

JEA
BOARD MINUTES
November 30, 2015

The JEA Board met in regular session on Monday, November 30, 2015, in the 8th Floor Board Meeting Room, 21 W. Church Street, Jacksonville, Florida. Present were Tom Petway, Delores Kesler, Husein Cumber, Kelly Flanagan, and Warren Jones. Ed Burr was absent and excused.

Prior to the meeting, Jody Brooks, Office of General Counsel, stated the Board Officer positions are currently vacant. Ms. Brooks provided instruction to Board Members on the nominating process to elect a slate of officers. The meeting was called to order at 10:02 AM by Mr. Cumber. On motion by Mr. Cumber and second by Ms. Kesler, the Board unanimously approved Mr. Petway as Board Chair. On motion by Ms. Kesler and second by Mr. Jones, the Board unanimously approved Ed Burr as the Board Vice Chair. On motion by Mr. Jones and second by Ms. Flanagan, the Board unanimously approved Ms. Kesler as Board Secretary. Ms. Brooks stated the Board will nominate a new slate of officers at the March 15, 2016 Board Meeting.

Agenda Item I – Welcome

- A. The meeting was **recalled to order** at 10:07 AM by Chair Petway.
- B. A **Moment of Reflection** was observed by all.
- C. The **Pledge of Allegiance** was led by Chair Petway.
- D. **Adoption of Agenda** – The agenda was approved on **motion** by Mr. Jones and second by Secretary Kesler.
- E. The **Safety Briefing** was given by Paul McElroy, Managing Director/Chief Executive Officer.

Agenda Item II – Presentations and Comments

- A. **Comments from the Public** – None
- B. **Council Liaison's Comments** – The Honorable Bill Gulliford was not in attendance due to City Council business.
- C. **Office of the Mayor Liaison's Comment** – Dr. Johnny Gaffney stated that he is honored to be in attendance representing Mayor Curry. As Board Liaison, Dr. Gaffney stated he will ensure the concerns of Boards and their members are heard. Dr. Gaffney conveyed Mayor Curry's interest for the JEA Board.

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. On **motion** by Mr. Cumber and second by Secretary Kesler, item 1 on the Consent Agenda was unanimously approved and items 2 through 4 were received for information.
 - 1. Approval of Board Meeting Minutes October 30, 2015 – approved
 - 2. Resolution Honoring Doris Champ, Director Audit Services – received for information
 - 3. Monthly JEA Financial Review & Statements – received for information

4. Monthly FY16 Communications & Engagement Calendar and Plan Update – received for information

B. Strategic Discussions/Action

1. American Federation of State, County, and Municipal Employees (AFSCME) Collective Bargaining Agreement (October 1, 2015 to September 30, 2016) – Angie Hiers, Chief Human Resources Officer, provided a presentation on the proposed labor agreement for AFSCME. Ms. Hiers stated negotiations concluded on September 24, 2015. AFSCME held a ratification vote on November 5, 2015, at which time the membership approved the proposed agreement. Significant changes to the existing status quo include the following: each active member at the time of ratification shall receive a one-time lump sum payment equal to 1.5% of the base salary and a ratification incentive of \$100.00, standardized grievance response timelines, added fit for duty language, established language for letters of counseling and a one-year agreement effective October 1, 2015 through September 30, 2016. On **motion** by Mr. Jones and second by Ms. Flanagan, the Board unanimously approved the ratified agreement between JEA and AFSCME.

Jody Brooks, OGC, reminded Board Members, that unless there is a true conflict of interest, each Board Member is required to vote.

2. Approval of Resolution: FY2016 Budgetary Transfers – Melissa Dykes, Chief Financial Officer, presented the budget ordinance includes the authority for JEA to transfer appropriated funds from one of the purposes for which funds are appropriated to another such purpose during the fiscal year. For administrative purposes, the Board typically delegates authority to the Managing Director to make transfers that meet certain criteria. On **motion** by Secretary Kesler, and second by Mr. Jones, the Board unanimously approved Resolution 2015-05 authorizing the Managing Director to approve transfers between approved budget line items within the JEA budget for FY2016 up to \$5.0 million per transfer, except in the event of an emergency or year-end adjustments, where transfers over \$5.0 million will be brought to the Board for ratification. This approval also includes the ratification of the FY2015 year-end budget transfers.
3. Revolving Credit Facility for Operational/Capital Purposes and Liquidity – Melissa Dykes, Chief Financial Officer, presented that JEA has revolving credit agreements (revolvers) totaling \$300 million to provide additional funds, as may be needed, for JEA's operational and debt management needs. The current revolvers are scheduled to expire within the next 12 months. Ms. Dykes stated JEA has not made any borrowings under the two revolvers and does not anticipate a need to do so. However, based on the bids received, JEA may be required to make a small draw to improve the overall cost of the revolver. Through JEA's financial adviser, a Request for Information (RFI) was submitted to 18 financial institutions to replace the currently expiring facilities. Ms. Dykes stated three bids have been received and pending approval by the Board, JEA is optimistic an award can be made in time to provide the name of the winning institution at the Rating Agency presentations on December 10-11, 2015. On **motion** by Mr. Cumber, a second was made but was inaudible, and the Board unanimously approved and adopted the amended and restated note Resolution 2015-06, which delegates to the Managing Director and CEO the authority to select revolver providers in accordance with the JEA procurement code and to substitute revolvers within stated parameters.

4. Pay for Performance

- a. FY2015 Pay For Performance – Angie Hiers, Chief Human Resources Officer provided the Board with an overview of JEA’s compensation philosophy which helps JEA to attract, recruit, and retain high caliber employees. Ms. Hiers provided an overview of JEA’s historical wage increase data from 2009 – 2016. The wage increases are to ensure JEA is paying employees equitably and competitively in order to retain the critical skills needed at JEA. Ms. Hiers stated the Pay for Performance Program is part of the total rewards program. The Pay for Performance Program is designed to incent employees to achieve and exceed established goals. The program focuses on five key metrics: Customer Satisfaction, Safety, Cost per unit of electricity delivered (Kwh), Cost per unit of water delivered (Kgal), and Cost per unit of wastewater collected (Kgal). Under the original Board approved Pay for Performance plan design, the payout would be 3.9% of base pay or \$5.4 million. Ms. Hiers provided the Board with alternative options including: Option A which a) modifies the plan design by removing any payout for less than 100% achievement, b) lowers cost targets to prior years actuals, c) reduces targeted pay maximums for the Executive Leadership Team (ELT) and the Senior Leadership Team (SLT), or Option B which preserves all options, including a zero payout. Mr. McElroy presented the plan was approved under the previous Board of Directors. Over the last few months, there has been a lot of discussion in the community regarding JEA’s objectives. Mr. McElroy reviewed the various options being proposed to the Board. On **motion** by Mr. Cumber, and second by Mr. Jones, the Board unanimously approved the modified Pay for Performance Program design and payout.
- b. Fiscal Year 2016 Pay for Performance Program – Angie Hiers, Chief Human Resources Officer provided the Board with an overview of the Fiscal Year 2016 Pay for Performance Program which focuses on customer satisfaction, safety, and costs. Ms. Hiers presented various options to the Board for discussion, consideration, and possible action including: Option A - approve the stated FY2016 Pay for Performance Program incorporating changes from the FY15 plan including: a) removing any payout less than 100% achievement, b) lowering cost targets to prior years’ actual, and c) reducing targeted pay maximums for ELT and SLT; Option B – Approve the FY2016 Pay for Performance Program goals and objectives and defer or suspend the compensation component of the plan; or Option C – Approve an alternative solution. Chair Petway removed the FY2016 Pay for Performance Program from the agenda and requested the Compensation Committee review this agenda item and bring back to the Board for approval at a future date.

5. Managing Director/CEO

- a. FY2015 CEO Performance – Jody Brooks, OGC, presented the Board is contractually obligated to evaluate the CEO and may provide performance compensation of up to 15% of base pay. Ms. Brooks stated prior to the resignation of the prior Board Members, a scorecard had been adopted. This current scorecard provides both objective and subjective metrics. Ms. Brooks distributed an alternate scorecard removing all subjective metrics and applying a weight to each metric. Ms. Brooks stated this alternate scorecard is only an option, not a legal requirement. Board Members held discussions regarding the distributed scorecard. On **motion** by Secretary Kesler, and second by Mr. Jones

the Board unanimously approved a value of 8.18%, based on removing the subjective valuations from the scorecard.

- b. FY2016 Goals – Paul McElroy, Chief Executive Officer, presented a review of the FY2016 Goals. Mr. Cumber provided a **motion** and a second by Mr. Jones. During Board discussions, Mr. Cumber stated that he would like to add a goal regarding Economic Development; Mr. Jones stated this goal should be targeted towards distressed areas. At the conclusion of discussions, Mr. Cumber withdrew his motion. Chair Petway moved to defer this agenda item to the Compensation Committee and bring back to the Board at the January 19, 2016 Board Meeting. Mr. Cumber also added that he would like to add a goal related to JEA City Contribution that does not result in a downgrade of JEA's credit rating or an increase of rates to customers.
6. Sole Source & Emergency Procurement/Procurement Appeals Board Report - John McCarthy, Director Supply Chain Management, provided a presentation highlighting information for all Sole Source and Emergency Procurement awards for the quarter ending September 30, 2015. Mr. McCarthy provided information regarding two Procurement Appeals Board actions. This presentation was received for information.
7. Bi-Monthly Operations Presentation – Mike Brost, Vice President/General Manager Electrical Systems, Brian Roche, Vice President/General Manager Water/Wastewater Systems, and Monica Whiting, Chief Customer Officer – Mr. Brost reviewed safety metrics, electric systems performance objectives, FY2015 fuel revenue and expense, financial performance, and residential electric bill comparison information. Mr. Roche reviewed water/wastewater performance objectives, environmental compliance, financial performance, and water/wastewater rates in Florida. Ms. Whiting provided an overview of JEA's approach to customer satisfaction highlighting JEA's record movement from 4th quartile to 1st quartile nationally for both residential and commercial customer satisfaction as measured by J.D. Power, as well as being the most improved utility in overall customer satisfaction from 2010-2015. Ms. Whiting presented the six key drivers in customer satisfaction and stated JEA continues to improve in each driver year-over-year. This presentation was provided for information.
8. Annual Financial and Operating Review with the Rating Agencies – Melissa Dykes, Chief Financial Officer, presented on December 10-11, 2015, JEA's Senior Leadership Team, City of Jacksonville representatives, and a representative of the Board will meet with the credit rating agencies in New York City. Ms. Dykes stated the timing of the meeting coincides with the release of JEA's audited financial statements. The primary focus of the meeting is to update the rating agency analysts on JEA's financial health, operations, current events, and governance. Ms. Dykes added Public Financial Management (PFM), JEA's independent financial advisor, prepared an analysis of the value of JEA's credit rating to the utility. According to PFM's analysis updated September 2015, a downgrade in JEA's rating from AA to A would cost customers more than \$90 million over the next 10 years.
- C. **Other New Business** – Jody Brooks, OGC, provided instructions to the Chair for nominating Committee Chairs and Members. Chair Petway deferred this agenda item to a future Board Meeting. Chair Petway informed the Board that a Compensation

Committee will be formed and appointed Secretary Kesler as the Committee Chair. Additional Committee Members include Chair Petway and Ms. Flanagan.

D. Old Business – none

Agenda Item IV – Reports

- A. Managing Director/CEO's Report – Mr. McElroy offered Board Members a tour of JEA facilities at their convenience. Mr. McElroy stated future Board Meetings are currently scheduled for the third Tuesday of every month beginning at noon. He will be working with Chair Petway to hold a Board workshop on strategy and governance.
- B. Chair's Report – Chair Petway discussed logistics related to the public comment section of the Board Meeting. Chair Petway stated that he is looking forward to working with the Members that were recently confirmed. Compliments were provided Paul McElroy, management, staff, and JEA customers.

Agenda Item V – Closing Considerations

- A. Announcements – none
- B. Adjournment


With no further business claiming the attention of the Board, Chair Petway adjourned the meeting at 12:04 PM.

APPROVED BY:



SECRETARY
DATE: 12/15/15

Board Meeting recorded by:



Melissa M. Charleroy
Executive Assistant