

JEA
BOARD MINUTES
May 19, 2015

The JEA Board held a Pre-Board Meeting at 12:01 PM on Tuesday, May 19, 2015, in the Conference Room on the 8th Floor, 21 W. Church Street, Jacksonville, Florida. Present were Helen Albee, Peter Bower, Wyman Winbush, Husein Cumber, John Hirabayashi, Robert Heekin, Paul McElroy, Bill Bishop, JEA City Council Liaison, Jody Brooks, Office of General Counsel, and Leah Donelan, Nonprofit Center of Northeast Florida. Lisa Weatherby attended the meeting telephonically.

The Pre-Board discussion consisted of the following topics:

1. APPA National Conference - Minneapolis, MN June 5-10, 2015 – Mr. McElroy provided a brief summary of scheduled meetings for those Board Members attending the conference.
2. Board Retreat Follow-up – Ms. Donelan presented the 2015 Board of Directors Draft Work Plan. This draft work plan will take place over the next six months. A copy of the draft work plan is on file.
3. Today's Meeting – Mr. McElroy provided the Board Members with a schedule of today's meetings and presentations.

With no action taken and no further business claiming the attention of the Board, the Pre-Board Meeting was adjourned at 12:46 PM and the Board moved to the 8th Floor Board Meeting Room for the regularly scheduled meeting.

The JEA Board met in regular session on Tuesday, May 19, 2015, in the 8th Floor Board Meeting Room, 21 W. Church Street, Jacksonville, Florida. Present were Helen Albee, Peter Bower, Wyman Winbush, Husein Cumber, John Hirabayashi, and Robert Heekin. Lisa Weatherby attended telephonically.

Agenda Item I – Welcome

- A. The meeting was **called to order** at 1:00 PM by Chair Albee.
- B. A **Moment of Reflection** was observed by all.
- C. The **Pledge of Allegiance** was led by Mr. Heekin.
- D. **Adoption of Agenda** – The amended agenda was approved on **motion** by Mr. Cumber and second by Mr. Winbush.
- E. The **Safety Briefing** was given by Charles D. Crosby, Wastewater Operation Team Leader.

Agenda Item II – Presentations and Comments

- A. **WiSe Money Week Corporate Award** – Monica Whiting, Chief Customer Officer, presented the WiSe Money Corporate Award by Family Foundation, which celebrates local employers who help both their employees and customers become more wise about money. Ms. Whiting stated JEA has a commitment to assisting their customers in

managing their utilities to save energy and money. Through public education campaigns, classroom education, ambassadors, weatherization program, and individual outreach, JEA has set a high standard of excellence for financial education within the community. Through a partnership with the RealSense Prosperity Campaign with United Way, JEA offers workshops for their customers and employees. JEA is training ambassadors to become financial instructors. JEA was chosen for this award for our initiative in developing a robust and comprehensive approach to financial education within our community. Ms. Whiting thanked Jane Upton, Angie Hiers, their employees, as well as their teams for their successful work in educating our customers and employees in financial literacy.

B. Comments from the Public – None

C. Council Liaison's Comments – Council Member Bill Bishop had no comments.

Agenda Item III – For Board Consideration

A. Consent Agenda – used for items that require no explanation, discussion or presentation and are approved by one motion and vote. Upon **motion** by Mr. Heckin and second by Mr. Cumber, item 1 on the Consent Agenda was unanimously approved and items 2, 3, 4, 5, and 6 were received for information.

1. Approval of Board Meeting Minutes April 21, 2015 – approved.
2. Real Estate Acquisition Status Report – received for information.
3. Monthly JEA Operations Report – received for information.
4. Monthly JEA Financial Review & Statements – received for information.
5. FY15 Communications & Community Engagement Update – received for information.
6. JEA Community Engagement Calendar – received for information.

B. Strategic Discussions/Action

1. JEA Disclosure Policies and Procedures – Melissa Dykes, Chief Financial Officer, presented that JEA is responsible for complete and accurate disclosure to its investors. As presented at the recent training provided by Nixon Peabody, the Board has two primary roles. The first role is to ensure that if there are any big issues which are discussed on multiple occasions that they are broadly included in the disclosure to JEA's investors. The second role is a standard called Reasonable Delegation, which means having the appropriate officials and staff included in the process to ensure the right disclosure is provided to JEA's investors. Ms. Dykes noted that having a written, approved Board disclosure policy is the best way to demonstrate Reasonable Delegation. The proposed draft was provided at the disclosure training to Board Members on March 17, 2015, and provided again for review and discussion at the April 21, 2015 Board Meeting. Board Members held discussions regarding conflict of interests with Board Members in their professional positions, and whether the investor disclosure policy should address the conflict avoidance process. Ms. Brooks stated that Board Members are required to declare any conflict of interest, but is not aware of any requirements for it to be stated in the

Disclosure Policy. Ms. Dykes stated that Nixon Peabody provided input and guidance in the drafting of this policy, and utilized an attorney that specializes in SEC law. On **motion** by Mr. Cumber and second by Mr. Heekin, the Board authorized and approved the JEA Disclosure Policies and Procedures in substantially the form distributed to Members on April 21, 2015, with a follow-up action from Nixon Peabody to determine if additional language is needed that if a Board Member has a potential conflict, disclosure action is taken.

2. Professional Employees' Association (PEA), Collective Bargaining Agreement (October 1, 2014 to September 30, 2016) – Angie Hiers, Chief Human Resources Officer, presented that after completing Interest Based Bargaining training in March 2015, negotiating parties met on April 6, 7, and 17, 2015, and successfully negotiated a successor agreement. PEA held a ratification vote on April 23 and 24, 2015, at which the membership approved the proposed agreement. This collective bargaining agreement represents the finalization of negotiations for a contract that will cover the period from October 1, 2014 to September 30, 2016. Approximately 290 employees are covered by the PEA Bargaining Unit. Significant changes to the existing status quo agreement include: (1) it was agreed that bargaining for FY 2013-2014 is waived and the status quo set forth by the October 1, 2012 through September 30, 2013 Imposed Terms and Conditions of Employment governs for that time period; (2) a 1.5% performance-based pool pay increase will become effective upon ratification and 3.0% effective October 1, 2015; (3) a one-time ratification payment of 1.75% of unit base payroll, not applied to base salary; and (4) an increase in the stand-by pay from \$28 per day to \$31 per day, effective October 1, 2015. This two-year agreement will be effective October 1, 2014 through September 30, 2016. On **motion** by Vice Chair Bower and second by Mr. Cumber, the Board approved the ratified Agreement between JEA and the Professional Employees' Association.
3. St. Johns River Power Park (SJRPP) Retirement Plan Amendment – Resolution 2015-03 – Angie Hiers, Chief Human Resources Officer, presented that the SJRPP and International Brotherhood of Electrical Workers Local Union 1618 Bargaining Unit (IBEW) entered into an approved and ratified Collective Bargaining Agreement (CBA) for the period October 1, 2015 through September 30, 2018. The CBA requires certain changes to the SJRPP Retirement Plan and requires SJRPP to amend the plan document to incorporate the terms of the CBA. The plan is effective October 1, 2015 and includes the following amendments: (1) the employer pay credits shall be increased from two percent (2.0%) of earnings to four and one-half percent (4.5%) of earnings; and (2) an employee may elect to purchase additional vesting service, up to a maximum of two (2) years total, for time spent performing active military service. On **motion** by Vice Chair Bower, and second by Mr. Cumber, the Board adopted Resolution 2015-3, which approves the amendment effective October 1, 2015.
4. JEA Hurricane Readiness – John McCarthy, Director Supply Chain Management, delivered a presentation outlining JEA's current state of hurricane readiness and how JEA will communicate its readiness to its customers. Mr. McCarthy stated JEA is operating at the highest level of hurricane readiness ever. JEA has a dedicated team that was established in 2013 that works on JEA's emergency preparedness every day and has fully implemented the National Incident Management System (NIMS), which is a national, comprehensive approach to incident management that provides a

common organizational structure that is fully integrated with County, State and Federal agencies. JEA's Senior Leadership Team and employees have completed over 8,000 hours of NIMS training requirements. On May 18 – 21, 2015, JEA staff is participating in a Statewide Table Top Exercise with participants from agencies across all 67 Counties in Florida. While simulating an actual hurricane, staff will test its skills on JEA's hurricane readiness, which includes response and restoration, standards of preparedness, financial cost and reimbursement, and communication. Mr. McCarthy provided information on communication methods to the Board and customers. Mr. McElroy informed Board Members that within 24 hours, they will begin to receive email messages providing updates on the mock hurricane. The presentation was provided for information only.

5. Bi-Monthly Operations Presentation – Brian Roche, Vice President/General Manager Water/Wastewater Systems, Mike Brost, Vice President/General Manager Electric Systems, and Monica Whiting, Chief Customer Officer – Mr. Roche reviewed safety metrics, water/wastewater performance objectives, environmental compliance, financial performance, and water/wastewater rates in Florida. Mr. Brost reviewed electric systems performance objectives, FY2015 fuel revenue and expense, financial performance, and residential electric bill comparison information. Ms. Whiting presented the J.D. Power Customer Satisfaction Index, increased participation in key customer solutions, billing and payment solutions, communication metrics, JEA corporate citizenship initiatives, including the JEA Ambassador program, Senior Day events, customer education, receivables – net write offs, and continuous improvement efforts. Ms. Whiting presented the Board with a video highlighting the Senior Day events held in partnership with the United Way and the Northeast Florida Community Action Agency. Within the first two Senior Day events, 55 senior citizens received approximately \$21,000 in federal aid. The presentation was received for information.

C. **Other New Business** – none

D. **Old Business** – none

Agenda Item IV – Reports

In the interest of time, Committee Chair Bower reordered various agenda items; however the minutes reflect the original order of the agenda.

- A. **Finance and Audit Committee Report** – Committee Chair, Peter Bower reviewed the Finance and Audit Committee meeting held on May 11, 2015, bringing items to the Board for action and information.
 1. Upon **motion** by Mr. Cumber and second by Mr. Heekin, the Board unanimously approved the March 9, 2015 Committee meeting minutes.
 2. FY2016 Budget Presentation – Melissa Dykes, Chief Financial Officer, presented a JEA FY2016 Proposed Budget summary which will be presented at the June 16, 2015 Board Meeting for approval. Highlights included:
 - a. Total budget lower for the 4th year
 - b. Continued decline in per-customer-consumption (Electric and Water/Wastewater)
 - c. No rate increases planned for FY2016

- d. Between the years of 2007 and 2015, transfers to Government (City and State) have increased nearly \$100 million a year
- e. O&M Expenses – In Electric Systems, the O&M budget has increased by \$4.5 million year over year primarily due to planned outages at Brandy Branch Combined Cycle Facility and Northside Generating Station Units 1, 2, and 3. In Water/Wastewater Systems, the budget has increased \$1.6 million year over year. The biggest drivers of this increase include: pension, overtime and salaries, following the recent approved Collective Bargaining Unit Agreements.
- f. Capital Expenses in Electric Systems are \$170 million; Water/Wastewater Systems has increased to \$195 million, which includes the expansion project at the Blacks Ford Wastewater Treatment Plant.
- g. Regulatory Accounting items outlined include: Pension, DSM/Conservation, Debt Management, Environmental, Fuel, Purchased Power, and Self-Funded Health Plan

The end result for the FY16 Budget includes healthy debt service coverage and healthy liquidity metrics, necessary to support JEA's relatively high, yet improving debt load. The presentation/information was provided for information only.

- 3. Chief Risk and Compliance Officer Report – received for information.
- 4. Audit Services – Quarterly ERM/Audit Update – received for information.
- 5. Update on Rates Restructuring Initiative – Melissa Dykes, Chief Financial Officer, stated JEA has embarked on an initiative to update and realign its rate structure and options, providing customers with new and enhanced rate options, providing JEA and its customers with long-term rate stability, and to help drive efficiencies. The Rate Strategy Team has developed various proposals including:
 - a. Fuel rate decrease for fiscal year 2016
 - b. Modification of the streetlight rates, offering new LED streetlight rates, and discontinuing the General Service eXtra-Large Demand (GSXLD) streetlight discount
 - c. Decreasing the rates for the General Services Large Demand (GSLD) customer class due to the elimination of the GSXLD streetlight discount
 - d. Exploring conducting a residential pilot program. Ms. Dykes provided a graphic demonstrating how JEA will communicate the pilot program to its customers.

Staff will call for a public rate hearing at the June 16, 2015 JEA Board Meeting, with a public hearing to occur at the July 21, 2015 Board Meeting. This presentation was received for information.

6. Treasury

- a. Electric System and Water and Sewer System Reserve Fund Quarterly Report – Ms. Dykes stated this quarterly report was provided to the Finance and Audit Committee for information and transparency.
- b. Recap of Recent JEA St. Johns River Power Park Fixed Rate Debt Refunding Delegated Transactions – Ms. Dykes provided an overview of the recent St.

Johns River Power Park refunding which will produce over \$11.3 million of present value savings and generate approximately \$12.1 million of annual debt service savings over the next five and half years.


7. JEA Energy Market Risk Management Policy Report – received for information.
8. Announcements
 - a. Next Meeting, August 10, 2015, 8:00-10:00 AM
9. Committee Discussion Sessions
 - a. Director, Audit Services – information
 - b. Ernst & Young – information
 - c. Council Auditor's Office – information
- B. EPA Committee Report – Committee Chair Cumber reviewed that the EPA Committee held a meeting on May 19, 2015, bringing items to the Board for action and information.
 1. On **motion** by Mr. Hirabayashi and second by Secretary Winbush, the Board unanimously approved the February 11, 2015 Committee meeting minutes.
 2. Update on EPA's Proposed Clean Power Plan – received for information.
 3. Community Engagement Process – received for information.
 4. Florida Water Policy Update – received for information.
 5. Other Business
 - a. Revise Committee Name and Charter – On **motion** by Ms. Weatherby and second by Vice Chair Bower, the Board unanimously approved the Environmental Committee Charter with the following amendments:
 - The Committee shall consist of three Board Members, appointed annually by the Board Chair.
 - The Board Chair shall appoint one of the Committee Members as Chairperson.
6. Announcements
7. Schedule Next Meeting as Appropriate
- C. Managing Director/CEO's Report – Mr. McElroy stated JEA's values of Growth² were demonstrated today by Mr. Crosby's presentation in sharing his experience over 10 - years at JEA, progressing from an entry-level position to his growth into management. JEA also has demonstrated our commitment to the community with the WiSe Money Corporate Award, as well as the environment with the receipt of the David W. York Award for the utilization of reuse. Mr. McElroy thanked JEA employees for their efforts in hurricane preparedness and assured the Board that JEA will be prepared in the event of a major event. Mr. McElroy stated JEA has been successful in reducing the cost of debt under 4%, but will continue to work to reduce the debt to under \$4 billion. Mr. McElroy thanked the Board Members for their time, passion, and commitment.
- D. Chair's Report – Chair Albee provided an overview of the May 4, 2015 Board Planning Retreat. Chair Albee thanked the Nonprofit Center of Northeast Florida for facilitating the retreat, and Board Members for their attendance.

Agenda Item V – Closing Considerations

- A. Announcements – none**
- B. Adjournment**

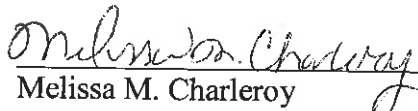
With no further business claiming the attention of the Board, Chair Albee adjourned the meeting at 3:30 PM.

APPROVED BY:



SECRETARY
DATE: 16 JUN 2015

Board Meeting recorded by:



Melissa M. Charleroy
Executive Assistant