.

### **Category III – Equipment Distribution & Training**

Category III reflects the cost of distribution of equipment throughout the state and the training of consumers in the use of the equipment. FTRI contracts with non-profit Regional Distribution Centers (RDCs) to perform these functions throughout Florida. Currently there are 28 RDCs.

The largest component for Category III relates to FTRI's support of the RDCs. Staff notes that FTRI added additional RDCs last year. FTRI's proposed budget reflects a \$67,952 expense reduction from the 2017/2018 Commission approved budget. The amount of funds for FTRI's contracts with RDCs vary based on the number of clients they assist. More funds are provided for connecting a new client, while fewer funds are provided to assist existing clients in the system. Staff believes FTRI's proposed budget for Category III expenses is reasonable.

### **Category IV – Outreach**

FTRI's proposed Fiscal Year 2018/2019 outreach expense represents a decline from the Commission's approved outreach expense budget for Fiscal Year 2017/2018. FTRI has requested \$546,250 for outreach, a decrease of \$12,726 from last year's budget. FTRI believes that newspaper advertisements, specifically insert ads, are the most effective means of reaching eligible consumers and plans to continue this outreach strategy. In addition to newspaper insert ads, FTRI also plans to add a comprehensive digital marketing campaign to include: banner ads on websites, targeted email campaigns, and social media campaigns.

As reflected in Attachment B, staff's estimate of actual outreach expense for Fiscal Year 2017/2018 is \$529,593. Staff's methodology utilized an average of the first three quarters to establish a fourth quarter estimate. However, FTRI clarified that the fourth quarter is its peak

advertising quarter for outreach. As such, staff's methodology did not take into account FTRI's end of year peak outreach activities, which accounts for the difference between the staff estimate and FTRI's. Staff believes FTRI's proposed budget for Category IV expenses is reasonable.

#### **Category V – General & Administrative**

Category V reflects the expenses associated with FTRI's operations, such as office and furnishings, employee compensation, contracted services (auditors, attorney, and computer consultants), computers and other operating expenses (such as insurance and retirement). FTRI has proposed a budget for nine employees for the Fiscal Year 2018/2019, one less than was approved in last year's budget.

There is a direct correlation between the minutes of use and related service delivery and equipment distribution expense. As minutes of use decline and consumers substitute older equipment such as TTYs with newer technologies such as mobile devices with texting capabilities, associated expense should decrease. Although reduced minutes of use and technology substitution does not impact General and Administrative expense to the same degree, staff believes efforts to control General and Administrative expenses are of equal importance.

#### **Staff Adjustments to FTRI's Proposed Budget**

FTRI's proposed 2018/2019 budget presents reduced expenses in Categories II-IV. However, staff believes additional reductions can be made in Category V - General & Administrative expenses. In staff's analysis, staff compared actual expenses for the first three quarters and estimated the fourth quarter (using an average of the first three quarters) for Fiscal Year 2017/2018 to compare with FTRI's proposed budget. Based on this review, staff recommends the adjustment and/or continued monitoring of the following expenses:

- Legal
- Insurance-Health/Life/Disability
- Retirement

#### **Legal Fees**

Prior to the 2017/2018 budget, FTRI had a long-standing agreement for legal representation at a flat fee minimum of \$72,000 per year. FTRI has retained the same law firm for many years.<sup>10</sup> FTRI's attorney attends the board meetings and writes the minutes, reviews Requests for Proposals, reviews contracts, and advises on legal issues as they arise. In last year's budget order, the Commission stated that paying the attorney an hourly rate may be more cost effective than paying a flat fee minimum for these services. The Commission ordered:

We are not convinced that the contract amount is required to perform the regular annual non-litigation services for FTRI. Based on our review of the information provided, we find that the billable minutes associated with the services contracted may be more in line with an expense of \$36,000. We find that more detailed billing information is necessary to allow for further analysis in next year's budget. FTRI shall collect such billing information to include itemized invoices to FTRI

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<sup>10</sup> Messer Caparello in Tallahassee, Florida.

with date of services, charges for the services, hours of service, price per hour, and a detailed description of the services provided by legal counsel.<sup>11</sup>

Subsequent to the Commission's order limiting legal expenses to \$36,000, FTRI signed a legal services agreement with the attorney guaranteeing a monthly flat fee of \$3,000 per month (12 hours at \$250 per hour), with additional hours billed for specified services as needed at \$225 per hour. The current negotiated agreement was for a minimum of \$36,000, which was the upper limit of the 2017/1028 Commission-approved budget for legal expenses. Even if FTRI's counsel performed no work, FTRI would be billed the maximum amount allowed in the approved budget. As written, the contract will result in legal expenses projected by FTRI that will be \$19,823 over the 2017/2018 Commission-approved budget of \$36,000.

In its Fiscal Year 2018/2019 budget proposal, FTRI summarizes its legal expenses to date under the newly executed contract stating:

Last year the FPSC reduced this line item to \$36,000 per year. July – Dec 2017 FTRI has paid out \$27,911.30 in legal expense. FTRI conservatively expects January – June 2018 to be similar in expense and is reflected in the Year End estimate of \$55,823 basically doubling the expense from the first half of the year. FTRI has used the FYE estimate as its budget for 2018/2019.<sup>12</sup>

FTRI estimated its annual legal expenses by doubling its payments for the first six months of the Fiscal Year. However, FTRI's calculation included legal invoice payments for July 2017 through January 2018, or seven months of payments. The first six months of charges (July through December 2017) equal \$24,911.30, not \$27,911.30. Doubling the correct amount, utilizing FTRI's current approved budget, yields an annual projection for FTRI's legal expenses of \$49,823.

Similar to the previous fiscal year, and after review of supporting documents relating to legal expenses, staff continues to have concerns regarding the itemized legal expenses. To date, FTRI has provided staff with legal invoices for July 2017 through May 2018, or 11 of the possible 12 months. Based on staff's review of these legal invoices, staff believes that there are several steps FTRI can take to reduce its legal expenses.

As previously stated, FTRI's current agreement for legal services includes a monthly flat-fee minimum of \$3,000 for 12 hours of services at \$250 per hour, whether or not services are actually performed (i.e., if FTRI's counsel provides fewer than 12 hours of services, it still bills FTRI \$3,000 for that month). Any hours over 12 performed in a calendar month are billed at \$225 per hour. Utilizing this agreement has resulted in a projected amount for 2017/2018 of \$3,630 in legal fees billed by FTRI's counsel that were not attributable to work performed. Staff believes it would be in FTRI's interest to negotiate a more traditional capped "retainer" agreement in which hours are charged against the retainer as work is performed.

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<sup>11</sup> ORDER NO. PSC-2017-0292-PAA-TP

<sup>12</sup> Document No. 03000-2018 filed in Docket No. 20180099-TP.

Invoices show that FTRI paid approximately \$900 in legal fees for its counsel to draft a new contract, more lucrative than last year's Commission order on legal expenses. Staff does not believe legal fees attributable to the drafting of a fee agreement for an amount that exceeds Commission approved expenses are reasonable.

In addition, some activities billed this Fiscal Year may not be most reasonably performed by an attorney. For example, FTRI's counsel serves on the FTRI Board as its secretary, performing duties such as preparing the agenda for board meetings and transcribing minutes following the meeting. Staff's view is that since the members of the FTRI board perform their duties without compensation, the duties of the board secretary should not be compensable as a legal expense. Regardless, staff does not believe that these functions require an attorney, at the attorney's full hourly rate, to perform. FTRI staff members should be able to perform many activities such as preparing materials. If no one on the board wishes to act as secretary and take minutes, staff believes FTRI should explore less expensive ways to perform functions that do not require an attorney.

Staff recommends that FTRI's proposed Fiscal Year 2018/2019 budget line item for legal expenses be established at \$36,000, the same as last year, but with the following additional reasonable restrictions:

1. The \$36,000 budget item shall not be administered as a flat fee guaranteed retainer but instead shall be administered as a capped \$36,000 retainer to be billed against on an hourly basis only as legal services are required.
2. The hourly rate for legal services should be capped at the rate of \$250 per hour broken into increments, which are rounded to no greater than 6 minutes. Bills or invoices shall be prepared and submitted to FTRI on a monthly basis.
3. FTRI should continue to collect billing information to be used by staff and FTRI for analysis of next Fiscal Year's budget. Detailed information on the nature of each charge or a detailed description of each service provided by legal counsel should be included in all invoices. The information contained, per increment(s) of time billed, should be reasonably sufficient to identify the specific activity performed. For example, review "x" contract, review of "x" issue or "x" matter is sufficient; on the other hand, "review of pending issues/matters" is insufficient to reasonably identify the activity performed. Further, information should include itemized invoices to FTRI with date of services, charges for the services, hours of service, price per hour.

Should the attorney have knowledge or anticipate that the \$36,000 capped retainer may be exceeded due to unforeseen situations such as an emergency, FTRI shall give 90 days' notice to the Commission of this upcoming event. Staff recommends that no exceedance of the amount of the \$36,000 retainer shall occur without prior Commission approval, and FTRI is not authorized to transfer funds from other areas in Category V to subsidize overages of attorney related contracted services.

## **In-House Analyses**

### ***Insurance***

FTRI provides health, dental, vision, basic life, short-term disability, and long-term disability insurance to its employees. Employees contribute 5 percent of the premium for single coverage and 25 percent of the difference between single and dependent coverage. Last year the Commission ordered FTRI to compare the benefits it offered with those of similarly situated organizations.

In response to the Order, on April 2, 2018, FTRI filed plans for health insurance from two responding companies. FTRI stated to the Commission that it requested information from various providers, however, the companies stated that they were unable to provide like-for-like comparisons to FTRI's existing plan. FTRI stated that the plans it filed with the Commission represent what it considered to be the most comparable plans. Based on the plans filed, FTRI switched from its existing provider at the time, UHC NCTA, to the plan offered by SBG-UHC Choice Plus Platinum AUXC.

In its proposed 2018/2019 budget, filed on April 16, 2018, FTRI included a budget for insurance of \$192,496, which is an increase of 5.12 percent from Fiscal Year 2017/2018 estimated expenditures. However, FTRI's insurance budget was based on an estimate from its previous insurance provider. Since changing insurance providers, FTRI has provided a revised insurance estimate of \$153,027, a decrease of 16.4 percent from its Fiscal Year 2017/2018 estimated expenditures. Staff recommends that FTRI's proposed Fiscal Year 2018/2019 budget line item for insurance be reduced by \$39,469, to the proposed amount of \$153,027 to reflect the updated estimate provided by FTRI. Staff recommends that FTRI continue to conduct in-house analyses for Insurance expense and submit its findings to the Commission. Staff recommends that FTRI submit the results of the analyses to staff by January 31, 2019.

### ***Retirement***

Retirement expense is based on salary and related pension costs for administration of the program through FTRI's plan administrator NTCA. FTRI proposes a \$7,993 increase in retirement expense from Fiscal Year 2017/2018 estimated expenditures. The Commission authorized 10 positions for FTRI's Fiscal Year 2017/2018 budget. However, during most of Fiscal Year 2017/2018 FTRI operated with eight employees. FTRI has communicated that funding nine positions for Fiscal Year 2018/2019 is needed to perform its functions. The increase is primarily based on the number of employees increasing from eight to nine.

Currently, 11.1 percent of salaries are contributed to a retirement account for the employees. Employees are not required to pay for any of their retirement. The retirement budget is based on estimated compensation for nine employees and a three percent salary increase.

Last year the Commission ordered FTRI to conduct in-house analyses for retirement and to include quotes from other retirement plans offered by comparably-sized nonprofit and for profit entities. On April 4, 2018, in response to the Order, FTRI filed its report with the Commission. FTRI stated that it requested information from several providers. FTRI also communicated that the majority of providers stated they were unable to provide a comparable defined benefit plan.

FTRI did submit an analysis from Regions Institutional Services (Regions) on the plan design, investment returns, and administrative structure of FTRI's current Pension Plan. The analysis pointed out that the current plan boasts roughly \$2 billion in assets with over 17,000 participants. It further stated that the cooperative nature of the plan allows the assets to be pooled for investment purposes and the large asset base attracts outside managers not generally available to smaller defined benefit plans. Regions also stated that the fees charged for actuarial services would be lower than stand-alone plans, but acknowledged that it did not have data to compare this theory. Regions concluded that there are no glaring issues with FTRI's current plan design or operation.

Lastly, Regions stated that FTRI would benefit from delaying any decision until the 2017 actuarial valuation has been completed. Regions explained that it contacted several actuarial firms to design a plan review if FTRI should decide to move to a stand-alone retirement plan. As stated earlier, Regions recommends a more thorough review by an actuarial firm prior to moving from the current plan.

Staff recommends that FTRI continue to conduct in-house analyses for Retirement expenses and submit its findings to the Commission. These analyses should include price quotes from other providers for insurance and retirement plans offered by comparably-sized nonprofit and for profit entities. Staff recommends that FTRI submit the results of the analyses to staff by January 31, 2019.

### **Surcharge**

Staff recommends that the Commission order all local exchange companies to continue billing the \$0.10 monthly surcharge for Fiscal Year 2018/2019. Staff's recommended total budget includes a shortfall of \$261,469. FTRI proposed drawing from the Reserve Account to cover the shortfall in their proposed budget. Staff notes that the recommended shortfall of \$261,469 represents approximately half the projected revenue that would be generated from a \$0.01 increase in the surcharge.<sup>13</sup> Therefore, staff believes that rather than increasing the surcharge, it is appropriate to transfer the funds from the Reserve Account to cover the budgeted shortfall for Fiscal Year 2018/2019.

### **Conclusion**

Staff believes FTRI's expense reductions in Categories II-IV continue to be steps in the right direction to better position FTRI in a changing industry. However, a sustained effort is necessary for FTRI to strategically position itself in a rapidly changing environment. Staff has identified three expense line items in FTRI's proposed 2018/2019 budget that should be reduced and/or warrant further analysis. These include Legal, Insurance-Health/Life/Disability, and Retirement expenses.

Staff recommends that the Commission reduce FTRI's proposed budget expenses for Fiscal Year 2018/2019 by \$19,823 for legal expense and by \$39,469 for insurance expense. Staff also recommends that the Commission allow FTRI to transfer \$203,746 from the Reserve Account to

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<sup>13</sup> Staff projects that a \$0.01 increase in the surcharge from \$0.10 to \$0.11 would increase projected Fiscal Year 2018/2019 revenue by \$569,575.

offset projected expense increases resulting from the new relay contract, and \$57,723 in additional expense primarily related to equipment, employee compensation, and auditing. Staff recommends that the Commission order all local exchange companies to continue billing the \$0.10 surcharge for Fiscal Year 2018/2019. Staff further recommends that the Commission order FTRI to continue to require detailed, itemized bills from its legal counsel and to continue in-house analyses for Insurance-Health/Life/Disability and Retirement expenses. Staff recommends that FTRI be ordered to provide updated results of its analyses to staff by January 31, 2019. (Williams, Bates, Fogleman, Long)

**Issue 2:** Should the Commission approve the appointment of Commissioner Margaret Brown to the TASA Advisory Committee effective immediately?

**Recommendation:** Yes. Staff recommends that the Commission approve the appointment of Commissioner Margaret Brown to the TASA Advisory Committee effective immediately. (Williams, Page)

**Staff Analysis:** Pursuant to Section 427.706, F.S., the Commission shall appoint an advisory committee of up to 10 members to assist the Commission with Florida's relay system.

By statute, the advisory committee provides the expertise, experience, and perspective of persons who are deaf, hard of hearing, or speech impaired to the Commission and the administrator during all phases of the development and operation of the telecommunications access system. The advisory committee advises the Commission and the administrator on the quality and cost-effectiveness of the telecommunications relay service and the specialized telecommunications devices distribution system. Members of the committee are not compensated for their services but are entitled to per diem and travel expenses provided through the Florida Public Service Commission's Regulatory Trust Fund.

Commissioner Margret Brown was elected City Commissioner of Weston, Florida, in November of 2016. She is the Regional Executive Director of the Center for Hearing and Communications in Florida, a not-for-profit agency in Broward County, which provides hearing health care, audiological services and advocacy for the hard-of-hearing, deaf, and deaf/blind in South Florida. The Center for Hearing and Communications in Florida is the largest distributor for FTRI, providing specialized telephones for Florida residents with hearing loss. In addition, Commissioner Brown is the current president of the Deaf Service Center Association of Florida and has been serving the association since 2014.

Staff recommends that the Commission approve the appointment of Commissioner Margaret Brown to the TASA Advisory Committee effective immediately.

**Issue 3:** Should this docket be closed?

**Recommendation:** Yes. A Consummating Order should be issued for Issue 1, unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the proposed agency action. The docket should be closed upon issuance of the Consummating Order. (Page)

**Staff Analysis:** A Consummating Order should be issued for Issue 1, unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the proposed agency action. The docket should be closed upon issuance of the Consummating Order.



April 16, 2018

Mr. Curtis Williams, Regulatory Analyst IV  
Office of Telecommunications  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0866

RE: **FTRI FY 2018/2019 Budget**

Dear Mr. Williams:

I am pleased to forward a copy of the FY 2018/2019 budget for the Florida Telecommunications Relay, Inc. (FTRI). The budget was reviewed and adopted by the Board of Directors at a special meeting.

The budget adopted by the board for FY 2018/2019 maintains the surcharge at 10 cents per access line and at this level is projected to produce revenues of \$5,793,651. As reflected on the attached copy of the approved budget total expenses are projected to be \$6,114,412. A shortfall of \$320,761 will be realized. A primary cause of the shortfall may be contributed to the increased rate of TRS and CapTel services which was implemented March 2018.

Access lines have decreased at the rate of 4.8% during the past three years (2015, 2016 & 2017) and that trend is expected to continue as more consumers move from landline to other technologies. For the current budget period, it is projected that access lines will decrease by 4.8%.

Category V increases are primarily due to a proposed compensation analysis and the Accounts Payable position and associated benefits.

FTRI and its regional partners continue to reach out to meet the telecommunications access needs of residents who are deaf, hard of hearing, deaf/blind, or speech disabled. Outreach continues to be an integral part of our efforts to attract new clients and educate the general population about the Florida Relay System and the benefits this brings to our citizens as required by TASA.

Should you have questions or desire additional information, please do not hesitate to email me at [jforstall@ftri.org](mailto:jforstall@ftri.org).

Sincerely,  
  
James Forstall  
Executive Director

Enclosure

cc: FTRI Board of Directors

1820 E. Park Avenue, Suite 101 Tallahassee, FL 32312 [www.ftri.org](http://www.ftri.org)

| Florida Telecommunications Relay, Inc.                      |                              |                   |                   |                     |                  |                  |
|---|------------------------------|-------------------|-------------------|---------------------|------------------|------------------|
| Fiscal Year 2018/2019 Budget @ .10 cents surcharge          |                              |                   |                   |                     |                  |                  |
|   | 2017/2018                    | 2017/2018         | 2018/2019         | Estimated to Budget | Budget to Budget |                  |
|   | APPROVED                     | ESTIMATED         | PROPOSED          | VARIANCE            | VARIANCE         |                  |
|   | BUDGET                       | REV & EXPEND      | BUDGET            | 2017/2018           | 2017/2018        |                  |
|   |                              |                   |                   | 2018/2019           | 2018/2019        |                  |
| <b>OPERATING REVENUE</b>                                    |                              |                   |                   |                     |                  |                  |
| 1   | Surcharges                   | 6,273,379         | 6,131,016         | 5,695,749           | (435,267)        | (577,630)        |
| 2   | Interest Income              | 53,849            | 83,056            | 97,902              | 14,846           | 44,053           |
| 3   | NDBEDP                       |                   |                   |                     |                  |                  |
|   | <b>TOTAL OPERATING REV</b>   | <b>6,327,228</b>  | <b>6,214,072</b>  | <b>5,793,651</b>    | <b>(420,421)</b> | <b>(533,577)</b> |
| <b>OTHER REVENUE/FUNDS</b>                                  |                              |                   |                   |                     |                  |                  |
| 4   | Surplus Account              | 17,337,883        | 17,301,477        | 17,398,350          | 96,873           | 60,467           |
|   | <b>TOTAL REVENUE</b>         | <b>23,665,111</b> | <b>23,515,549</b> | <b>23,192,001</b>   | <b>(323,548)</b> | <b>(473,110)</b> |
| <b>OPERATING EXPENSES</b>                                   |                              |                   |                   |                     |                  |                  |
| <b>CATEGORY I - RELAY SERVICES</b>                          |                              |                   |                   |                     |                  |                  |
| 5   | DPR Provider                 | 2,219,366         | 2,622,535         | 2,826,281           | 203,746          | 606,915          |
|   | <b>SUBTOTAL-CATEGORY I</b>   | <b>2,219,366</b>  | <b>2,622,535</b>  | <b>2,826,281</b>    | <b>203,746</b>   | <b>606,915</b>   |
| <b>CATEGORY II - EQUIPMENT &amp; REPAIRS</b>                |                              |                   |                   |                     |                  |                  |
| 6   | TDD Equipment                | 0                 | 0                 | 0                   | 0                | 0                |
| 7   | Large Print TDD's            | 0                 | 0                 | 0                   | 0                | 0                |
| 8   | VCO/HCO - TDD                | 4,600             | 4,600             | 4,600               | 0                | 0                |
| 9   | VCO Telephone                | 0                 | 0                 | 0                   | 0                | 0                |
| 10  | Dual Sensory Equipment       | 0                 | 0                 | 0                   | 0                | 0                |
| 11  | CapTel Phone Equipment       | 0                 | 0                 | 0                   | 0                | 0                |
| 12  | VCP Hearing Impaired         | 1,249,948         | 1,189,572         | 936,572             | (253,000)        | (313,376)        |
| 13  | VCP Speech Impaired          | 832               | 231               | 0                   | (231)            | (832)            |
| 14  | TellTalk Speech Aid          | 9,000             | 15,600            | 13,200              | (2,400)          | 4,200            |
| 15  | Jupiter Speaker phone        | 0                 | 0                 | 0                   | 0                | 0                |
| 16  | In-Line Amplifier            | 300               | 30                | 0                   | (30)             | (300)            |
| 17  | ARS Signaling Equip          | 2,400             | 475               | 250                 | (225)            | (2,150)          |
| 18  | VRS Signaling Equip          | 2,921             | 6,185             | 7,733               | 1,548            | 4,812            |
| 19  | Accessories & Supplies       | 1,580             | 1,243             | 1,230               | (13)             | (350)            |
| 20  | Telecomm Equip Repair        | 64,339            | 77,372            | 76,775              | (597)            | 12,438           |
|   | <b>SUBTOTAL-CATEGORY II</b>  | <b>1,335,920</b>  | <b>1,295,308</b>  | <b>1,040,360</b>    | <b>(254,948)</b> | <b>(295,560)</b> |
| <b>CATEGORY III - EQUIPMENT DISTRIBUTION &amp; TRAINING</b> |                              |                   |                   |                     |                  |                  |
| 21  | Freight-Telecomm Equip       | 40,442            | 37,908            | 38,034              | 126              | (2,408)          |
| 22  | Regional Distr Centers       | 732,996           | 662,089           | 667,484             | 5,395            | (65,512)         |
| 23  | Workshop Expense             | 0                 | 0                 | 0                   | 0                | 0                |
| 24  | Training Expense             | 500               | 468               | 468                 | 0                | (32)             |
|   | <b>SUBTOTAL-CATEGORY III</b> | <b>773,938</b>    | <b>700,465</b>    | <b>705,986</b>      | <b>5,521</b>     | <b>(67,952)</b>  |



**Staff's Budget Comparison**

| 2017/2018<br>APPROVED<br>BUDGET | 2017/2018<br>FTRI<br>ESTIMATED | 2017/2018<br>FPSC STAFF<br>ESTIMATED | 2018/2019<br>FPSC<br>PROPOSED<br>BUDGET | 2018/2019<br>FTRI<br>PROPOSED<br>BUDGET |
|---------------------------------|--------------------------------|--------------------------------------|---|---|
|---------------------------------|--------------------------------|--------------------------------------|---|---|

**REVENUE**

|                                |                   |                   |                   |                   |                   |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Surcharge                      | 6,273,379         | 6,131,016         | 6,131,016         | 5,695,749         | 5,695,749         |
| Interest                       | 53,849            | 83,056            | 83,056            | 97,902            | 97,902            |
| <b>TOTAL OPERATING REVENUE</b> | <b>6,327,228</b>  | <b>6,214,072</b>  | <b>6,214,072</b>  | <b>5,793,651</b>  | <b>5,793,651</b>  |
| Reserve Account                | 17,337,883        | 17,301,477        | 17,301,477        | 17,398,350        | 17,398,350        |
| <b>TOTAL REVENUE</b>           | <b>23,665,111</b> | <b>23,515,549</b> | <b>23,515,549</b> | <b>23,192,001</b> | <b>23,192,001</b> |

**OPERATING EXPENSES**

| <b>CATEGORY I - RELAY SERVICES</b> |                  |                  |                  |                  |                  |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| DPR Provider                       | 2,219,366        | 2,622,535        | 2,622,535        | 2,826,281        | 2,826,281        |
| <b>SUBTOTAL CATEGORY I</b>         | <b>2,219,366</b> | <b>2,622,535</b> | <b>2,622,535</b> | <b>2,826,281</b> | <b>2,826,281</b> |

| <b>CATEGORY II - EQUIPMENT &amp; REPAIRS</b> |                  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|
| TDD Equipment                                | -                | -                | -                | -                | -                |
| Large Print TDD                              | -                | -                | -                | -                | -                |
| VCO/HCO-TDD                                  | 4,600            | 4,600            | 6,133            | 4,600            | 4,600            |
| VCO-Telephone                                | -                | -                | -                | -                | -                |
| Dual Sensory Equipment                       | -                | -                | -                | -                | -                |
| CapTel Phone Equipment                       | -                | -                | -                | -                | -                |
| VCP Hearing Impaired                         | 1,249,948        | 1,189,572        | 1,002,184        | 936,572          | 936,572          |
| VCP Speech Impaired                          | 832              | 231              | 493              | -                | -                |
| TeliTalk Speech Aid                          | 9,000            | 15,600           | 18,460           | 13,200           | 13,200           |
| InferaRed/Hands Free                         | -                | -                | -                | -                | -                |
| In Line Amplifier                            | 300              | 30               | 40               | -                | -                |
| ARS-Signaling Equipment                      | 2,400            | 475              | 633              | 250              | 250              |
| VRS-Signaling Equipment                      | 2,921            | 6,185            | 3,461            | 7,733            | 7,733            |
| Equipment Accessories/Supplies               | 1,580            | 1,243            | 61               | 1,230            | 1,230            |
| Telecom Equipment Repair                     | 64,339           | 77,372           | 75,348           | 76,775           | 76,775           |
| <b>SUBTOTAL CAT II</b>                       | <b>1,335,920</b> | <b>1,295,308</b> | <b>1,106,813</b> | <b>1,040,360</b> | <b>1,040,360</b> |

**Staff's Budget Comparison**

|   | 2017/2018<br>APPROVED<br>BUDGET | 2017/2018<br>FTRI<br>ESTIMATED | 2017/2018<br>FPSC STAFF<br>ESTIMATED | 2018/2019<br>FPSC<br>PROPOSED<br>BUDGET | 2018/2019<br>FTRI<br>PROPOSED<br>BUDGET |
|---|---------------------------------|--------------------------------|--------------------------------------|---|---|
| <b>CATEGORY III -<br/>EQUIPMENT<br/>DISTRIBUTION &amp;<br/>TRAINING</b> |                                 |                                |                                      |   |   |
| Freight - Telecomm<br>Equipment   | 40,442                          | 37,908                         | 41,755                               | 38,034                                  | 38,034                                  |
| Regional Distribution Centers   | 732,996                         | 662,089                        | 665,919                              | 667,484                                 | 667,484                                 |
| Workshop Expense  | -                               | -                              | -                                    | -                                       | -                                       |
| Training Expense for RDCs   | 500                             | 468                            | -                                    | 468                                     | 468                                     |
| <b>SUBTOTAL CAT III</b>   | <b>773,938</b>                  | <b>700,465</b>                 | <b>707,674</b>                       | <b>705,986</b>                          | <b>705,986</b>                          |
| <b>CATEGORY IV -<br/>OUTREACH</b>                                       |                                 |                                |                                      |   |   |
| Outreach Expense  | 558,976                         | 558,976                        | 529,593                              | 546,250                                 | 546,250                                 |
| <b>SUBTOTAL CAT IV</b>  | <b>558,976</b>                  | <b>558,976</b>                 | <b>529,593</b>                       | <b>546,250</b>                          | <b>546,250</b>                          |
| <b>CATEGORY V -<br/>GENERAL AND<br/>ADMINISTRATIVE</b>                  |                                 |                                |                                      |   |   |
| Advertising   | 658                             | 15                             | 20                                   | 15                                      | 15                                      |
| Accounting/Audit  | 20,533                          | 20,749                         | 26,459                               | 26,582                                  | 26,582                                  |
| Legal   | 36,000                          | 55,823                         | 49,823                               | 36,000                                  | 55,823                                  |
| Consultation-Computer   | 5,580                           | 5,747                          | 7,263                                | 5,580                                   | 5,580                                   |
| Dues/Subscriptions  | 1,655                           | 2,311                          | 2,920                                | 2,287                                   | 2,287                                   |
| Office Furniture  | -                               | -                              | -                                    | -                                       | -                                       |
| Office Equipment Purchase   | 6,667                           | 6,471                          | 3,023                                | 6,263                                   | 6,263                                   |
| Office Equipment Lease  | 1,827                           | 1,532                          | 1,276                                | 1,552                                   | 1,552                                   |
| Insurance -<br>Health/Life/Disability                                   | 175,345                         | 183,112                        | 180,532                              | 153,027                                 | 192,496                                 |
| Insurance-Other   | 10,075                          | 10,172                         | 9,845                                | 10,729                                  | 10,729                                  |
| Office Expense  | 13,719                          | 13,029                         | 12,151                               | 13,029                                  | 13,029                                  |
| Postage   | 7,541                           | 7,490                          | 7,799                                | 7,490                                   | 7,490                                   |
| Printing  | 1,514                           | 1,114                          | 1,123                                | 1,114                                   | 1,114                                   |
| Rent  | 92,062                          | 91,205                         | 91,513                               | 91,205                                  | 91,205                                  |
| Utilities   | 5,297                           | 5,294                          | 5,309                                | 5,294                                   | 5,294                                   |
| Retirement  | 73,734                          | 70,780                         | 67,183                               | 78,773                                  | 78,773                                  |
| Employee Compensation   | 445,106                         | 411,936                        | 422,748                              | 441,149                                 | 441,149                                 |
| Temporary Employment  | -                               | -                              | -                                    | -                                       | -                                       |
| Taxes - Payroll   | 30,091                          | 29,418                         | 30,088                               | 31,604                                  | 31,604                                  |
| Taxes - Unemployment Comp   | 1,725                           | 324                            | 760                                  | 63                                      | 63                                      |

|                           | 2017/2018<br>APPROVED<br>BUDGET | 2017/2018<br>FTRI<br>ESTIMATED | 2017/2018<br>FPSC STAFF<br>ESTIMATED | 2018/2019<br>FPSC<br>PROPOSED<br>BUDGET | 2018/2019<br>FTRI<br>PROPOSED<br>BUDGET |
|---------------------------|---------------------------------|--------------------------------|--------------------------------------|---|---|
| Taxes - Licenses          | 61                              | 61                             | -                                    | 61                                      | 61                                      |
| Telephone                 | 17,240                          | 16,587                         | 16,677                               | 16,089                                  | 16,089                                  |
| Travel & Business Expense | 13,585                          | 3,620                          | 4,816                                | 5,198                                   | 5,198                                   |
| Equipment Maintenance     | 746                             | 1,292                          | 825                                  | 1,306                                   | 1,306                                   |
| Employee Training         | 975                             | 950                            | 967                                  | 950                                     | 950                                     |
| Meeting Expense           | 1,370                           | 883                            | 1,840                                | 883                                     | 883                                     |
| Miscellaneous             | -                               | -                              | -                                    | -                                       | -                                       |
| <b>SUBTOTAL CAT V</b>     | <b>963,106</b>                  | <b>939,915</b>                 | <b>944,960</b>                       | <b>936,243</b>                          | <b>995,535</b>                          |

|                       |                  |                  |                  |                  |                  |
|-----------------------|------------------|------------------|------------------|------------------|------------------|
| <b>TOTAL EXPENSES</b> | <b>5,851,306</b> | <b>6,117,199</b> | <b>5,911,575</b> | <b>6,055,120</b> | <b>6,114,412</b> |
|-----------------------|------------------|------------------|------------------|------------------|------------------|

|                                   |                |               |                |                  |                  |
|-----------------------------------|----------------|---------------|----------------|------------------|------------------|
| <b>REVENUES LESS<br/>EXPENSES</b> | <b>475,922</b> | <b>96,873</b> | <b>302,497</b> | <b>(261,469)</b> | <b>(320,761)</b> |
|-----------------------------------|----------------|---------------|----------------|------------------|------------------|