

**JEA BOARD MINUTES
June 25, 2019**

The JEA Board met in regular session on Tuesday, June 25, 2019, on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Present were April Green, Camille Lee-Johnson, Alan Howard, Reverend Fredrick Newbill, and Andy Allen. John Campion was absent and excused.

Agenda Item I – Welcome

- A. The meeting was **called to order** at 9:02 AM by Chair April Green.
- B. A **Moment of Reflection** was observed by all.
- C. The **Pledge of Allegiance** was led by Chair Green.
- D. **Adoption of Agenda** – The agenda was approved on **motion** by Ms. Johnson and second by Mr. Howard.
- E. **Introductions** were made by board members present, Aaron Zahn, and Lynne Rhode.
- F. The **Safety Briefing** was given by Aaron Zahn, Managing Director/Chief Executive Officer.
- G. **Sunshine Law/Public Records Statement** – Lynne Rhode, 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 – Comments / Presentations

- A. **Comments from the Public** – There were no public comments
- B. **Council Liaison's was not present at the Board Meeting.**
- C. **St Johns River Water Management District (SJRWMD) Alternative Water Supply Presentation** – Herschel Vinyard, Chief Administrative Officer introduced Dr. Ann Shortelle, President of (SJRWMD) who gave a presentation on SJRWMD partnership with JEA and some of the cost share opportunities. Dr. Shortelle presented JEA with two checks for two projects on water reuse and water conservation.

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 Mr. Howard and second by Reverend Newbill, Appendix A was approved.

Appendix A: Board Meeting Minutes May 28, 2019 – approved

- B. **Monthly Reports and Updates** – The following monthly reports and updates are submitted to the Board as information only. These items require no explanation, discussion, presentation or action.

Appendix A: Monthly Financial Statements – received for information

Appendix B: Monthly Financial and Operations Detail – received for information

Appendix C: Monthly FY19 Communications & Engagement Calendar and Plan

Update – received for information

C. Proposed FY2020 Operating and Capital Budgets – Ryan Wannemacher, Chief Financial Officer, stated JEA is responsible for submitting the budget to City Council by July 1. Mr. Wannemacher explained that the proposed FY20 Budget was presented to the Finance & Audit Committee at both the March and May meeting for feedback. Mr. Wannemacher stated the FY2020 budget is approximately \$70 million lower than FY19 and there are no proposed rate changes in either the electric or water/wastewater systems. Mr. Wannemacher also stated that JEA plans to cash fund the investment of over \$500 million for infrastructure in Northeast Florida with no new debt. Staff recommends the Board of Directors approve the proposed operating and capital FY2020 budget and authorize staff to prepare and transmit the recommended budgets to Jacksonville City Council for final action by July 1, transmit the five year capital improvement plan as required by the City of Jacksonville Planning Department, and approve JEA’s share of the SJRPP and Plant Scherer operating and capital budgets. In addition, staff recommends the Board authorize the Managing Director/CEO to adjust the budget approved by the Board of Directors and submitted to Council, if necessary, within the total approved budget amounts for each system.

On **motion** by Reverend Newbill and second by Alan Howard, the board approved the recommendations on the proposed FY2020 budget from Mr. Wannemacher.

D. Monthly Financials and Operations Dashboard – Melissa Dykes, President & Chief Operating Officer highlighted changes in a few metrics on the financial dashboard between May and June. Deryle Calhoun, VP & Chief Water/Wastewater Officer joined the presentation to highlight the impact of third party damages on the budget and the efforts being made to reduce the instances. This presentation was received for information only.

E. Flex Pricing – Pilot Update – Kerri Stewart, VP & Chief Customer Officer provided an update on the program that was formerly known as “Demand Rate Pilot”. There was a name change in the program to “Flex Pricing Pilot” and there are currently two rates being tested. The purpose of the presentation was to highlight the pilot’s progress, the metrics being studied, provide an update on the home energy management pilot (a subset of the Flex Pricing Pilot), and what to expect going forward. The pilot was launched June 1 and should start to reflect in participants’ July bills. There has been substantial participant feedback; a response team has been created to mitigate any issues that arise. This presentation was received for information only.

Agenda Item IV – Strategy (Discussion Only)

April Green noted at May’s Board Meeting the SLT presented what was considered Status Quo, which is what JEA would look like if business continued as it is. The board challenged the SLT to come up with different scenarios on how to respond to the evidently changing trends in the industry.

A. Strategic Planning Overview – Baseline/Scenario 1: Status Quo and Scenario 2: Traditional Response – Lynne Rhode, Chief Legal Officer, read a disclaimer stating that this presentation is only for purposes of planning and developing a strategic plan. The full disclaimer can be found in the board package. Aaron Zahn, Managing Director/CEO explained that these scenarios were not only developed by the SLT, but also in collaboration with the McKinsey team and other industry associates. Anton Derkach, Senior Partner McKinsey Co., provided a reminder of where they are in the process and what scenario based strategic planning is. Management has been working closely with McKinsey has been working on a detailed iterative scenario based planning, which was presented in Status Quo. Mr. Derkach also explained why scenario based planning was chosen and the principles of strategic

Ryan Wannemacher, Chief Financial Officer, began the presentation by stating that Energy Policy Act of 2005 had a significant impact on the industry and caused a 17% decrease in residential sales and a 30% commercial sales decrease. Mr. Wannemacher reviewed Status Quo, which was presented in the May Board of Directors meeting. Mr. Wannemacher stated sales continue to decrease even though customer base is increasing and provided details on how sales are being affected by solar growth and other renewable energy technology. Status Quo analysis shows that sales will continue to decline and with no action there will be a 52% electric and 16% water base rate increase. Mr. Wannemacher stated Status Quo does not assume substantial off-grid movement by commercial and industrial customers, which would further exacerbate the decline in sales.

Aaron Zahn, Managing Director/CEO explained that technology disruption is an industry wide issue and not just a JEA issue. Mr. Zahn further explained that other companies overcame these issues by recalibrating their approach. The management team, McKinsey, employees, and community leaders have been coming with initiatives to help JEA innovate. He explained there are constraints that are stopping JEA from taking advantage of all of the initiatives (which are further explained in Appendix C of the presentation).

Melissa Dykes, President/COO, provided details on the Traditional Utility Response which utilize the tools available but also recognizes the constraints. This scenario includes a management response that better positions the company in the long-term from a risk and customer impact force perspective around degradation. Ms. Dykes explained the two primary tools available in this scenario are cost reduction and rate increases.

Aaron Zahn, Managing Director/CEO, provided details on the “Non-Traditional” utilities response and why JEA is developing this strategic plan. Conversations around the concepts in this scenario began at the Innovation Summit in October 2018. (*A video recapping the Innovation Summit was presented.*) Mr. Zahn asked the Board to instruct staff to finalize a traditional utility response, in the event there is not an opportunity to grow change, and to also allow the opportunity to look at our constraints and consider charter changes to finalize a plan and bring back in the future.

Board member Alan Howard moved that staff be directed to present a plan for implementation of Status Quo 2 and plan for exploring ways to move beyond the constraints, second by Reverend Newbill. **Motion** was approved unanimously.

Mr. Zahn added that staff will bring back a sensitivity analysis on the major customers.

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

A. N/A

Agenda Item VI – Committee Report

A. **Compensation Committee** – Committee Chair Johnson presented the committee report to the Board. Ms. Johnson highlighted that the committee has been working with Towers Watson to put together an formal compensation framework that aligns with the strategic plan.

1. **Adoption of Agenda – June 18, 2019** – received for information
2. **Approval of Minutes – January 15, 2019** – received for information

3. **Total Market Compensation Presentation** – received for information
4. **Compensation Program Agenda** – received for information

Committee Chair Johnson **moved** that the JEA Board of Directors to approve JEA's management development of the framework and authorize staff to implement the plan and bring back to the board for final approval, second by Alan Howard, **motion** was approved unanimously.

- B. Corporate Campus Update and Lease Consideration** – Nancy Kilgo, Director of Special Projects and David Edwards, Attorney at Edwards & Cohen provided an update on the new corporate campus. Ms. Kilgo provided details on the site report and stated that a 90-day termination clause was added for strategic planning. David Edwards provided details on the lease report. Board members were provided hard copies of all of the lease amendments.

RESOLUTION 2019-05

A RESOLUTION APPROVING THE LEASE AGREEMENT BETWEEN RYAN COMPANIES US, INC. AND JEA; AUTHORIZING THE CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR, OR HIS DESIGNEE, TO EXECUTE THE LEASE AGREEMENT AND ANY AND ALL OTHER NECESSARY DOCUMENTS IN CONNECTION WITH THE LEASE AGREEMENT; AUTHORIZING THE CHIEF EXECUTIVE OFFICE AND MANAGING DIRECTOR TO MAKE TECHNICAL AMENDMENTS TO THE LEASE AGREEMENT; PROVIDING FOR AN EFFECTIVE DATE.

On **motion** by Reverend Frederick Newbill and second by Alan Howard Resolution 2019-05 was approved unanimously.

Agenda Item VII – Other Business

- A. Old Business** – N/A
- B. Other New Business** – N/A
- C. Open Discussion** – None
- D. Managing Director/CEO's Report** – Mr. Zahn stated that he has been meeting with employees at several locations to let them know their importance. He asked Board to continue to echo the message of the employees' importance.
- E. Chair's Report** – Chair Green spoke on the rapidly changing industry and encourage the Board of Directors, Stakeholders, and the community to do research on impact of changing industry technologies on organizations. Ms. Green stated that she is confident that the Leadership team, based on today's request, will find solution that will take our customers, community, and environment into consideration.

The agenda, consent agenda, and May's Board of Directors meeting minutes were unanimously approved.

Agenda Item VIII – Closing Considerations

A. Announcements – Next Board Meeting – July 23, 2019

B. Adjournment

With no further business claiming the attention of the Board, Chair Green adjourned the meeting at 11:01 AM.

APPROVED BY:

SECRETARY

DATE: _____

Board Meeting recorded by:

Madricka L. Jones, Executive Staff Assistant