

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: May 30, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Office of Industry Development and Market Analysis (Williams) *CH* *AF* *CH*
Office of the General Counsel (Murphy) *Con* *JS*

RE: Docket No. 20190057-TP – Commission approval of Florida Telecommunications Relay, Inc.'s fiscal year 2019/2020 proposed budget.

AGENDA: 06/11/19 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

CRITICAL DATES: None

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. Section 427.704(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

¹ Florida Department of Health, "Florida Coordinating Council for the Deaf and Hard of Hearing," <http://www.floridahealth.gov/provider-and-partner-resources/fccdhh/index.html>, accessed on April 1, 2019.

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.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 TASA Administrator. The local exchange telecommunications companies began collecting an initial \$0.05 per access line surcharge pursuant to Order No. 24581³. Since then the Commission has changed the surcharge to meet FTRI's budgetary needs. The monthly surcharge is currently \$0.10 per access line.

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 for Fiscal Year 2019/2020 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 revenue and expenses were based on actual data from the first two quarters and estimated data for the third and fourth quarter of Fiscal Year 2018/2019.

Staff sent data requests to FTRI on a number of issues included in its Fiscal Year 2018/2019 budget estimate and its proposed Fiscal Year 2019/2020 budget. FTRI's responses to staff's data request are included in the docket file.

On May 15, 2019, FTRI filed actual third quarter financial information. With this updated information, staff formulated our own estimated budget results for Fiscal Year 2018/2019. Staff's estimate is reflected in Attachment B.

² Florida Telecommunications Relay, Inc. projects a four percent decrease in landline access lines subject to the relay surcharge for Fiscal Year 2019/2020.

³ Issued May 24, 1991, in Docket No. 910496-TP, In re: Telecommunications Access System Act of 1991.

Docket No. 20190057-TP

Date: May 30, 2019

This recommendation addresses FTRI's proposed Fiscal Year 2019/2020 budget and what staff recommends the relay surcharge should be for the upcoming fiscal year. The relay service surcharge is the only rate the Commission establishes for telecommunications companies. The Commission is vested with jurisdiction pursuant to Chapter 427, F.S.

Discussion of Issues

Issue 1: Should the Commission approve Florida Telecommunications Relay, Inc.'s (FTRI) proposed budget as presented in Attachment A for Fiscal Year 2019/2020, effective August 1, 2019, 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 2019/2020 by \$2,300 for Voice Carry-Over/Hearing Carry-Over-Telecommunications Device for the Deaf (VCO/HCO-TDD) Equipment, \$2,592 for Audio Ringer (ARS) Equipment, and \$4,767 for Video Relay Service (VRS) Equipment. Staff also recommends that the Commission allow FTRI to transfer \$285,714 from the Reserve Account to offset a projected revenue shortfall. Staff recommends that the Commission order all local exchange companies to continue billing the \$0.10 surcharge for Fiscal Year 2019/2020. (Williams)

Staff Analysis:

Traditional Telecommunications Relay Service

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 increase by 1.6 percent during Fiscal Year 2019/2020 from the prior fiscal year. Traditional relay users are transitioning to the following services:

- Internet Protocol (IP) Relay⁴
- Video Relay Service (VRS)⁵
- Captioned Telephone (CapTel) Service⁶
- Internet Protocol Captioned Telephone Service⁷
- Internet Protocol Speech-to-Speech (STS) Service⁸
- Wireless Service⁹

⁴ 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.

⁵ VRS 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.

⁶ A CapTel telephone is a telephone that displays real-time captions of a conversation.

⁷ 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.

⁸ 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.

⁹ Wireless services offer applications such as text, instant messaging, and Facetime.

CapTel Service

The CapTel cost to FTRI as approved in the Sprint contract is currently \$1.69 per session minute. 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 decline by 23 percent during Fiscal Year 2019/2020 from the prior fiscal year. CapTel users are transitioning to Internet Protocol Captioned Telephone Service.

Florida Telecommunications Relay, Inc. Budget

The FTRI Fiscal Year 2019/2020 proposed budget projects total operating revenues of \$5,409,709 and total expenses of \$5,705,082. Based on the projected revenue and expenses, FTRI requests that the Commission grant FTRI authority to transfer \$295,373 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 2019/2020.

Attachment A reflects FTRI's Fiscal Year 2019/2020 proposed budget, which was reviewed and adopted by FTRI's Board of Directors prior to filing with the Commission. FTRI's proposed budget represents a projected decrease in revenue of \$383,942 from the Fiscal Year 2018/2019 Commission approved budget. FTRI's proposed budget also includes a decrease in expenses of \$350,038 from the Fiscal Year 2018/2019 Commission approved budget.

The projected revenue loss is due to a projected four percent decrease in access lines that are assessed the current \$0.10 surcharge. Total operating revenue for FTRI's Fiscal Year 2018/2019 Commission approved budget was \$5,793,651. FTRI's proposed budget projects \$5,409,709 in revenue, based on the projected decline in access lines, resulting in a seven percent revenue loss from Fiscal Year 2018/2019.

Sprint's estimated Fiscal Year 2019/2020 traditional TRS minutes of use are 1,147,727, at a rate of \$1.35 per minute for a total of \$1,549,431. Sprint's estimated CapTel minutes of use for Fiscal Year 2019/2020 are 595,703, at a rate of \$1.69 per minute for a total of \$1,006,738.

The estimated expense decrease is primarily attributable to Category I-Relay Services and Category II-Equipment and Repairs, with both categories recognizing overall lower cost. The largest estimated decrease in FTRI's budget is attributable to lower minutes of use for CapTel service. Similarly, cost savings are also recognized for equipment and repair expenses. In total, FTRI's proposed expenses represent a \$350,038 decline from the Fiscal Year 2018/2019 Commission approved budget, representing a six percent decline.

A comparison of FTRI's Fiscal Year 2018/2019 Commission approved budget, FTRI's Fiscal Year 2018/2019 estimated actual revenues and expenses, and FTRI's Fiscal Year 2019/2020 proposed budget as filed is shown in Table 1 below.

Table 1
FTRI Budget Comparison

	Commission Approved 2018/2019	FTRI Estimated Actual 2018/2019	FTRI Proposed 2019/2020
Operating Revenue:			
Surcharges	\$5,695,749	\$5,537,279	\$5,315,788
Interest Income	97,902	88,652	93,921
Total Operating Revenue	\$5,793,651	\$5,625,931	\$5,409,709
Operating Expenses:			
Relay Provider Services	\$2,826,281	\$2,726,660	\$2,556,170
Equipment & Repairs	1,040,360	1,068,223	948,053
Equipment Distribution & Training	705,986	727,119	707,389
Outreach	546,250	546,250	535,650
General & Administrative	936,243	902,028	957,820
Total Expenses	\$6,055,120	\$5,970,280	\$5,705,082
Annual Surplus	(\$261,469)	(\$344,349)	(\$295,373)
Reserve Account	17,398,350	17,301,477	16,957,128
Total Reserve ¹⁰	\$17,136,881	\$16,957,128	\$16,661,755

Source: FTRI's Fiscal Year 2019/2020 proposed budget.

Analysis

In its budget filing, FTRI states that access lines have decreased at the rate of 5.7 percent during the past four years (2015-2018) 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 2018/2019. This data is presented in Attachment B. Staff used actual data from July 2018 through March 2019 and estimated the fourth quarter by averaging the first three quarters of the fiscal year. Staff's

¹⁰ 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 also includes FTRI's budgeted information for comparison purposes.

Staff also analyzed past Commission approved FTRI budgets to identify and evaluate ongoing cost reduction measures. Below is staff's review of selected items from FTRI's proposed budget expense by category.

Category I – Relay Services

Category I captures expenses for traditional TRS and CapTel service currently provided by Sprint. The proposed budget recognizes a \$270,111 expense reduction from the Fiscal Year 2018/2019 Commission Approved budget, primarily due to declining minutes and service cost associated with CapTel service.

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. Staff believes that the estimates for Fiscal Year 2019/2020 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 proposed budget represents a \$92,307 decrease in expense when compared to the Fiscal Year 2018/2019 Commission approved budget.

FTRI's proposed CapTel Phone Equipment expense increased by \$16,875 as a result of expiration of an agreement FTRI had with Sprint to provide the CapTel 840 PLUS at no cost during Fiscal Year 2018/2019. FTRI explained that upon expiration of the agreement, it had sufficient inventory for Fiscal Year 2018/2019. The proposed expense increase would be to purchase new equipment for projected demand during Fiscal Year 2019/2020. As stated earlier, FTRI's proposed budget for Category II expenses represents a decrease of \$92,307 from last year's approved budget. The expense increase for the purchase of the CapTel 840 PLUS devices is offset by purchase reductions for other equipment.

FTRI's equipment budget reflects 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. These contracts for equipment between FTRI and equipment vendors are separate from the contracts for relay service approved by the Commission.

After comparing FTRI's budget with our estimates for Fiscal Year 2018/2019, staff identified several line items which we believe should be adjusted. Staff's recommended adjustments are presented in the Staff Adjustments to FTRI's Proposed Budget section of the recommendation.

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's proposed budget reflects a slight increase in expense of \$1,403 from the Fiscal Year 2018/2019 Commission approved budget. This increase

is the result of increased freight cost. However, expenses related to the largest component of Category III, Regional Distribution Centers (RDCs), decreased by \$3,356 from the Fiscal Year 2018/2019 Commission approved budget. By comparison, the Commission voted to decrease the RDC budget by \$81,954 for Fiscal Year 2017/2018, finding that FTRI's actual expenditures in that year had declined at a rate exceeding FTRI's projection.

FTRI contracts with the non-profit RDCs to perform equipment distribution and training throughout Florida. Currently there are 27 RDCs. 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. Staff believes FTRI's proposed budget for Category III expense is reasonable.

Category IV – Outreach

Outreach efforts are designed to promote FTRI phone distribution services, and to raise awareness about Florida relay service. FTRI's proposed Fiscal Year 2019/2020 outreach expense represents a \$10,600 decline from the Commission approved outreach expense budget for Fiscal Year 2018/2019. FTRI's outreach budget declined \$15,650 in its Fiscal Year 2017/2018 Commission approved budget and by \$12,726 in its 2018/2019 Commission approved budget.

FTRI employs various forms of communication in its outreach strategy. FTRI plans to continue advertising in newspapers using free-standing insert ads (flyers), in markets where such ads continue to be effective. However, FTRI acknowledges that it has witnessed rapid changes in the newspaper industry. In response, FTRI will utilize other print tools such as direct mail post cards and coupon book advertisements.

FTRI also plans to expand its digital marketing campaign, including increased use of banner ads on websites, targeted email campaigns, and social media campaigns. FTRI acknowledges that in Fiscal Year 2018/2019, it saw the cost per contact of newspaper insert advertising increase, while the cost of Digital advertising remained stable.

The Commission has previously encouraged FTRI to research and consider more technologically advanced and cost-effective forms of outreach in addition to traditional newspaper print. In FTRI's Fiscal Year 2016/2017 proposed budget filing, FTRI proposed increasing its outreach budget by \$153,674 to initiate a pilot program to expand insert advertisements in traditional print newspapers. The Commission denied FTRI's request and directed FTRI to focus its efforts more on digital advertisements. Staff is encouraged with FTRI's efforts to make its outreach strategy more cost-effective. Staff believes FTRI's proposed budget for Category IV expense 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. Consistent with Fiscal Year 2018/2019, FTRI has proposed a budget for nine employees for the Fiscal Year 2019/2020. FTRI is proposing a \$21,577 increase in Category V expense for Fiscal Year 2019/2020. In previous years, the Commission has paid particular attention to this category in an effort to decrease FTRI's operating expense.

In 2017, based on a review of supporting documents, staff communicated concerns regarding FTRI's legal expense and the structure of FTRI's contract for legal services. FTRI had the same law firm on retainer for many years at a cost of \$72,000 per year. Staff's analysis showed that paying the attorney an hourly rate may be more cost-effective than paying a retainer. Staff recommended that FTRI be required to provide itemized legal invoices with date of services, charges for the services, and a detailed description of the services provided by legal counsel. In FTRI's proposed 2017/2018 Fiscal Year budget line item for legal expense, the Commission reduced legal expense by \$36,000.

Subsequent to the Commission's 2017 order, 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 negotiated agreement was for a minimum of \$36,000, which was the upper limit of the approved Fiscal Year 2017/2018 budget for legal expense. FTRI's proposed budget for legal expenses was \$55,823. The Commission reduced FTRI's 2018/2019 Fiscal Year budget line item for legal expenses by \$19,823, to \$36,000.

For Fiscal Year 2019/2020, FTRI has proposed a budget of \$33,500. While this represents a 6.9 percent decrease from last year's Commission approved budget, staff's estimate of Fiscal Year 2018/2019 was lower than this amount using the methodology explained previously. In order to account for quarterly variations, staff calculated a second estimate of FTRI's legal expense using the first three quarters of expenses from this fiscal year with the fourth quarter from the prior fiscal year. The result of that estimate was \$33,623. Based on this estimate for Fiscal Year 2018/2019, staff believes that FTRI's proposed budget of \$33,500 for Fiscal Year 2019/2020 is reasonable.

In recent years, the Commission has also 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. In response to the Order, FTRI filed reports with the Commission. The reports were performed by Regions Institutional Services (Regions) on the plan design, investment returns, and administrative structure of FTRI's pension plan. The analysis pointed out that the plan through NTCA 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 concluded that there are no glaring issues with FTRI's plan design or operation. However, Regions did recommend that FTRI continue to review investment returns, fees, and plan design to ensure that NTCA's plan remains cost effective. The Commission ordered FTRI to continue to conduct in-house analyses for retirement expenses and submit its findings every three years to present any factors that may have changed.

Retirement expense is based on salary and related pension costs. For Fiscal Year 2019/2020, FTRI has proposed retirement expense of \$80,909. This represents a 2.7 percent increase from the Fiscal Year 2018/2019 Commission approved budget and 5.4 percent increase from FTRI's Fiscal Year 2018/2019 estimated expense. FTRI's Fiscal Year 2018/2019 estimated expense is

lower due to employee turnover and staffing less than nine full-time positions. FTRI's proposed budget is based on staffing nine full-time positions. Based on the increased number of full-time employees, staff believes that FTRI's proposed retirement budget is reasonable.

The Commission has also previously addressed concerns relating to insurance expense. In FTRI's proposed Fiscal Year 2018/2019 budget, it requested \$192,496 for insurance expense, which represented an increase of 5.12 percent from FTRI's Fiscal Year 2017/2018 estimated expenditures. However, FTRI's insurance budget was based on an estimate from its previous insurance provider. In response to staff's inquiry, FTRI 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 was reduced by \$39,469 to reflect the updated estimate provided by FTRI. FTRI was also required to continue to conduct in-house analyses for insurance expense and submit its findings to the Commission every three years. FTRI's proposed budget of insurance expense is \$165,266. FTRI indicated that this amount includes a seven percent premium increase based on quotes from their insurance provider. Employees contribute five percent of the premium for single coverage plus twenty-five percent for additional dependent costs. Based on the increased number of full-time employees as noted above and the premium increase, staff believes that FTRI's proposed insurance budget is reasonable.

The largest increase in Category V is for employee compensation. FTRI's Fiscal Year 2018/2019 budget for employee compensation included nine positions. However, the Data Entry position was vacant for part of the fiscal year. The position was also filled on a part-time basis for part of the year. FTRI has communicated that the position needs to be filled on a full-time permanent basis. In addition, based on a request from the Commission, FTRI contracted with Evergreen Solutions, LLC (Evergreen) to perform a comprehensive compensation analysis and provide a recommendation on updating salary ranges for each position.

One of Evergreen's findings was that four of FTRI's positions were below the minimum recommended salary range. Evergreen recommended that FTRI adjust the salaries of the four positions to the new salary range minimum. The salary range adjustment would represent an increase of \$20,635. In addition, FTRI's budget includes \$13,293, for discretionary merit-based salary adjustments of up to three percent of the employee's salary. The line items for insurance, retirement, and payroll taxes would be directly impacted by the increase in employee compensation.

FTRI's proposed budget also contains increases for Computer Consultation and Office Equipment/Computer Software. In response to staff's data request, FTRI explained that the expenditures would include two new workstation computers, new server installation and operating system upgrade, Office 365 software, and system security upgrades.

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 with newer technologies such as mobile devices with texting capabilities, the associated expense should decrease. Although reduced minutes of use and technology substitution do not impact General and Administrative expense to the same degree, efforts to

control General and Administrative expenses are of equal importance. While staff recommends that FTRI's proposed budget for Category V expense is reasonable, FTRI should continue to pursue cost cutting measures.

Staff Adjustments to FTRI's Proposed Budget

In staff's analysis, staff used actual expenses for the first three quarters and estimated the fourth quarter (using an average of the first three quarters) for Fiscal Year 2018/2019 to compare with FTRI's proposed budget. Based on this review, staff recommends the adjustments to the following expense items:

- Voice Carry-Over/Hearing Carry-Over-Telecommunications Device for the Deaf (VCO/HCO-TDD) Equipment
- Audio Ringer Service (ARS) Equipment
- Video Relay Service (VRS) Equipment

VCO/HCO-TDD Equipment

FTRI has proposed \$2,300 for VCO/HCO-TDD equipment for Fiscal Year 2019/2020. After reviewing FTRI's quarterly reports, VCO/HCO-TDD equipment has not been purchased since January 2018. Staff has inquired regarding current demand for this equipment from FTRI, but has not received sufficient information to recommend FTRI's proposed budget for this equipment. For Fiscal Year 2018/2019, FTRI had a Commission approved budget for \$4,600. However, in response to staff's data request, FTRI has indicated that it does not anticipate buying this equipment in the final quarter of Fiscal Year 2018/2019. As a result, staff recommends that FTRI's budget be reduced by \$2,300 for VCO/HCO-TDD equipment.

ARS Equipment

ARS equipment is budgeted at \$2,592 by FTRI for Fiscal Year 2019/2020. FTRI has not purchased ARS-Signaling equipment since April 2018 based on its quarterly reports. FTRI had estimated that at the time of the budget development, a demand of eight units per month for distribution for the second half of the year at a cost of \$27 each, for a total of \$1,296. Since that time, no units have been purchased through May 15, 2019. Based on FTRI's response to Staff's data request, FTRI has now indicated that it no longer anticipates purchasing these units. Therefore, staff recommends that FTRI's budget for ARS be reduced by \$2,592.

VRS Equipment

FTRI's proposed budget is \$12,500, which is an increase of \$4,767 over the Fiscal Year 2018/2019 Commission approved budget. In response to staff's data request, FTRI explained that it is requesting the increase to conduct a pilot program with the more advanced Bellman-Symfon device to measure consumer interest prior to deciding whether to include it in the program on a permanent basis. The device is multifunctional and uses newer technology. One function allows a user to control the unit plugged directly into the phone or by transmitter alerting the user of a ring if the unit is in another room. FTRI's proposed budget is for 100 units based on its estimated demand for VRS equipment.

Staff's estimated expenses for Fiscal Year 2018/2019 was only \$2,880, significantly less than last year's approved budget for such equipment. Staff recommends that the amount budgeted for

the pilot program be reduced until FTRI obtains greater insight into consumer demand and product quality. Staff recommends that the Commission maintain the budget at the current Fiscal Year 2018/2019 Commission approved budgeted amount of \$7,733. Staff believes that the difference between this amount and last year's approved budget will be sufficient for FTRI to evaluate the demand for the Bellman-Symfon device. Staff recommends that FTRI's proposed budget for VRS equipment be reduced by \$4,767.

Surcharge

FTRI recommends that the Commission order all local exchange companies to continue billing the \$0.10 monthly surcharge for Fiscal Year 2019/2020. Staff's recommended total budget includes a shortfall of \$285,714. FTRI proposed drawing from the Reserve Account to cover the shortfall in their proposed budget. Staff notes that a \$0.01 increase in the surcharge would produce almost twice the amount of the shortfall of \$285,714.¹¹ Therefore, staff recommends 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 2019/2020.

Conclusion

Staff believes FTRI's expense reductions 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 Fiscal Year 2019/2020 budget that should be reduced associated with equipment distribution.

Staff recommends that the Commission reduce FTRI's proposed budget expenses for Fiscal Year 2019/2020 by \$2,300 for Voice Carry-Over/Hearing Carry-Over-Telecommunications Device for the Deaf (VCO/HCO-TDD) Equipment, \$2,592 for Audio Ringer (ARS) Equipment, and \$4,767 for Video Relay Service (VRS) Equipment. Staff also recommends that the Commission allow FTRI to transfer \$285,714 from the Reserve Account to offset the projected revenue shortfall due to a projected four percent decrease in access lines. Staff recommends that the Commission order all local exchange companies to continue billing the \$0.10 surcharge for Fiscal Year 2019/2020.

Staff also notes that FTRI has the flexibility to move budgeted funds within the same category as a management tool, if needed, for expense categories II through V, except for employee related expenses in Category V. (Williams)

¹¹ Staff projects that a \$0.01 increase in the surcharge from \$0.10 to \$0.11 would increase projected Fiscal Year 2019/2020 revenue by \$531,579.

Issue 2: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (Murphy)

Staff Analysis: At the conclusion of the protest period, if no protest is filed this docket should be closed upon the issuance of a consummating order.



March 1, 2019

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

RE: **FTRI FY 2019/2020 Budget**

Dear Mr. Williams:

I am pleased to forward a copy of the FY 2019/2020 budget for the Florida Telecommunications Relay, Inc. (FTRI).

The budget maintains the surcharge at 10 cents per access line and at this level is projected to produce revenues of \$5,409,709. As reflected on the attached copy of the approved budget total expenses are projected to be \$5,705,082. A shortfall of \$295,373 will be realized.

Access lines have decreased at the rate of 5.7% during the past four years (2015, 2016, 2017 & 2018) 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 4.0%.

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 the typed name and title.

James Forstall
Executive Director

Enclosure

cc: FTRI Board of Directors

Florida Telecommunications Relay, Inc.					
Fiscal Year 2019/2020 Budget @ .10 cents surcharge					
	2018/2019 APPROVED BUDGET	2018/2019 ESTIMATED REV & EXPEND	2019/2020 PROPOSED BUDGET	Estimated to Budget VARIANCE 2018/2019 2019/2020	Budget to Budget VARIANCE 2018/2019 2019/2020
OPERATING REVENUE					
1 Surcharges	5,695,749	5,537,279	5,315,788	(221,491)	(379,961)
2 Interest Income	97,902	88,652	93,921	5,269	(3,981)
TOTAL OPERATING REV	5,793,651	5,625,931	5,409,709	(216,222)	(383,942)
OTHER REVENUE/FUNDS					
3 Surplus Account	17,398,350	17,301,477	16,957,128	(344,349)	(441,222)
TOTAL REVENUE	23,192,001	22,927,408	22,366,837	(560,571)	(825,164)
OPERATING EXPENSES					
CATEGORY I - RELAY SERVICES					
4 DPR Provider	2,826,281	2,726,660	2,556,170	(170,490)	(270,111)
SUBTOTAL-CATEGORY I	2,826,281	2,726,660	2,556,170	(170,490)	(270,111)
CATEGORY II - EQUIPMENT & REPAIRS					
5 TDD Equipment	0	0	0	0	0
6 Large Print TDD's	0	0	0	0	0
7 VCO/HCO - TDD	4,600	2,300	2,300	0	(2,300)
8 VCO Telephone	0	0	0	0	0
9 Dual Sensory Equipment	0	620	0	(620)	0
10 CapTel Phone Equipment	0	0	16,875	16,875	16,875
11 VCP Hearing Impaired	936,572	936,748	813,659	(123,089)	(122,913)
12 VCP Speech Impaired	0	0	0	0	0
13 TelITalk Speech Aid	13,200	37,095	15,480	(21,615)	2,280
14 Jupiter Speaker phone	0	0	0	0	0
15 In-Line Amplifier	0	0	0	0	0
16 ARS Signaling Equip	250	1,296	2,592	1,296	2,342
17 VRS Signaling Equip	7,733	4,775	12,500	7,725	4,767
18 Accessories & Supplies	1,230	981	1,499	518	269
19 Telecomm Equip Repair	76,775	84,408	83,148	(1,260)	6,373
SUBTOTAL-CATEGORY II	1,040,360	1,068,223	948,053	(120,170)	(92,307)
CATEGORY III - EQUIPMENT DISTRIBUTION & TRAINING					
20 Freight-Telecomm Equip	38,034	40,021	42,793	2,772	4,759
21 Regional Distr Centers	667,484	686,630	664,128	(22,502)	(3,356)
22 Workshop Expense	0	0	0	0	0
23 Training Expense	468	468	468	0	0
SUBTOTAL-CATEGORY III	705,986	727,119	707,389	(19,730)	1,403

Florida Telecommunications Relay, Inc. Fiscal Year 2019/2020 Budget @ .10 cents surcharge					
	2018/2019 APPROVED BUDGET	2018/2019 ESTIMATED REV & EXPEND	2019/2020 PROPOSED BUDGET	Estimated to Budget VARIANCE 2018/2019 2019/2020	Budget to Budget VARIANCE 2018/2019 2019/2020
CATEGORY IV - OUTREACH					
24 Outreach Expense	546,250	546,250	535,650	(10,600)	(10,600)
SUBTOTAL-CATEGORY IV	546,250	546,250	535,650	(10,600)	(10,600)
CATEGORY V - GENERAL & ADMINISTRATIVE					
25 Advertising	15	1,247	1,247	(0)	1,232
26 Accounting/Auditing	26,582	27,027	21,221	(5,806)	(5,361)
27 Legal	36,000	33,360	33,500	140	(2,500)
28 Computer Consultation	5,580	4,577	6,710	2,133	1,130
29 Dues & Subscriptions	2,287	2,307	2,307	0	20
30 Office Furniture Purchase	0	0	0	0	0
31 Office Equipment Purchase	6,263	4,047	9,131	5,084	2,868
32 Office Equipment Lease	1,552	1,751	1,751	0	199
33 Insurance-Hlth/Life/Dsblty	153,027	151,873	165,266	13,393	12,239
34 Insurance-Other	10,729	9,609	9,609	0	(1,120)
35 Office Expense	13,029	11,913	11,914	1	(1,115)
36 Postage	7,490	4,527	4,527	0	(2,963)
37 Printing	1,114	1,216	1,216	0	102
38 Rent	91,205	91,130	91,317	187	112
39 Utilities	5,294	5,250	5,250	0	(44)
40 Retirement	78,773	76,756	80,909	4,153	2,136
41 Employee Compensation	441,149	422,200	456,961	34,761	15,812
42 Temporary Employment	0	0	0	0	0
43 Taxes - Payroll	31,604	30,909	33,478	2,569	1,874
44 Taxes - Unemplmt Comp	63	67	63	(4)	0
45 Taxes - Licenses	61	61	61	0	0
46 Telephone	16,089	15,134	15,615	481	(474)
47 Travel & Business	5,198	4,105	4,055	(50)	(1,143)
48 Equipment Maint.	1,306	762	762	0	(544)
49 Employee Training/Dev	950	2,200	950	(1,250)	0
50 Meeting Expense	883	0	0	0	(883)
51 Miscellaneous Expense	0	0	0	0	0
SUBTOTAL-CATEGORY V	936,243	902,028	957,820	55,792	21,577
TOTAL EXPENSES	6,055,120	5,970,280	5,705,082	(265,198)	(350,038)
REVENUE LESS EXPENSES	17,136,881	16,957,128	16,661,755	(295,373)	(475,126)
			-295,373		

STAFF'S BUDGET COMPARISON

2018/2019 APPROVED BUDGET	2018/2019 FTRI ESTIMATED	2018/2019 FPSC STAFF ESTIMATED	2019/2020 FPSC STAFF PROPOSED BUDGET	2019/2020 FTRI PROPOSED BUDGET
---------------------------------	--------------------------------	--------------------------------------	---	---

REVENUE

Surcharge	5,695,749	5,537,279	5,537,279	5,315,788	5,315,788
Interest	97,902	88,652	88,652	93,921	93,921
TOTAL OPERATING REVENUE	5,793,651	5,625,931	5,625,931	5,409,709	5,409,709
Surplus Account	17,398,350	17,301,477	17,301,477	16,957,128	16,957,128
TOTAL REVENUE	23,192,001	22,927,408	22,927,408	22,366,837	22,366,837

OPERATING EXPENSES

CATEGORY I - RELAY SERVICES					
DPR Provider	2,826,281	2,726,660	2,726,660	2,556,170	2,556,170
SUBTOTAL CATEGORY I	2,826,281	2,726,660	2,726,660	2,556,170	2,556,170

CATEGORY II - EQUIPMENT & REPAIRS					
TDD Equipment	-	-	-	-	-
Large Print TDD	-	-	-	-	-
VCO/HCO-TDD	4,600	2,300	-	-	2,300
VCO-Telephone	-	-	-	-	-
Dual Sensory Equipment	-	620	827	-	-
CapTel Phone Equipment	-	-	-	16,875	16,875
VCP Hearing Impaired	936,572	936,748	905,640	813,659	813,659
VCP Speech Impaired	-	-	-	-	-
TeliTalk Speech Aid	13,200	37,095	47,680	15,480	15,480
Jupiter Speaker Phone (InferoRed/Har	-	-	-	-	-
In Line Amplifier	-	-	-	-	-
ARS-Signaling Equipment	250	1,296	-	-	2,592
VRS-Signaling Equipment	7,733	4,775	2,880	7,733	12,500
Equipment Accessories/Supplies	1,230	981	388	1,499	1,499
Telecom Equipment Repair	76,775	84,408	122,692	83,148	83,148
SUBTOTAL CAT II	1,040,360	1,068,223	1,080,107	938,394	948,053

CATEGORY III - EQUIPMENT DISTRIBUTION & TRAINING					
Freight - Telecomm Equipment	38,034	40,021	37,601	42,793	42,793
Regional Distribution Centers	667,484	686,630	684,837	664,128	664,128
Workshop Expense	-	-	-	-	-
Training Expense for RDCs	468	468	624	468	468
SUBTOTAL CAT III	705,986	727,119	723,063	707,389	707,389

STAFF'S BUDGET COMPARISON

	2018/2019 APPROVED BUDGET	2018/2019 FTRI ESTIMATED	2018/2019 FPSC STAFF ESTIMATED	2019/2020 FPSC STAFF PROPOSED BUDGET	2019/2020 FTRI PROPOSED BUDGET
Outreach Expense	546,250	546,250	504,960	535,650	535,650
SUBTOTAL CAT IV	546,250	546,250	504,960	535,650	535,650

CATEGORY V - GENERAL AND ADMINISTRATIVE

Advertising	15	1,247	3,305	1,247	1,247
Accounting/Audit	26,582	27,027	34,395	21,221	21,221
Legal	36,000	33,360	25,817	33,500	33,500
Consultation-Computer	5,580	4,577	4,849	6,710	6,710
Dues/Subscriptions	2,287	2,307	3,012	2,307	2,307
Office Furniture	-	-	-	-	-
Office Equipment Purchase	6,263	4,047	4,399	9,131	9,131
Office Equipment Lease	1,552	1,751	1,955	1,751	1,751
Insurance -Health/Life/Disability	153,027	151,873	150,757	165,266	165,266
Insurance-Other	10,729	9,609	9,140	9,609	9,609
Office Expense	13,029	11,913	10,661	11,914	11,914
Postage	7,490	4,527	3,316	4,527	4,527
Printing	1,114	1,216	2,093	1,216	1,216
Rent	91,205	91,130	91,141	91,317	91,317
Utilities	5,294	5,250	5,119	5,250	5,250
Retirement	78,773	76,756	73,175	80,909	80,909
Employee Compensation	441,149	422,200	414,143	456,961	456,961
Temporary Employment	-	-	-	-	-
Taxes - Payroll	31,604	30,909	30,607	33,478	33,478
Taxes - Unemployment Comp	63	67	79	63	63
Taxes - Licenses	61	61	81	61	61
Telephone	16,089	15,134	14,879	15,615	15,615
Travel & Business Expense	5,198	4,105	6,301	4,055	4,055
Equipment Maintenance	1,306	762	573	762	762
Employee Training	950	2,200	2,633	950	950
Meeting Expense	883	-	1,840	-	-
Miscellaneous	-	-	-	-	-
SUBTOTAL CAT V	936,243	902,028	894,271	957,820	957,820

TOTAL EXPENSES	6,055,120	5,970,280	5,929,060	5,695,423	5,705,082
-----------------------	------------------	------------------	------------------	------------------	------------------

REVENUES LESS EXPENSES	17,136,881	16,957,128	16,998,348	16,671,414	16,661,755
-------------------------------	-------------------	-------------------	-------------------	-------------------	-------------------