

JEA
BOARD MINUTES
December 11, 2018

The JEA Board met in regular session on Tuesday, December 11, 2018, on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Present were Alan Howard, Husein Cumber, Frederick Newbill, Kelly Flanagan and April Green. Camille Johnson and John Campion were absent and excused.

Agenda Item I – Welcome

- A. The meeting was **called to order** at 12:01 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 Secretary Newbill and second by Ms. Flanagan.
- E. The **Safety Briefing** was given by Aaron Zahn, 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** – Council Member Schellenberg stated the Festival of Lights is complete, Merry Christmas to the Board and Peace on Earth for all.
At this time, Aaron Zahn recognized the winners from the American Water Works Association (AWWA) Meter Madness competition. The minutes will reflect the original order from the agenda.

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 Ms. Flanagan and second by Vice Chair Cumber, Appendix A, B and C were unanimously approved and Appendix D, E and F were received for information.
 - Appendix A: CEO Search Committee Minutes, October 31, 2018** – approved
 - Appendix B: Board Meeting Minutes, November 27, 2018** – approved
 - Appendix C: Appointment of Geraldine Lockett to Civil Service Board** – approved
 - Appendix D: Monthly Financial Statements** – received for information
 - Appendix E: Monthly Financial and Operations Detail** – received for information
 - Appendix F: Monthly FY18 Communications & Engagement Calendar and Plan Update** – received for information
- B. **Monthly Financial and Operations Dashboard** – Melissa Dykes, Chief Operating Officer presented the financial results, but indicated to the Board that, due to the earliness of the December Board meeting, the results are still from the first month of the

fiscal year and it is hard to draw conclusions this early. Ms. Dykes presented to the Board the Operations challenges that JEA is experiencing, those being the expansion of telecom in Jacksonville bringing contractors who are drilling through infrastructure, creating incidents to which employees must respond immediately. JEA and the city are working with contractors to ensure rules are followed to lessen issues. The Board held discussions on reimbursable expenses to JEA and penalties to contractors for not following set guidelines. Ms. Dykes advised that JEA is looking at the issues and will provide follow up to the Board. Ms. Dykes presented information on the fuel fund and issues impacting the fund and fuel costs and that there are possible impacts to the fuel rate, which are being monitored. JD Power results are being released at 1:00 today and further information will be available after that time. This item was presented for information.

- C. Fuel Strategy – Universal Solar Expansion and Gas Prepayment Parameters –** Ryan Wannemacher, Chief Financial Officer, presented information to the Board related to gas prepayments and other strategies which would save JEA over \$4 million per year. Mr. Wannemacher presented that Resolution 2018-23 before the Board would approve participation in prepayment projects subject to certain thresholds and would delegate authority to the Managing Director/CEO to execute such agreements.

Steve McInall, Director Electric Production Resource Planning presented to the Board information that has been seen in prior Board meetings. Mr. McInall provided a high level review indicating that in 2017 the JEA Board authorized staff to procure 250 MW of additional universal solar, making Jacksonville the largest solar city in the US and that JEA has negotiated a contract with EDF Renewables North America to lease several land plots to them for the purpose of creating solar farms. Mr. McInall provided that today Resolution 2018-21 is presented to the Board for the purpose of authorizing the Managing Director/CEO to execute the contracts. Mr. McInall expanded on the terms of the contract, providing a summary to the Board and thanking staff members who have worked to make this possible. The Board held discussions on this item.

Upon **motion** by Secretary Newbill and second by Ms. Green, Resolution 2018-21, delegating authority to the Managing Director/CEO to execute the contract with EDF Renewables, was unanimously approved by the Board.

Upon **motion** by Vice Chair Cumber and second by Secretary Newbill, Resolution 2018-23, delegating authority to the Managing Director/CEO to execute gas prepayment agreements, was unanimously approved by the Board.

- D. Fuel Strategy – Pricing Policy Modifications –** Ryan Wannemacher, Chief Financial Officer discussed the pricing policy and the fuel stabilization balance. Mr. Wannemacher provided historical data and calculation methodology. Mr. Wannemacher advised staff is requesting changes to the fuel pricing policy and indicated that a redlined document has been provided. The Board held discussions on the item. Upon **motion** by Ms. Green and second by Secretary Newbill on the recommendation to approve the Pricing Policy revisions and adopt the updated policy document, the item was unanimously approved by the Board.

- E. Strategic & Timely Asset Realignment Plan –** Ryan Wannemacher, Chief Financial Officer presented the Strategic & Timely Asset Realignment (STAR) Plan, which is based on the request by the Board to execute a plan to reinforce JEA's financial strength. Mr. Wannemacher presented that the proposed "plan" increases operating efficiency and reduces corporate risks. Details of the plan were provided to the Board, including financial projections, early debt retirement phases and a refinancing recommendation that will be presented to the Board at a later date which will collapse the SJRPP

financing vehicle and refinance the debt. The Board held discussions on several items including available cash. CAPEX and customer rates. Secretary Newbill asked for clarification on the future of the septic tank phase out, which was provided by Aaron Zahn, Managing Director/CEO and was advised that staff would follow up with details. Upon **motion** by Secretary Newbill and second by Vice Chair Cumber, The Board unanimously approved the STAR Plan, which will provide the Managing Director/CEO the authorization to execute the early debt defeasances within the stated phases.

- F. Electric Advance Agreement Between JEA and The Energy Authority (TEA)** – Ted Hobson, VP & Chief Compliance Officer presented information on TEA. Mr. Hobson advised that TEA does not have assets of its own and relies on its members to provide guaranties of funds. Mr. Hobson provided to the Board information on Electric Advance Agreements. Upon **motion** by Vice Chair Cumber and second by Ms. Flanagan the Board unanimously approved 1) the ratification of guaranties given under the Electric Advance Agreement and authorized the Managing Director/CEO to execute the necessary agreements in substantially the form as attached and to make non-substantive changes to the documents, such changes to be approved by JEA’s Chief Legal Officer and 2) authorized the Managing Director/CEO to execute from time to time amended Electric Advance Agreements and related guaranties in substantially similar form, with approval of JEA’s Chief Legal Officer, so long as the total advance is no greater than \$34,286,000, plus attorney’s fees.

At the request of Ms. Flanagan and due to the impending departure of Ms. Green, the Chair approved hearing the Finance & Audit Committee report at this time. The minutes will reflect the original order.

Agenda Item IV – Strategy (Discussion Only)

- A. Corporate Headquarters – Campus Update** – Nancy Kilgo, Director Government Affairs provided an update on the process of procurement related to the Corporate Headquarters and advised when a short list would be available. Ms. Kilgo requested a special Board meeting to be held prior to the next regularly scheduled Board meeting and advised of the process that would take place for final scoring of bids. The Chair called for a special meeting to be held and that staff schedule it to accommodate as many Board members as possible. Aaron Zahn asked that JEA hold the meeting prior to the date at which time the documents become public. This item was presented for information.
- B. Governance – Delegation of Authority** – Aaron Zahn, Managing Director/CEO presented information to simplify, complete and operationalize JEA’s Governance policy. Mr. Zahn advised that he and Jody Brooks, VP & Chief Legal Officer, would create one document to simplify the Governance policy, which will be presented to the Board as a draft document at the January 22, 2019 Board meeting, with a request for Board feedback, with completion and approval sought in the February 26, 2019 Board meeting. Vice Chair Cumber requested that any monetary changes be reflected in a separate summary document. This item was presented for information only.
- C. Guiding Principles** – Aaron Zahn, Managing Director/CEO presented the Guiding Principles which set forth a new vision and strategic framework to align stakeholders and employees. Mr. Zahn advised that the Guiding Principles provide clarity to employees on how to generate value in their daily actions. Mr. Zahn advised this is the third time the Board is seeing the document and that it will be brought to the Board in January for final approval.

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

A. N/A

Agenda Item VI – Committee Reports

- A. **Finance & Audit Committee** – Due to a lack of quorum in committee, all action items were presented to the full Board for approval.
1. **Approval of Minutes** – August 13, 2018 – On **motion** by Committee Chair Flanagan and second by Secretary Newbill, the minutes were approved.
 2. **Audit Services – Quarterly Audit Services Update** – received for information
 3. **JEA Identity Theft Protection Program Fair and Accurate Credit Transactions Act (FACTA) Annual Risk Assessment** – received for information
 4. **Ethics Officer Quarterly Report** – received for information
 5. **Electric System and Water and Sewer System Reserve Fund Quarterly Report** – received for information
 6. **JEA Calendar Years 2019 and 2020 Fixed Rate Refunding Debt Parameter Resolutions for Electric, Water and Sewer, St. Johns River Power Park and Bulk Power Supply Systems** – Upon **motion** by Committee Chair Flanagan and second by Vice Chair Cumber, the Board unanimously approved and adopted Resolutions nos., 2018-15, 2018-16, 2018-17, 2018-18, 2018-19 and 2018-20 and the related forms of Bond Purchase Agreement, Preliminary Official Statement, Escrow Deposit Agreement and Bond that provide the Managing Director/CEO the authorization to price and execute Electric System, Subordinated Electric System, Water and Sewer System, Subordinated Water and Sewer System, St. Johns River Power Park System Issue Three and Bulk Power Supply System fixed rate refunding bond issuances within the parameters stated in their respective resolutions.
 7. **JEA Energy Market Risk Management Policy Report** – received for information
 8. **Ernst & Young FY2018 External Audit Report** – received for information
 9. **Next Meeting, March 18, 2019 8:00-10:00 AM** – received for information
 10. **Committee Discussion Session** – received for information
 - a. Ernst & Young – John DiSanto
 - b. Director, Audit Services – Steve Tuten
 - c. Council Auditor’s Office – Jeff Rodda

Agenda Item VII – Other Business

- A. **Old Business** – N/A
- B. **Other New Business** – N/A
- C. **Open Discussion** – Secretary Newbill requested change to JSEB reporting.
- D. **Managing Director/CEO’s Report** – **Aaron Zahn, Managing Director/CEO**
1. Mr. Zahn read Resolution 2018-25 commending Mike Brost upon his retirement. Upon **motion** by Vice Chair Cumber and second by Secretary Newbill, the resolution was unanimously approved.

2. Mr. Zahn presented information related to two Salvation Army Volunteer awards and a Timucuan Reserve Volunteer award received by JEA.
 3. **Headline Priorities:**
 - a. Adaptive Culture
 - b. Aligned to pervasive commitment to profitability and value
 - c. Platform for customer choice
 - d. De-Risk Business
 - e. 10-Year Strategic Plan in line with Guiding Principles
 4. Mr. Zahn discussed various water innovations being explored by JEA and showed the Board a video regarding an idea from the Buckman facility related to leachate processing.
- E. Chair's Report** – Chair Howard congratulated Deryle Calhoun and his team for being receptive to ideas from Operations employees. Chair Howard thanked Mr. Brost for his 35 years of service to JEA. Chair Howard called for a January Compensation Committee meeting to work on a contract for Aaron Zahn.

Agenda Item VIII – Closing Considerations

A. Announcements – Next Board Meeting – January 22, 2019

B. Adjournment

With no further business claiming the attention of the Board, Chair Howard adjourned the meeting at 1:46 PM.

APPROVED BY:

SECRETARY

DATE: _____

Board Meeting recorded by:

Cheryl W. Mock, Executive Assistant