

JEA
BOARD MINUTES
July 30, 2018

The JEA Board met in regular session on Monday, July 30, 2018, on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Present were Alan Howard, Husein Cumber, Kelly Flanagan April Green, Camille Johnson and John Campion. Frederick Newbill was absent and excused.

Agenda Item I – Welcome

- A. The meeting was **called to order** at 12:00 PM by Chair Howard.
- B. A **Moment of Reflection** was observed by all.
- C. The **Pledge of Allegiance** was led by Chair Howard.
- D. **Adoption of Agenda** – The agenda was approved on **motion** by Vice Chair Cumber and second by Mr. Campion.
- E. The **Safety Briefing** was given by Aaron Zahn, Interim 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** – None
- B. **Council Liaison’s Comments** – The Honorable Matt Schellenberg had no comments. Chair Howard recognized Council Member Anderson and thanked him for attending today’s meeting.
- C. **Office of the Mayor Liaison’s Comment** – Dr. Johnny Gaffney was not in attendance.
- D. **J.D. Power Residential Survey 2018 Final Results** – Ms. Stewart, Vice President & Chief Customer Officer, presented that in terms of Overall Satisfaction, JEA landed in the 2nd Quartile, with the industry average rising just one point, while JEA’s score dropped 10 points to an index score of 737. JEA’s performance placed the brand 17 points higher than the national average, ranking 44th nationally out of 138 utilities, and 5th in the South Mid-Size segment, out of 19 brands. Ms. Stewart stated the chief drivers of the year over year decline were customer perceptions of Power Reliability & Quality, Billing & Payment, and Communications; however, the last two years of the study represent a period of volatility in customer sentiment. Ms. Stewart added that customer perceptions of quality and reliability were impacted by hurricane-related outages. JEA saw a positive spike in customer sentiment after Hurricane Matthew, which was followed by fatigue after Hurricane Irma, as restoration of power didn’t always match customer expectations. The study also noted that media discussion of the potential sale of JEA also played a role in customer perceptions. Ms. Stewart highlighted that JEA still placed in the 1st Quartile in Communications, including having the highest recall for website communications of any utility in the study. Despite the disappointment at this year’s results, Ms. Stewart added that JEA should not lose sight of the fact that our customers continue to recognize JEA’s solid performance year over year. JEA’s

successes at communication and awareness of messaging contribute greatly to JEA's overall performance and help pave the way for future improvement.

Agenda Item III – Operations (Discussion / Action)

- 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 Cumber and second by Ms. Green, Appendix A through D were unanimously approved and Appendix E through G were received for information.

Appendix A: Board Workshop Minutes June 19, 2018 – approved

Appendix B: Board Meeting Minutes June 19, 2018 – approved

Appendix C: St. Johns River Power Park Systems Employees' Retirement Plan – Amendment #2 to the Restated Plan Document – approved

Appendix D: Compliance Amendment to JEA 457 Deferred Compensation Plan Document – approved

Appendix E: Sole Source & Emergency Procurement/Procurement Appeals Board Report – received for information

Appendix F: Monthly Financial Statements – received for information

Appendix G: Monthly FY18 Communications & Engagement Calendar and Plan Update – received for information

- B. Monthly Financial and Operations Dashboard** – Ryan Wannemacher, Interim Chief Financial Officer, presented the newly created monthly Financial and Operations Dashboard, which will be presented to the Board on a bi-monthly basis. Mr. Wannemacher reviewed J.D. Power Customer Satisfaction index scores, safety and operational and financial metrics for electric and water/wastewater services. Board Members held discussions regarding safety, credit ratings and net revenue. Chair Howard thanked Mr. Zahn, Mr. Wannemacher and Ms. Dykes for their work, and stated staff will provide a more in-depth presentation at the August 21, 2018 meeting. This presentation was received for information.

- C. Recommendation to Call a Public Hearing to Modify the Electric Tariff Documentation** – Ryan Wannemacher, Interim Chief Financial Officer, stated in 2013, JEA established an Economic Development Program (EDP) to drive retention, expansion and recruitment of business and commercial customers to portions of Northeast Florida. Staff is proposing to extend the application period by 1 year to September 30, 2019. Mr. Wannemacher stated the economic development incentives are directed to electric services and offers discounts based on job creation thresholds and demand for new or expanded electric load. Mr. Wannemacher highlighted the discounts do not affect other JEA customer bills. Mr. Wannemacher stated the EDP has been a major value driver for JEA and the community over the past several years. The EDP has driven community impact value as a successful incentive tool for the City of Jacksonville and JAXUSA Partnership to attract and expand businesses, drive customer value by increasing asset utilization of the system, and drive financial value by increasing free cash flow and allowing rate stability. Mr. Wannemacher reported that currently there are seven businesses going through the program application process. On **motion** by Vice Chair Cumber and second by Ms. Green, Board Members held discussions and unanimously approved to call a public hearing to occur during the regularly scheduled Board meeting on August 21, 2018.

- D. Real Estate Condemnation Resolution: GEC to Bartram 230KV CT 909 ROW –** John McCarthy, Vice President & Chief Supply Chain Officer, presented Real Estate Services is requesting authorization to file condemnation actions to acquire the easement rights necessary to construct an electric transmission line in the southern portion of JEA's service territory that is experiencing rapid growth. Mr. McCarthy provided Board Members with a list of the ownership interests, along with a map of existing and future corridors. Mr. McCarthy added that condemnation authority is currently being sought for 27 parcels to ensure that any delays in negotiations or acquisitions do not jeopardize the project schedule. Vice Chair Cumber and Ms. Flanagan declared a conflict of interest and filed Form 8B Memorandum of Voting Conflict for County, Municipal, and other Local Public Officers. A signed copy is in the meeting file. Chair Howard disclosed a former client is listed as having ownership interests. On **motion** by Ms. Green and second by Ms. Johnson, the Board unanimously approved Resolution 2018-05 for Condemnation to be filed with the Court in order to obtain easements to the property, for the purposes referenced above, should negotiations prove unsuccessful. Further, the Board approved pre-suit mediation as allowed by Chapter 73.015(3), Florida Statutes, and delegated mediation settlement authority to the Managing Director/CEO or his designee and lastly the Board approved continuing negotiations with the property owners until and after any Order of Taking in order to expedite the process, control costs and provide a fair settlement between parties.
- E. Real Estate: Greenland Wastewater Treatment Plant – Land Purchase –** John McCarthy, Vice President and Chief Supply Chain Officer, presented Real Estate Services is requesting authorization to acquire vacant land for the future Greenland Wastewater Treatment Plant. Mr. McCarthy noted the project is critical for continued reliability and economic growth of JEA's water and wastewater system in the region. JEA has negotiated with Estuary, LLC for the acquisition of approximately 185 acres located east of State Road 9B. The 185 acres will be acquired in fee simple, with no less than 120 upland acres. All easements for access and utilities will be provided. The purchase price for the land is \$20 million. On **motion** by Vice Chair Cumber and second by Ms. Green, the Board unanimously approved the purchase of the Greenland Wastewater Treatment Plant site together with reasonable closing costs.

Agenda Item IV – Strategy (Discussion Only)

- A. Strategic Framework –** Aaron Zahn, Interim Managing Director/CEO presented the strategic framework conversation began with the Board on April 17, 2018 and continued with City Council Members and the Mayor's Office to obtain alignment with all major stakeholders that have influence on JEA's performance both operationally and financially. The second draft provided includes feedback provided by the Board, which creates a statement of direction from the Board to the City Council, versus the previously submitted resolution. Mr. Zahn noted over the last three months, he has been working with JEA's Senior Leadership Team on building a consensus, while including input from employees received during the Management Listening Tours. Chair Howard requested the Board to provide Mr. Zahn with input on the Strategic Framework and bring back to the Board at the August 21, 2018 meeting for action. Mr. Zahn noted the recasting of the Strategic Framework is guided by JEA's four basic Corporate Measures of value including: value to our customer, financial value, community impact value and environmental value. Mr. Zahn added that staff met with the JAXChamber for a full day to learn and discuss how JEA can be more impactful to the community. This presentation was provided for information.

- B. Corporate Headquarters – Downtown Campus Update** – Aaron Zahn, Interim Managing Director/CEO stated approximately four years ago the conversation began regarding JEA’s corporate headquarters. The current downtown campus is in need of significant restoration and rebuilding. During hurricanes Matthew and Irma, JEA sustained significant damage to the facilities, including water intrusion, elevators going offline and significant roof and window damage. Mr. Zahn stated it is staff’s request to obtain the Board’s guidance on: 1) the timeline, 2) the selection process, and 3) the evaluation criteria. Ms. Flanagan declared a conflict of interest and filed Form 8B Memorandum of Voting Conflict for County, Municipal, and other Local Public Officers. Chair Howard introduced Nancy Kilgo, Director, Government Relations. Ms. Kilgo highlighted the process JEA underwent including conducting multiple studies in 2014 and 2016, engaged CBRE to act as JEA’s owner’s representative, conducted a Workplace Strategy Analysis and initial review assessments related to Emergency Operations Center, and conducted conceptual analysis on three site types for impact of site size, location test fits and massing. Ms. Kilgo stated JEA staff has identified several options to reduce the storm preparedness and business continuity risk including: City of Jacksonville Block 48 new construction, One Enterprise Center leased space, Bank of America building leased space, new development connecting the Downtown Core with the Cathedral District, and new development on Lot J. Furthermore, Ms. Kilgo stated she expected other potential sites may be available once formal process was initiated. Ms. Kilgo added JEA wishes to stay within the Downtown Investment Authority jurisdiction. Ms. Kilgo reviewed the next steps and timeline, as well as the qualitative comparison of each of these options. Board Members held discussions on the evaluation criteria and timeline. This presentation was provided for information.
- C. Southside Capital Allocation** – Chair Howard invited Council Liaison Schellenberg to the table as a guest, as this subject will integrally involve the City Council based on the current proposal from staff. Aaron Zahn, Interim Managing Director/CEO stated the Board has been provided with a letter of proposal and financial analysis that was completed at the direction of the Board. The contractual closing of the former Southside Generating Station property occurred in July. JEA received ~\$18.6 million in proceeds from this transaction. Mr. Zahn stated the proposal for the use of the proceeds touches each of JEA’s four Corporate Measures of Value including 1) utilizing ~\$15 M of the proceeds to drive growth of water and sewer customer base with a 2.5% return on investment, 2) the community impact of addressing the issue of providing central water and wastewater infrastructure, which has been a decades long issue, 3) the environmental impact relative to nutrient pollution is a significant issue for the St. Johns River and 4) economic development and value to the customer by adding customers at a rate neutral perspective for our existing customers. Chair Howard called upon Council Liaison Schellenberg to provide his comments related to the one-time contribution to the City. The Council Liaison requested JEA proceed with caution and continue the conversation about additional opportunities for the use of the proceeds. Ms. Kilgo stated the 70% threshold has been met, which includes two neighborhoods, with approximately a total of 1500 homes. Board Members held discussions and requested staff to bring back information regarding other alternative uses of the proceeds, timing of the study, details on the conversion rate and cost, as well as a proposal showing how it fits with the current City of Jacksonville agreement. This presentation was received for information.
- D. Transition Plan Update** – Aaron Zahn, Interim Managing Director/CEO provided an update on the transition plan. Mr. Zahn stated he believes the plan is well underway,

with the Senior Leadership Team moving in the right direction with JEA and the community. This presentation was received for information.

Agenda Item V – Subject Matter Exploration (Opportunities & Risks – Presentation)

- A. Data Fiber Utility Services for the 22nd Century Smart City** – Paul Cosgrave, Vice President and Chief Information Officer, presented the three-step process of discussing, deliberating and finally deciding the direction of JEA’s telecommunication assets. Mr. Cosgrave noted JEA has 550 miles of dark fiber, 30+ cell towers and over 180,000 poles that are utilized for attaching third party telecom assets. Mr. Cosgrave reminded the Board that the City Council Special Committee on the Future of JEA noted in its June 27, 2018 “Final Draft Report” that stated JEA needs to consider expanding its operations into other related business lines to diversify its revenue streams and ensure continued financial health. Ryan Wannemacher, Interim Chief Financial Officer, stated leveraging JEA’s telecom assets will create value for Jacksonville by accelerating broadband assets and services in Jacksonville, creating value and improving the lives of the citizens, will be a source of financial value that can be leveraged to support funding of core utility needs and enhances and expands economic development opportunities for Jacksonville. Mr. Wannemacher introduced Jason Gredell, Head, Infrastructure Advisory Group, JP Morgan. Mr. Gredell provided an overview of communication infrastructure industry, as well as an overview on JEA’s telecom infrastructure opportunities. Mr. Zahn provided a summary of Mr. Gredell’s presentation noting that JEA will be the first city in the United States to offer a complete package of horizontal and vertical assets into the market. Board Members held discussions and at Chair Howard’s direction, Board Members should individually submit questions to Mr. Zahn. Mr. Gredell recognized and thanked Mark Widener, JP Morgan for his great work on the presentation. This presentation was provided for information

Agenda Item VI – Committee Reports

- A. CEO Search Committee Report** – Committee Chair Husein Cumber stated the CEO Search Committee met on July 16, 2018. In attendance were Board Chair Howard and Board Member Green. Mr. Cumber thanked Kay Fuhrman and Sean O’Neal with Heidrick and Struggles for their hard work. Mr. Cumber stated Council Member Schellenberg will be invited to all upcoming meetings. Committee Chair Cumber provided the timeline for the CEO search process concluding with having a permanent Managing Director/CEO in position on January 1, 2019. Mr. Cumber provided information on the various assessments and background checks candidates will need to go through.
- B. Managing Director & Chief Executive Officer Position Specification** – Committee Chair Cumber stated the Managing Director/Position Specification was included in the Board package and requires approval prior to Heidrick & Struggles posting the position specification. Committee Chair noted the CEO Search Committee made revisions to the original draft during the July 16, 2018 meeting. On **motion** by Ms. Johnson and second by Committee Chair Cumber, Board Members held discussions and unanimously approved the position specification.

Agenda Item VII – Other Business

- C. Old Business** – Board Vice Chair Cumber inquired regarding the topic of Demand Rate and requested the Board to discuss this item during the August 21, 2018 Board Meeting.

D. Other New Business – None

E. Open Discussion – None

F. Interim Managing Director/CEO’s Report – Mr. Zahn, Interim Managing Director/CEO recognized Deryle Calhoun, JEA’s new Vice President/General Manager, Water/Wastewater Systems.

G. Chair’s Report – Chair Howard appointed Mr. Campion to the CEO Search Committee.

Agenda Item VIII – Closing Considerations

A. Announcements – Next Board Meeting – August 21, 2018

B. Adjournment

With no further business claiming the attention of the Board, Chair Howard adjourned the meeting at 2:47 PM.

APPROVED BY:

SECRETARY

DATE: _____

Board Meeting recorded by:

Melissa M. Charleroy
Executive Assistant