

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: April 6, 2016
TO: Carlotta Stauffer, Commission Clerk, Office of Commission Clerk
FROM: Curtis J. Williams, Office of Telecommunications *CW* *LF* *grd*
RE: Docket No. 140029-TP - Document Filing

Please file a copy of the attached document from James Forstall in Docket No. 140029-TP. The document contains responses to staff's March 18, 2016 data request regarding FTRI's FY 2016-2017 Budget.

Please let me know if you have any questions.

Attachments

cc: Beth Salak
Pamela Page
Greg Fogleman
Jeff Bates

RECEIVED-FPSC
2016 APR -6 PM 4: 11
COMMISSION
CLERK

Curtis Williams

From: James Forstall <jforstall@ftri.org>
Sent: Friday, April 01, 2016 8:27 AM
To: Curtis Williams
Cc: Greer, Stan L; Bradley, Cecil F.; McCabe, Thomas M.; Willis, Bettye J; Bradin, Elizabeth; khancock@nefcom.net; Brett Bascom; Doc Horton; Robert Telfer
Subject: FTRI Responses to FPSC Data Request FY 2016-2017 Budget
Attachments: Master FTRI Response to FPSC Data Request FY 2016-2017 Budget - FINAL 3.31.2016.pdf; FTRI FY 2016-2017 Budget Access Lines Attachment.pdf; FTRI FY 2016-2017 DPR (Sprint) Attachment.pdf

Good Morning Curtis,

Attached please find FTRI's Responses to the FPSC's Data Request for FY 2016-2017 Budget.

Thanks

James

James Forstall, Executive Director
Florida Telecommunications Relay Inc. (FTRI)
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Tallahassee, FL 32301
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850-270-2641 (VP)

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**DATA REQUEST
FTRI FY 2016-2017 PROPOSED BUDGET**

1. FTRI is showing a decrease of \$323,446 in surcharges from FY 2015/2016 Estimated Revenue. What percentage decrease did FTRI estimate on access lines for the FY 2016/2017 budget? Please provide the access line calculation FTRI used for this proposed budget. Please provide any other details relating to assumptions used for estimating residential and business access lines.

FTRI Response: As we do each year, actual access lines reported to us by the telephone companies are logged into a spreadsheet, see attached. For the months remaining in the current fiscal year-end, an estimate is made on expected access lines to be reported to us. FTRI has conservatively used a 4 percent decrease for this estimate. Additionally, FTRI applies the same 4 percent estimated decrease on the actual to date and year end estimated access lines to calculate the budget year estimated access lines. FTRI applies the current surcharge rate to those estimated access lines for the budget year and the corresponding administrative allowance of 1 percent.

2. The National Deaf-Blind Equipment Distribution Program (NDBEDP) revenue account shows FTRI using \$472,524 in Federal Grant Funds for FY 2016/2017. Please explain the increase over the \$155,578 reported in FTRI's FY 2015/2016 revenue estimate. Does FTRI anticipate continued funding at the \$472,524 level?

FTRI Response: The funding allocation for the NDBEDP is the maximum amount the FCC allocates to Florida and is not the amount "used" by Florida. The FCC program reimburses administrators for the actual cost of the equipment distributed and related activities. Providers are reimbursed administrative costs up to a maximum of 15% of the reimbursable amount. Not all costs are recoverable. Whether the funding allocation will remain the same is unknown.

3. The DPR Provider account shows a \$625,032 decrease from FY 2015/2016 Estimated Expenditures. Please explain the reason for the decrease.

FTRI Response: Each year FTRI receives a budget estimate from the DPR provider. Currently the provider is Sprint. That spreadsheet is attached for review.

4. The Large Print TDD's account shows a \$568 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: FTRI distributed one unit, held in our inventory during 2015/2016. FTRI has budgeted for one unit in 2016/2017.

5. The Dual Sensory Equipment account shows a \$5,000 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: As of time of budget preparation FTRI has not distributed a Deaf-Blind Communicator. Deaf-Blind consumers prefer NDBEDP equipment selections as more choices are available using current technologies. Some individuals may not qualify for the NDBEDP and therefore FTRI budgeted for one Deaf-Blind Communicator.

6. The VCP Hearing Impaired account shows a \$20,712 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: The trailing 12 month average at the time of budget preparation, January 2015 to December 2015, units purchased have been used to estimate FYE 2017 purchases. Using a complete 12 month cycle captures the low and high volume months. The \$20,712 increase over 2015/2016 estimated expenditures represents a 1.46 percent increase. The budget 2016/2017 for VCP Hearing Impaired is \$5,900 lower than the approved budget for 2015/2016.

7. The VCP Speech Impaired account shows a \$139 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: Using the historical consumer demands from the prior year FTRI has projected to order 15 HD-40S units. The trailing 12 month average, at the time of budget preparation, January 2015 to December 2015, units purchased have been used to estimate, FYE 2017 purchases. Using a complete 12 month cycle captures the low and high volume months.

8. The TeliTalk Speech Aid account shows a \$4,200 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: Using the historical consumer demands from the prior year FTRI has projected to order 25 units. Current year 2015/2016 estimate is 18 units, a difference of seven (7) units, to cover additional demand that may be created due to planned outreach activities.

9. The ARS Signaling Equip account shows a \$1,214 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: The trailing 12 month average, at the time of budget preparation, January 2015 to December 2015, units purchased have been used to estimate FYE 2017 purchases. Using a complete 12 month cycle captures the low and high volume months. The \$1,214 increase over 2015/2016 estimated expenditures represents an additional 56 units budgeted. The budget 2016/2017 for ARS Signaling Equip is \$1,083 lower than the approved budget for 2015/2016.

10. The VRS Signaling Equip account shows a \$6,669 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: The trailing 12 month average, at the time of budget preparation, January 2015 to December 2015, units purchased have been used to estimate FYE 2017 purchases. Using a complete 12 month cycle captures the low and high volume months.

11. The Accessories & Supplies account shows a \$405 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: Actual and estimated costs for FY 2016/2017 to include specific purchases for line filters, voice testers, and line simulators.

12. The Telecomm Equip Repair account shows a \$42,030 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: The XLC 3.4 cordless and Alto units warranty will begin expiring and this increase will cover the cost of repairing those units to put them back into circulation for distribution.

13. The Freight-Telecomm Equip account shows a \$2,253 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: As XLC 3.4 units and Alto units warranty begin expiring, these units will be shipped for repair.

14. The Regional Distr Centers account shows a \$40,316 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: The trailing 12 month average, at the time of budget preparation, January 2015 to December 2015, of RDC activity is used to calculate the budget estimate. Using a complete 12 month cycle captures the low and high volume months.

15. The Training Expense account shows a \$1,064 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: FTRI plans to hold smaller regional trainings via webinars and when possible face-to-face if in the area for auditing or other purposes to enhance the FTRI program and its relationship with the RDCs.

16. The Outreach Expense account shows a \$153,674 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: The reason for the increase in the Outreach Budget is FTRI plans to advertise the program all year round using insert ad (flyer) as continuity and consistency are important with any advertising campaign. FTRI has not previously advertised in newspapers 12 months of the year. FTRI collaborates with IMS to strategically place insert ads in newspapers by identifying specific areas, i.e. zoning by zip codes which allows FTRI to advertise in a cost efficient manner.

17. The Advertising account shows a \$1,313 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: FTRI has budgeted for possible advertising of open positions.

18. The Accounting/Auditing account shows a \$902 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: This is based on the quote from the CPA firm. FTRI changed to a new firm for the 2014/2015 Fiscal Year and FTRI will use this firm for 2015/2016.

19. The Legal account shows a \$450 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: The \$450 was allocated to the NDBEDP expense line item for legal work performed specifically for the NDBEDP.

20. The Computer Consultation account shows a \$7,896 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: FTRI has been working with our IT vendor to reduce costs for workstation troubleshooting and network administration. The 2016/2017 budget is a \$7,990 reduction from the 2015/2016 budgeted amount. FTRI expects 4 hours per week at \$50 per hour for desktop and workstation troubleshooting, updating, anti-virus and malware maintenance, printer and other connectivity issues.

21. The Office Furniture Purchase account shows a \$250 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: A small amount is budgeted for possible replacement of chairs or file cabinets.

22. The Office Equipment Purchase account shows a \$1,921 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: FTRI expects replacement of several workstations during this budget year.

23. The Insurance-Health/Life Disability account shows a \$40,853 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: FTRI has estimated an 8.9% increase in premium based on research of available data. Additionally, employees now contribute 5% of the premium for single coverage and 25% of the difference between single and dependent coverage. FTRI received a Health Care Credit in the amount of \$17,786. FTRI did not budget a credit to be refunded in the 2016/2017 budget as the availability of the credit and the amount of the credit is uncertain due to the political environment surrounding Health Care. During the first half of 2015/2016 two employees terminated employment impacting Health Care total cost for the period.

24. The Insurance-Other account shows a \$3,780 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: Our insurance agent has estimated a 2% increase in premium costs during the next renewal. In addition, FTRI, at the recommendation of our CPA, has added a Crime policy to insure from theft and criminal activities.

25. The Office Expense account shows a \$1,107 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: The majority of the cost increase came from changing to a different office cleaning company, as the service of the old company became unsatisfactory.

26. The Rent account shows a \$1,253 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: FTRI's lease expires February 2017. It is anticipated that we will see a 5% increase and that is budgeted for the months of March 2017 to June 2017.

27. The Retirement account shows a \$1,977 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: Retirement is based on salary, budgeted salary increases, and related pension costs for administration of the program through our administrator NTCA.

28. The Employee Compensation account shows a \$26,803 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: FTRI started July 2015 with 10 employees out of 15 authorized positions. In September one of those employees left FTRI and a temporary employee was hired until November when that temporary became eligible to be hired, creating a lower year end estimated cost for this line item. During the month of October 2015, a second employee resigned from FTRI adding to the lower year end estimate. FTRI filled these positions and a full 10 employees were budgeted for 2016/2017 with an estimated 3% increase in compensation.

29. The Temporary Employment account shows a \$3,170 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: FTRI used temporary employment during 2015/2016 at an hourly rate of \$13.23 per hour for data entry. It is possible during the budget year of 2016/2017 that a position requiring someone at a higher rate may be needed and therefore FTRI budgeted using \$20 per hour for temporary employment.

30. The Taxes-Payroll account shows a \$2,017 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: Taxes are budgeted at 7.65% of payroll expense.

31. The Telephone account shows a \$943 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: FTRI has budgeted costs for telephone applying a 0.5% increase for inflationary trends.

32. The Travel & Business account shows a \$7,270 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: Travel was increased from 9 to 11 trips for staff or manager's to meet with RDC and assist with set up and training. Several RDCs closed or did not renew the FTRI program and FTRI will be looking to find replacement RDCs. FTRI also budgets for staff to attend industry related conferences or seminars that will benefit staff and/or FTRI.

33. The Employee Training/Dev account shows a \$1,825 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: FTRI 2016/2017 budget is \$1,700 below the approved 2015/2106 budget. In 2016/2017 FTRI has budgeted additional funds over estimated FY 2015/2016 for sign language classes.

34. The Meeting Expense account shows a \$1,272 increase from FY 2015/2016 Estimated Expenditures. Please explain the reason for the increase.

FTRI Response: Due to limited availability of sign language interpreters in Tallahassee, FTRI anticipates associated cost of bringing in interpreters from outside the Tallahassee area to provide communication access to board meetings and other meetings requiring interpreters.

35. The NDBEDP expense account shows FTRI using \$472,524 in Federal Grant Funds for FY 2016/2017. Please explain the increase over the \$217,398 reported in FTRI's FY 2015/2016 expense estimate.

FTRI Response: At the time of budget preparation FTRI is unaware of the funding allocation determination and anticipates continued funding at the \$472,524 level however the FCC will make the final funding determination in July 2016. Expenses are based on actual services provided then estimates based for 12 months.

36. Please provide an update on FTRI implementation of recommendations presented by FPSC Audit Staff in the **September 2013 Review of Florida Telecommunications Relay Incorporated**.

Finding 1: FTRI continues to make enhancements to AIMS in order to operate effectively and efficiently. During this current fiscal year, FTRI introduced the Application Request feature which allows both RDCs and FTRI to capture incoming caller's information allowing for persistent follow-up with client appointments.

Finding 2: Marketing and outreach play an important role with educating, promoting and creating awareness for the FTRI and Florida Relay programs. Although there is no best method, referral by audiologists, newspaper ads, hearing healthcare professionals, and family/friends have proven to be the top four methods for FTRI during the past

three years. Insert ads (flyer) in newspapers have produced encouraging results and FTRI is proposing to advertise the program all year round using insert ad as continuity and consistency are important with any advertising campaign. FTRI works closely with a placement company selecting specific zip code with a high 65+ population to advertise. Included in the evaluation process for media selection is cost of ads, verifiable circulation and distribution method. FTRI has solicited input from RDCs on media options and zip code preferences in their communities.

FTRI also continues to utilize Regional Distribution Centers ("RDC") in outreach as they already exist in a community and are familiar with that community and serving the same population as FTRI. During the current fiscal year FTRI identified outreach methods and RDCs that have proven to be effective with outreach.

Two outreach methods (Presentation and Exhibit) have been eliminated to concentrate on dual event methods classified as Presentation/Equipment Distribution and Exhibit/Equipment Distribution. Each outreach request submitted by an RDC is reviewed to determine whether a request should be approved or not based on past performance. FTRI also communicates with RDC's on questionable requests as the RDC's have a better knowledge and understanding of their community and the need for specific event requested. RDCs are encouraged to schedule outreach events that have the best opportunity of reaching potential clients.

Based on available resources, FTRI is redirecting its outreach efforts to focus on three primary approaches; contracting with RDCs, partnership with service provider state associations that serve the same targeted population, and insert ad newspaper campaign. FTRI plans to continue its social media reach using Mems on Twitter and Facebook.

Finding 3: The following changes have been implemented.

- Employee Compensation - At the time of the Audit FTRI had 15 full-time staff and today has 10, a 33% reduction.
- Equipment – Equipment cost is based on a bid process. Current agreement will be expiring soon and FTRI will be seeking competitive proposals.
- Outreach – FTRI continues to promote the EDP and Florida Relay 711 programs in the most cost effective manner and continues to negotiate the best price. FTRI continues to monitor the RDC outreach activities to ensure that the best method is used with recruiting *New* clients and serving existing clients.

FTRI will continue its effort to reduce expenditures and will evaluate such reductions during each budget cycle to ensure that reductions are feasible while maintaining the same quality of service provision.

Finding 4: RDC's are independent, community based, locally directed organizations and establishing quantitative goals for RDCs is not necessary and would impose unnecessary requirements on the RDC and in some instances impose hardship on them and interfere with local management. We believe that there is value in having regional centers in the

communities and would not want to impose unnecessary requirements that could impair their ability to provide service to their community or cause them to reevaluate their relation with FTRI.

Finding 5: See response to Finding 4. However with respect to establishing measures to assess performance, FTRI currently employs internal measures to evaluate RDC performances for contractual and procedural compliance and periodically reviews its processes for enhancements and makes reports available to the RDCs to use as tools when evaluating their own performance level.

FTRI does share with RDCs ideas and best practices such as off-site distribution settings as well as different methods for outreach and have made this type of information available through the RDC E-newsletters, webinars, audits, and in daily communications. In addition, FTRI has encouraged RDCs to contact others RDCs to learn best practices.

Finding 6: The NDBEDP program is currently in its fourth year of the pilot program and there's talk about extending the pilot program for a fifth year. FTRI has assessed the efficiency and effectiveness of its continued administration of the NDBEDP and has recommended to become decertified from the program.

Finding 7: FTRI will be entering its second year on July 1, 2016 with Moore Ellison & McDuffie CPA's PA.

Access Line History Analysis

Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual/estimates	Access Lines	Revenue
FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	Estimates FYE 2017 w/ 4% decrease	FYE 2017 estimate @ .12 w/ 4% decrease
9,375,466	8,815,004	8,096,486	7,553,596	6,838,945	6,584,024	6,342,565	6,037,538	5,663,980	5,437,421	\$645,966 July
9,147,278	8,716,368	8,071,695	7,479,208	6,885,220	6,542,931	6,417,097	6,058,064	5,763,483	5,532,944	\$657,314 August
9,189,886	8,677,177	7,999,621	7,467,529	6,908,125	6,484,155	6,326,848	5,996,476	5,677,509	5,450,409	\$647,509 September
9,210,967	8,627,120	8,002,066	7,471,296	6,906,132	6,550,447	6,295,333	6,008,217	5,669,304	5,442,532	\$646,573 October
9,186,287	8,702,997	7,971,025	7,512,138	6,995,830	6,597,709	6,346,244	6,008,230	5,582,548	5,359,246	\$636,678 November
9,245,212	8,599,711	7,915,128	7,529,090	7,002,979	6,617,452	6,329,055	5,998,176	5,758,249	5,527,919	\$656,717 December
9,207,363	8,614,307	7,913,944	7,591,945	6,990,842	6,614,046	6,311,380	5,947,106	5,709,222	5,480,853	\$651,125 January
9,366,684	8,606,756	7,934,664	7,645,686	6,991,732	6,591,998	6,310,239	5,979,789	5,740,597	5,510,974	\$654,704 February
9,205,512	8,461,321	7,905,190	8,433,887	6,980,559	6,604,885	6,287,958	5,963,739	5,725,189	5,496,182	\$652,946 March
9,021,459	8,418,451	7,776,405	7,325,384	6,836,589	6,535,761	6,327,782	5,908,286	5,671,955	5,445,076	\$646,875 April
8,943,114	8,323,903	7,736,433	7,301,180	6,534,574	6,433,387	6,076,699	5,833,538	5,600,196	5,376,189	\$638,691 May
9,229,862	8,140,191	7,564,735	6,030,052	6,729,774	6,359,081	6,047,010	5,732,312	5,503,020	5,282,899	\$627,608 June
110,329,090	102,703,306	94,887,392	89,340,991	82,601,301	78,515,876	75,418,210	71,471,471	68,065,252	65,342,642	\$7,762,706
9,194,091	8,558,609	7,907,283	7,445,083	6,883,442	6,542,990	6,284,851	5,955,956	5,672,104	FYE 2017 Lines	FYE 2017 Revenue
-4.21%	-6.91%	-7.61%	-5.85%	-7.54%	-4.95%	-3.95%	-5.23%	-4.77%	-4.00%	
\$12,014,837.90	\$11,184,390.02	\$10,333,236.99	\$9,729,233.92	\$8,995,281.68	\$8,550,378.90	\$8,213,043.07	\$7,783,243.19	\$8,086,151.96		\$8,086,151.96 FYE 2016 Bud
							11 cents	12 cents		\$7,762,705.88 FYE 2017 est.
										\$323,446.08

4.00% % Change

Florida Relay Traffic Forecast

July 1, 2015 - June 30, 2016

	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Total
Florida TRS													
Forecast Minutes of Use	83,582	86,809	78,901	73,535	70,911	70,481	92,499	81,212	87,254	82,285	81,905	81,477	970,851
Actual Minutes of Use	102,568	101,640	102,180	107,489	96,409	111,857							622,143
Florida CapTel													
Forecast Minutes of Use	140,474	145,192	146,835	151,062	144,643	150,564	161,023	145,733	157,543	155,055	148,273	140,888	1,787,283
Actual Minutes of Use	121,204	112,843	107,547	117,210	109,132	110,488							678,424
	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Total

Florida Relay Traffic Forecast

July 1, 2016 - June 30, 2017

Florida TRS	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Total
Forecast Minutes of Use	92,092	91,103	91,535	96,315	86,457	82,328	86,437	75,890	81,536	76,893	76,538	76,138	1,013,262
Actual Minutes of Use													
Florida CapTel	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Total
Forecast Minutes of Use	109,184	103,815	98,943	107,834	100,401	108,124	115,635	104,654	113,134	111,349	106,478	101,175	1,280,726
Actual Minutes of Use													
	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Total