

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Commission approval of Florida
Telecommunications Relay, Inc.'s 2018-2019
proposed budget.

DOCKET NO. 20180099-TP
ORDER NO. PSC-2018-0386-PAA-TP
ISSUED: August 1, 2018

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
JULIE I. BROWN
DONALD J. POLMANN
GARY F. CLARK
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION ORDER ESTABLISHING FLORIDA
TELECOMMUNICATIONS RELAY, INC.'S 2018/2019 BUDGET

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

I. 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.¹ 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

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

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.²

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 has changed to reflect FTRI's budgetary needs. The surcharge is currently \$0.10.

As part of our oversight responsibilities for the Florida Relay System, we review and approve a budget submitted by FTRI on an annual basis. Attachment A is FTRI's letter to us presenting its proposed budget that was approved by its Board of Directors. FTRI also compared its proposed budget to last year's approved budget and with 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.

We 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 the data request were submitted on May 16, 2018. Subsequently, additional data requests were sent to FTRI regarding the Fiscal Year 2018/2019 budget. All data requests and responses are included in the docket file.

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

This order addresses FTRI's proposed Fiscal Year 2018/2019 budget and the relay surcharge for the upcoming fiscal year. We are vested with jurisdiction pursuant to Chapter 427, F.S.

A. 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. (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:

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

- Internet Protocol (IP) Relay³
- Video Relay Service (VRS)⁴
- Captioned Telephone (CapTel) Service⁵
- Internet Protocol Captioned Telephone Service⁶
- Internet Protocol Speech-to-Speech (STS) Service⁷
- Wireless Service⁸

B. 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 we approved in the Sprint contract is currently \$1.69 per session minute.

II. Florida Telecommunications Relay, Inc.'s 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 us. The proposed budget includes an increase in expenses of \$263,106 from the approved Fiscal Year 2017/2018 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 we 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. On July 26, 2017, we 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

³ 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.

⁴ 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.

⁵ A CapTel telephone is a telephone that displays real-time captions of a conversation.

⁶ 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 addressed and routed link.

⁷ 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.

⁸ Specifically, wireless services offer applications such as text, instant messaging, and Facetime.

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 approved Fiscal Year 2017/2018 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 the approved FTRI Fiscal Year 2017/2018 budget to 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

	Commission Approved 2017/2018	FTRI Estimated Actual 2017/2018	FTRI Proposed 2018/2019
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 ⁹	\$17,813,805	\$17,398,350	\$17,077,589

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

⁹ 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>.

III. Analysis of Categories in FTRI's Proposed Budget

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.

We developed our own estimate of FTRI's actual expenses for Fiscal Year 2017/2018. This data is presented in Attachment B. We used actual data from July 2017 through March 2018 and estimated the fourth quarter by averaging the first three quarters of the fiscal year. Our 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 our review of selected items from FTRI's proposed budget expense by category.

A. 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. The estimates for Fiscal Year 2018/2019 are reasonable and should be used for budgetary purposes.

B. 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, FTRI's proposed budget for Category II expense is reasonable.

C. 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. We note that FTRI added additional RDCs last year. FTRI's proposed budget reflects a \$67,952 expense reduction from the approved 2017/2018 budget. The amount of funds for FTRI's contracts with

RDCs varies 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. FTRI's proposed budget for Category III expenses is reasonable.

D. Category IV – Outreach

FTRI's proposed Fiscal Year 2018/2019 outreach expense represents a decline from the outreach expense budget we approved 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, our estimate of actual outreach expense for Fiscal Year 2017/2018 is \$529,593. Our 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, our methodology did not take into account FTRI's end of year peak outreach activities, which accounts for the difference between our estimate and FTRI's. FTRI's proposed budget for Category IV expenses is reasonable.

E. 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 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 do not impact General and Administrative expense to the same degree, we find that efforts to control General and Administrative expenses are of equal importance.

IV. Adjustments to FTRI's Proposed Budget

FTRI's proposed 2018/2019 budget presents reduced expenses in Categories II-IV. However, we find that additional reductions can be made in Category V - General & Administrative expenses. In our analysis, we 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, we order the adjustment and/or continued monitoring of the following expenses:

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

A. 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.¹⁰ 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, we stated that paying the attorney an hourly rate may be more cost effective than paying a flat fee minimum for these services. We 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 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.¹¹

Subsequent to our 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 approved 2017/1028 budget for legal expense. 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 budget of \$36,000 which we approved.

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 2018/2019.¹²

¹⁰ Messer Caparello in Tallahassee, Florida.

¹¹ Order No. PSC-2017-0292-PAA-TP, issued July 26, 2017, Docket No. 20140029, *In re: Request for submission of proposals for relay service, beginning in June 2015, for the deaf, hard of hearing, deaf/blind, or speech impaired, and other implementation matters in compliance with the Florida Telecommunications Access System Act of 1991*

¹² Document No. 03000-2018 filed in Docket No. 20180099-TP.

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, we continue to have concerns regarding the itemized legal expenses. To date, FTRI has provided us with legal invoices for July 2017 through May 2018, or 11 of the possible 12 months. Based on our review of these legal invoices, we find 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. It would likely be in FTRI's interest to negotiate a more traditional "retainer" agreement in which hours are charged against the retainer as work is performed.

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. Legal fees attributable to the drafting of a fee agreement for an amount that exceeds expenses which we approved are not reasonable.

In addition, some activities billed this Fiscal Year are not 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. 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, we find that these functions do not 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, FTRI should explore less expensive ways to perform functions that do not require an attorney.

FTRI's proposed Fiscal Year 2018/2019 budget line item for legal expenses is 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 \$36,000 amount 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 us 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 amount may be exceeded due to unforeseen situations such as an emergency, FTRI shall give 90 days' notice to the Commission.

V. In-House Analyses

A. 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 we 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 us 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 us represented 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. FTRI's proposed Fiscal Year 2018/2019 budget line item for insurance is reduced by \$39,469, to the proposed amount of \$153,027 to reflect the updated estimate provided by FTRI. FTRI will continue to conduct in-house analyses for Insurance expense and

submit its findings to us every three years. FTRI will submit the results of the analyses to staff by January 31, 2021.

B. 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. We 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, we 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 us. 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.

FTRI will continue to conduct in-house analyses for Retirement expenses and submit its findings to us every three years. These analyses will include price quotes from other providers for insurance and retirement plans offered by comparably-sized nonprofit and for profit entities. FTRI will submit the results of the analyses to us by January 31, 2019, and every three years thereafter.

VI. Surcharge

All local exchange companies should continue billing the \$0.10 monthly surcharge for Fiscal Year 2018/2019. There is a budget shortfall of \$261,469. FTRI proposed drawing from the Reserve Account to cover the shortfall in their proposed budget. The identified shortfall of \$261,469 represents approximately half the projected revenue that would be generated from a \$0.01 increase in the surcharge.¹³ Therefore, 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.

VII. Conclusion

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. We have 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.

FTRI's proposed budget expenses for Fiscal Year 2018/2019 are reduced by \$19,823 for legal expense and by \$39,469 for insurance expense. We 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. All local exchange companies should continue billing the \$0.10 surcharge for Fiscal Year 2018/2019. FTRI will continue to require detailed, itemized bills from its legal counsel and continue in-house analyses for Insurance-Health/Life/Disability and Retirement expenses every three years. FTRI shall provide updated results of its Retirement analyses to staff by January 31, 2019.

Based upon the foregoing, it is

ORDERED by the Florida Public Service Commission that the incumbent local exchange companies, competitive local exchange companies, and shared tenant providers shall continue to bill the \$0.10 surcharge for Fiscal Year 2018/2019, effective September 1, 2018. It is further

ORDERED that FTRI shall reduce its 2018/2019 Fiscal Year proposed budget line item for legal expenses by \$19,823 to an amount of \$36,000. Should FTRI's attorney have knowledge or anticipate that the \$36,000 amount may be exceeded due to unforeseen situations, FTRI shall give 90 days' notice to the Commission. It is further

ORDERED that FTRI shall require detailed, itemized bills from its legal counsel as set forth in the body of this Order. It is further

¹³ We project 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.

ORDERED that FTRI shall reduce its 2018/2019 Fiscal Year proposed budget line item for insurance by \$39,496. It is further

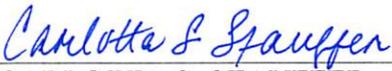
ORDERED that FTRI shall continue in-house analyses for Insurance-Health/Life/Disability expenses every three years and provide the results of its next analyses by January 31, 2021. It is further

ORDERED that FTRI shall continue in-house analyses for Retirement expenses every three years and provide the results of its current Retirement analyses to staff by January 31, 2019. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon issuance of a Consummating Order unless an appropriate petition in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 1st day of August, 2018.



CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 22, 2018.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period



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.

Sincerely,

A handwritten signature in black ink, appearing to read "James Forstall", is written over a printed name and title.

James Forstall
Executive Director

Enclosure

cc: FTRI Board of Directors

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	
OPERATING REVENUE						
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					
	TOTAL OPERATING REV	6,327,228	6,214,072	5,793,651	(420,421)	(533,577)
OTHER REVENUE/FUNDS						
4	Surplus Account	17,337,883	17,301,477	17,398,350	96,873	60,467
	TOTAL REVENUE	23,665,111	23,515,549	23,192,001	(323,548)	(473,110)
OPERATING EXPENSES						
CATEGORY I - RELAY SERVICES						
5	DPR Provider	2,219,366	2,622,535	2,826,281	203,746	606,915
	SUBTOTAL-CATEGORY I	2,219,366	2,622,535	2,826,281	203,746	606,915
CATEGORY II - EQUIPMENT & REPAIRS						
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	TelITalk 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)	12,436
	SUBTOTAL-CATEGORY II	1,335,920	1,295,308	1,040,360	(254,948)	(295,560)
CATEGORY III - EQUIPMENT DISTRIBUTION & TRAINING						
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)
	SUBTOTAL-CATEGORY III	773,938	700,465	705,986	5,521	(67,952)

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	
CATEGORY IV - OUTREACH						
25	Outreach Expense	558,976	558,976	546,250	(12,726)	(12,726)
	SUBTOTAL-CATEGORY IV	558,976	558,976	546,250	(12,726)	(12,726)
CATEGORY V - GENERAL & ADMINISTRATIVE						
26	Advertising	658	15	15	0	(643)
27	Accounting/Auditing	20,533	20,749	26,582	5,833	6,049
28	Legal	36,000	55,823	55,823	0	19,823
29	Computer Consultation	5,580	5,747	5,580	(167)	0
30	Dues & Subscriptions	1,655	2,311	2,287	(24)	632
31	Office Furniture Purchase	0	0	0	0	0
32	Office Equipment Purchase	6,667	6,471	6,263	(208)	(404)
33	Office Equipment Lease	1,827	1,532	1,552	20	(275)
34	Insurance-Hlth/Life/Dsbly	175,345	183,112	192,496	9,384	17,151
35	Insurance-Other	10,075	10,172	10,729	557	654
36	Office Expense	13,719	13,029	13,029	0	(690)
37	Postage	7,541	7,490	7,490	0	(51)
38	Printing	1,514	1,114	1,114	0	(400)
39	Rent	92,062	91,205	91,205	0	(857)
40	Utilities	5,297	5,294	5,294	0	(3)
41	Retirement	73,734	70,780	78,773	7,993	5,039
42	Employee Compensation	445,106	411,936	441,149	29,213	(3,957)
43	Temporary Employment	0	0	0	0	0
44	Taxes - Payroll	30,091	29,418	31,604	2,186	1,513
45	Taxes - Unemplmt Comp	1,725	324	63	(261)	(1,662)
46	Taxes - Licenses	61	61	61	0	0
47	Telephone	17,240	16,587	16,089	(498)	(1,151)
48	Travel & Business	13,585	3,620	5,198	1,578	(8,387)
49	Equipment Maint.	746	1,292	1,306	14	560
50	Employee Training/Dev	975	950	950	0	(25)
51	Meeting Expense	1,370	883	883	0	(487)
52	Miscellaneous Expense	0	0	0	0	0
	SUBTOTAL-CATEGORY V	963,106	939,915	995,535	55,620	32,429
CATEGORY VI - NDBEDP						
53	NDBEDP - Expense	0	0			
	SUBTOTAL-CATEGORY VI	0	0	0	0	0
	TOTAL EXPENSES	5,851,306	6,117,199	6,114,412	(2,787)	263,106
	REVENUE LESS EXPENSES	17,813,805	17,398,350	17,077,589	(320,761)	(736,216)
				-320,761		

Staff's Budget Comparison

	2017/2018 APPROVED BUDGET	2017/2018 FTRI ESTIMATED	2017/2018 FPSC STAFF ESTIMATED	2018/2019 FPSC PROPOSED BUDGET	2018/2019 FTRI PROPOSED BUDGET
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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
TOTAL OPERATING REVENUE	6,327,228	6,214,072	6,214,072	5,793,651	5,793,651
Reserve Account	17,337,883	17,301,477	17,301,477	17,398,350	17,398,350
TOTAL REVENUE	23,665,111	23,515,549	23,515,549	23,192,001	23,192,001

OPERATING EXPENSES

CATEGORY I - RELAY SERVICES					
DPR Provider	2,219,366	2,622,535	2,622,535	2,826,281	2,826,281
SUBTOTAL CATEGORY I	2,219,366	2,622,535	2,622,535	2,826,281	2,826,281

CATEGORY II - EQUIPMENT & REPAIRS					
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
InferoRed/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
SUBTOTAL CAT II	1,335,920	1,295,308	1,106,813	1,040,360	1,040,360

Staff's Budget Comparison

	2017/2018 APPROVED BUDGET	2017/2018 FTRI ESTIMATED	2017/2018 FPSC STAFF ESTIMATED	2018/2019 FPSC PROPOSED BUDGET	2018/2019 FTRI PROPOSED BUDGET
CATEGORY III - EQUIPMENT DISTRIBUTION & TRAINING					
Freight - Telecomm 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
SUBTOTAL CAT III	773,938	700,465	707,674	705,986	705,986
CATEGORY IV - OUTREACH					
Outreach Expense	558,976	558,976	529,593	546,250	546,250
SUBTOTAL CAT IV	558,976	558,976	529,593	546,250	546,250
CATEGORY V - GENERAL AND ADMINISTRATIVE					
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 -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 APPROVED BUDGET	2017/2018 FTRI ESTIMATED	2017/2018 FPSC STAFF ESTIMATED	2018/2019 FPSC PROPOSED BUDGET	2018/2019 FTRI PROPOSED 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	-	-	-	-	-
SUBTOTAL CAT V	963,106	939,915	944,960	936,243	995,535

TOTAL EXPENSES	5,851,306	6,117,199	5,911,575	6,055,120	6,114,412
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REVENUES LESS EXPENSES	475,922	96,873	302,497	(261,469)	(320,761)
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