

JEA
BOARD MINUTES
November 15, 2016

The JEA Board met in regular session on Tuesday, November 15, 2016, on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Present were Tom Petway, Kelly Flanagan, Delores Kesler, Ed Burr, Husein Cumber and Alan Howard.

Agenda Item I – Welcome

- A.** The meeting was **called to order** at 12:06 PM 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 amended agenda was approved on **motion** by Mr. Howard and second by Vice Chair Burr.
- E.** The **Safety Briefing** was given by Paul McElroy, Managing Director/Chief Executive Officer.
- F.** **Sunshine Law/Public Records Statement** – Jody Brooks, Office of General Counsel (OGC), stated this Board Meeting is being held in compliance with Florida’s Government in the Sunshine Law, §286.011. The complete statement can be found in section I. F. of the Board package.

Agenda Item II – Presentations and Comments

- A. Comments from the Public**
 - 1) Dave Bruderly – addressed the Board regarding policy
 - 2) Shellie Thies – addressed the Board regarding solar
- B. Council Liaison’s Comments** – Council Member Anderson thanked the JEA team for their service. He thanked the JEA management team for briefing the City Council on JEA revenues and rate changes. Mr. Anderson also indicated that the management team had held meetings with the City Council related to labor negotiations. Mr. Anderson advised the Board that he would brief the Rules Committee on the JEA Board of Directors approval to request a change in the charter to lower the required number of Board meetings from 12 to 6 per year.
- C. Office of the Mayor Liaison’s Comments** – Dr. Gaffney thanked the Board for their service and advised that he and Council Member Anderson would be departing early to meet with the Rules Committee.
- D. Nassau County’s Ex-Officio Representative’s Comments** – Mr. Mullin was not in attendance.

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 Vice Chair Burr and second by Ms. Kesler, item 1 on the Consent Agenda was unanimously approved and items 2 through 5 were received for information.
 - 1. Approval of Board Meeting Minutes October 18, 2016 – approved

2. Monthly Operating and Financial Summary – received for information
3. Monthly JEA Financial Review & Statements – received for information
4. Monthly JEA Operations Report – received for information
5. Monthly FY16 Communications & Engagement Calendar and Plan Update – received for information

B. Strategic Discussions and Public Hearing/Action

1. **a. JEA Sewer System: Framework to Resiliency** – Brian Roche, Vice President/General Manager Water/Wastewater Systems, presented information to the Board regarding the sanitary sewer system including information on the performance on the system in normal operating “blue-sky” operations.
 - i. Storm Assessment Report** – Mr. Roche provided a storm assessment report listing the 67 Sanitary Sewer Overflows (SSO’s) which occurred during Hurricane Matthew, as well as the primary root cause. Mr. Roche also presented the estimated overflow volume, characteristics of the average daily and design flow for pump stations, generator requirements, and association with manhole overflows. Mr. Roche further provided information related to JEA’s work with the Florida Department of Environmental Protection (FDEP) to monitor water bodies after the storm and advised the Board that JEA would be developing a Capacity Management and Operations Maintenance Assessment (CMOM) by May 2017, and would start implementing improvements as identified. Mr. Roche advised the Board that the System Resiliency Assessment will be conducted in three phases; immediate opportunities, mid-range defensive actions and longer term solutions by replacing parts when needed and building new to resiliency standards.
 - ii. Major Capital Improvements and Significant O&M Activities** – Mr. Roche also identified major capital improvements and significant O&M activities, which have been ongoing for the past 20 years in order to increase the environmental performance of the water/wastewater system.
2. **Public Hearing – to consider modifications to the Electric Tariff Documentation adjusting energy charges based on rate class and the implementation of a new Economic Stimulus Rider.**

Chair Petway suspended the JEA regular Board Meeting at 12:42 PM.

The JEA Board held a public hearing on November 15, 2016, as duly noticed in the Florida Times-Union to consider, as advertised:

1. Modifications of the JEA Electric Tariff Documentation restructuring energy rates for various rate classes; and
 2. Modifications of the JEA Electric Tariff Documentation creating a new Economic Stimulus Rider; and
 3. Administrative changes to the Electric Tariff Documentation.
- a. Call to Order and Comments from the Chair** – The Public Hearing was **called to order** at 12:42 PM by Chair Petway.
 - b. Staff Presentation and Board Discussion** – Melissa Dykes, Chief Financial Officer, presented a summary of the proposed changes which include adjusting energy charges based on rate class, lowering overall bills when combined with a

fuel charge decrease and stable base rates with no forecasted increases for the next five years, as well as paying down \$190 million of debt early. Ms. Dykes also proposed implementing an Economic Stimulus Rider to provide financial incentives for new commercial or industrial customers.

c. Comments from the Public – Chair Petway called for comments from the public regarding the Public Hearing.

1. Jerry Mallot, JAX Chamber and JAXUSA Partnership – addressed the Board in support of the proposed changes.

With no further public comments, Chair Petway adjourned the Public Hearing at 12:58 PM.

3. Action on Public Hearing

a. Public Hearing to consider modifications to the Electric Tariff

Documentation adjusting energy charges based on rate class and the implementation of a new Economic Stimulus Rider – On motion by Mr.

Cumber and second by Secretary Kesler, the Board unanimously adopted Resolution 2016-15 and its attachments to modify the Electric Tariff

Documentation restructuring energy rates, modify the Electric Tariff

Documentation creating a new Economic Stimulus Rider and make administrative changes to the documentation. Resolution 2016-15 and Exhibits I through III are attached and made part of these minutes.

RESOLUTION 2016-15

A RESOLUTION REGARDING RATE SCHEDULE CHANGES AND ADDITIONS TO THE EXISTING ELECTRIC TARIFF DOCUMENTATION; CONDUCTING A PUBLIC HEARING AND FINDING THE MODIFICATIONS OF THE TARIFF DOCUMENTATION TO BE REASONABLE; IMPOSING THESE MODIFICATIONS FOLLOWING THE PUBLIC HEARING; PROVIDING FOR THE IMPLEMENTATION OF THESE MODIFICATIONS, AND PROVIDING FOR AN EFFECTIVE DATE.

4. Strategic Discussion – Electric System

a. Fuel Charge Reduction (Part of the Multi-Year Capital Structure Strategy) –

Melissa Dykes, Chief Financial Officer presented the information related to a reduction of the fuel rate as a component of the Multi-Year Capital Structure Strategy. Upon motion by Mr. Howard and second by Secretary Kesler, the Board approved the recommendation to lower the fuel rate from \$36.75/MWh to \$32.50/MWh effective December 1, 2016.

b. Release of Excess Debt Management Strategy Rate Stabilization Funds (Part of the Multi-Year Capital Structure Strategy) –

Melissa Dykes, Chief Financial Officer, presented a recommendation that the Board provide the Managing Director/CEO authorization to apply the Electric System Excess Debt Management Strategy Rate Stabilization Fund balance of \$12.242 million and the Water and Sewer System Excess Debt Management Strategy Rate Stabilization Fund balance of \$6.081 million, along with other available funds, toward the funding of defeasance transactions contemplated for FY2017. Upon motion by Vice Chair Burr and second by Mr. Cumber, the Board unanimously approved the recommendation.

c. Electric System Debt Parameter Resolutions (Part of the Multi-Year Capital Structure Strategy) – Melissa Dykes, Chief Financial Officer presented a recommendation that the Board approve Resolution 2016-17 and 2016-18, establishing delegated parameters and authorizing the Managing Director/CEO to negotiate and execute a contemplated Electric System fixed rate refunding bond transaction, with the bonds to be sold no later than June 30, 2017. Upon **motion** by Vice Chair Burr and second by Mr. Howard, the Board unanimously approved Resolution 2016-17 and Resolution 2016-18.

5. Strategic Discussion – Other

a. Fiscal Year 2016 Operating Budget Line Item Transfers – Melissa Dykes, Chief Financial Officer, presented to the Board a recommendation to ratify the FY2016 year-end budget line item transfers which consisted of the following:

- \$54 million to Operating Capital Outlay from Non-Fuel Purchased Power, Operations and Maintenance, Natural Gas Pass through Expense, Emergency Reserve, and Debt Service in the Electric System Operating Budget; and
- \$10 million to Operating Capital Outlay and \$5 million to Capacity Fees expense from Debt Service, Operations & Maintenance, Emergency Reserve, and Non-Fuel Uncollectibles & PSC Tax budget lines in the Water and Sewer Operating Budget.

Upon **motion** by Secretary Kesler and second by Mr. Howard, the Board unanimously approved the line item transfers.

b. Fiscal Year 2016 Year-End Financial Results – Melissa Dykes, Chief Financial Officer, provided the Board with a review of the year-end financial results for FY2016, including key financial metrics, debt-to-asset ratios, outstanding debt and Florida utilities monthly bill comparisons. This item was presented for information.

C. Open Discussion

1. Preliminary Impact of the Election – Mr. McElroy shared that the Solar Amendment won in Duval County, despite losing in the state.
2. 2017 Board/Committee Meeting Calendar – the calendar will continue to have 12 meetings until such time as the City Council rules on the charter amendment.
3. Underground Utility Lines – there are several other utilities that utilize JEA poles, making it difficult to make the change to underground unilaterally. JEA poles are the backbone for the communities' use of broadband.
4. Limited funding has been used for advertising in order to show customers how to use services, how to save money and how to find lower-cost channels.
5. Pension – JEA's Negotiating Team is making the same proposals as the City with the bargaining units.

Regarding the Pension, Chair Petway proposed a resolution, 2016-26 to show JEA's continued support for pension reform at the Board level. Upon **motion** by Vice Chair Burr and second by Secretary Kesler, the Board unanimously approved Resolution 2016-26.

6. Announcements – Chair Petway indicated the new officers will be elected in March; therefore, he will appoint a Nominating Committee in December. Please advise Paul McElroy if there is interest in an Officer position. Chair Petway also advised that he would be attending the trip to meet with the Rating Agencies, as would City Council President Lori Boyer and Mayor Curry. Chair Petway also praised the Board on how the members are handling media requests.

D. Other New Business – none

E. Old Business – none

Agenda Item IV – Reports

A. Compensation Committee Report – Delores Kesler, Committee Chair

1. Fiscal Year 2016 Pay for Performance Program – Chair Kesler presented the information on FY2016 Pay for Performance and advised the Board that JEA employees have achieved two of the five goals. Chair Kesler advised that this would result in a \$3.1 million estimated payout and that JEA had savings of \$22.5 million for the year. Upon **motion** by Mr. Howard and second by Vice Chair Burr, the Board unanimously approved the payout of FY2016 Pay for Performance incentive.
2. Fiscal Year 2017 Pay for Performance Program – Chair Kesler presented the information for the proposed FY2017 Pay for Performance Program. Ms. Kesler advised that if the goals are met, they will result in a payout of 3.4% – 5% of salaries. Upon **motion** by Vice Chair Burr and second by Ms. Flanagan, the Board unanimously approved the FY2017 Pay for Performance Program.
3. Fiscal Year 2016 CEO Performance – Chair Kesler presented the proposed FY2016 CEO Performance results. Ms. Kesler advised the Board of the input that had been provided individually by the members to Jody Brooks, Chief Legal Officer, as well as the self-assessment provided by Mr. McElroy. Chair Kesler advised that the Committee had reviewed the information and recommended that Mr. McElroy should receive an incentive payout of 12.63%, which is in line with the results. Upon **motion** by Mr. Howard and second by Chair Burr, the Board unanimously approved the FY2016 CEO Performance results and the recommended payout of 12.63%.
4. Fiscal Year 2017 CEO Goals – Chair Kesler presented the proposed FY2017 CEO Goals, without the weighted scoring. Ms. Kesler indicated that the Committee would meet again to apply the appropriate weightings to the CEO goals. Vice Chair Burr requested that the Committee take a closer look at the metrics and Mr. Cumber asked that the Committee review to provide clarification on the SSOs to ensure that the capital is there to allow JEA and the CEO to perform successfully. Upon **motion** by Vice Chair Burr and second by Mr. Howard, the Board unanimously approved the FY2017 CEO Goals.
5. Pension Discussion – This item was addressed under section III.C.5.

B. Managing Director/CEO's Report –

1. Mr. McElroy thanked the Board for their comments today and privately in one-on-one meetings.
2. JEA Management team will continue efforts to meet goals and work on areas that need improvement, as well as to engage all employees.

- 3. JEA will focus on resiliency of the water/sewer business and work with stakeholders, local, state and national agencies in ongoing efforts.
- C. Chair’s Report – The Chair advised that Warren Jones is in orientation at the School Board today, due to his election to the Duval County School Board. The replacement is imminent, as the mayor understands the importance of staffing a full Board.

Agenda Item V – Comments

- A. **Comments from the Public – Second – none**

Agenda Item VI – Closing Considerations

- A. **Announcements** – Next Board Meeting – December 13, 2016
- B. **Adjournment**

With no further business claiming the attention of the Board, Chair Petway adjourned the meeting at 2:05 PM.

APPROVED BY:

SECRETARY

DATE: _____

Board Meeting recorded by:

Cheryl W. Mock
Executive Assistant