

JEA FINANCE & OPERATIONS COMMITTEE MINUTES

May 23, 2022

The Finance & Operations Committee of JEA met at 9:00 am on Monday, May 23, 2022 on the 8th Floor, 21 W. Church Street, Jacksonville, Florida. The meeting was properly noticed, and the public was invited to attend this meeting in-person at the physical location and virtually via WebEx.

WELCOME

Meeting Called to Order – Committee Chair General Joseph DiSalvo called the meeting to order at 9:00 am. Committee members Marty Lanahan and Rick Morales, being present for the meeting constituted a quorum. Board members Bobby Stein and John Baker were also in attendance in-person.

Others in attendance in-person were Jody Brooks, Chief Administrative Officer; Ted Phillips, Chief Financial Officer; Joe Orfano, Vice President, Financial Services and Treasurer; and Regina Ross, Chief Legal Officer, Office of General Counsel.

Jay Stowe, Managing Director/CEO; Laura Dutton, Chief Strategy Officer; Raynetta Marshall, Chief Operating Officer; Laura Schepis, Chief External Affairs Officer; Sheila Pressley, Chief Customer Officer; Brad Krol, Chief Information Officer; Kurtis Wilson, Vice President, Government Relations; Paul Mitchell, Vice President, Economic Development; Alan McElroy, Vice President, Supply Chain and Operations Support; Mark Stultz, Vice President, Communications; Ricky Erixton, Vice President, Electric Systems; and Stephen Datz, Vice President, Technical Services, participated in the meeting via WebEx.

Adoption of the Agenda – On *motion* by Marty Lanahan and seconded by Bobby Stein, the agenda was approved.

Approval of Minutes – On *motion* by Marty Lanahan and seconded by Rick Morales, the February 11, 2022 Finance and Audit Committee meeting minutes were approved.

Safety Briefing and Moment – Melissa Charleroy, Board Services Manager, provided a Safety Briefing.

Comments from the Public – There were no in-person, virtual, or emailed public comments.

FOR COMMITTEE CONSIDERATION

FY23 Budget – Juli Crawford, Director, Financial Planning & Analysis, presented the FY23 Budget which included a discussion on the budget process, operating and capital budget components, financial projections for the Electric, Water, and District Energy Systems, fuel and purchased power expenses, contributions to the rate stabilization fund, electric, water, and chilled water rates, government transfers to the City of Jacksonville, and FY23 labor costs. Committee members held discussions.

On *motion* by Marty Lanahan and seconded by Bobby Stein, Resolution 2022-12 adopting the recommendation to approve the proposed Fiscal Year 2023 operating and capital budgets; authorizing the Managing Director/Chief Executive Officer, or designee, to submit the proposed budget to the City of Jacksonville, providing for correction of errors; and providing for an effective date was unanimously approved.

Electric System Cost of Service Study – Juli Crawford, Director, Financial Planning & Analysis, presented the Electric System Cost of Service Study progress update as a follow-up to the February 11, 2022 Finance and Audit Committee presentation. Ms. Crawford noted a draft Cost of Service and Rate Restructuring Report has been received from the consultant. Ms. Crawford reviewed the tentative recommendations as outlined in the materials and provided a timeline for final recommended action to take place in the mid-year of fiscal year 2023, with rates to potentially be effective in April 2023. Ms. Crawford noted that staff is working to address customer impact and communication. This presentation was received for information.

District Energy System Cost-of-Service Results & Recommendations – Juli Crawford, Director, Financial Planning & Analysis, presented the District Energy System Cost-of-Service results and recommendations as a follow-up to the February 11, 2022 Finance & Audit Committee presentation. Ms. Crawford provided a review of the current District Energy System customers, results, and recommendations based on the Jacobs Engineering analysis which included establishing clear connection fees and contract terms, establishing demand rates based on plant and variable rates, penalties that encourage efficient use of the system, establishing performance metrics, and developing a growth strategy for new customers. Ms. Crawford provided a review of next steps which includes a rate hearing at the September 20, 2022 JEA Board meeting. Mr. Phillips extended appreciation to Ms. Crawford and her team for their hard work. This presentation was received for information.

Modifications to JEA Disclosure Policies and Procedures – Joe Orfano, Vice President, Financial Services and Treasurer, presented the Disclosure Policies and Procedures were originally approved by the Board in May 2015. Based on best practices, Mr. Orfano reviewed the proposed procedural changes as recommended by Greenberg Traurig, JEA's disclosure council. The recommended revisions separate the Board's strategic responsibilities from the execution and administration of the disclosure policies by the leadership team and staff. The proposed changes will allow any revisions to the Disclosure Procedures to be subject to the approval by the Chief Financial Officer and will become effective immediately without approval by the Board.

On *motion* by Bobby Stein and seconded by Marty Lanahan, Resolution 2022-05 to adopt the modification to JEA's Disclosure Policies and Procedures were unanimously approved.

Mr. Stein stepped out at 9:48 am and returned at 9:50 am.

Annual Disclosure Reports – Joe Orfano, Vice President, Financial Services and Treasurer, noted this presentation is a follow-up to the February 22, 2022 presentation to the Board. Board Members were provided a copy of the draft Annual Disclosure Reports on February 23, 2022. Mr. Orfano provided a review of edits related to Project J. Additional information will be provided at the May 24, 2022 Board of Directors meeting.

On *motion* by Marty Lanahan and seconded by Rick Morales, Resolution 2022-06 to authorize the modifications to the Annual Disclosure Reports and to authorize the filing and use of the Annual Disclosure Reports was unanimously approved.

Increase in JEA Guaranty to The Energy Authority – Joe Orfano, Vice President, Financial Services and Treasurer, presented the seven members of The Energy Authority provide trade support to The Energy Authority (TEA) through guaranties supporting transactional, advisory, and investment activities. Mr. Orfano reviewed the rationale for member trade guaranties and noted Joanie Teofilo, President and Chief Executive Officer, will provide a presentation at the May 24, 2022 JEA Board of Directors Meeting. TEA requested an increase from \$164 million to \$340 million with a phase-in of JEA's guaranty limits to \$45 million on or before June 1 and to \$60 million on or before December 1.

Mr. Orfano extended appreciation to Ms. Ross for her support in finalizing the documentation. Board Members held discussions.

On *motion* by Rick Morales and seconded by Marty Lanahan, Resolution 2022-11 to amend the agreements to increase JEA's guaranty amount to TEA as follows: \$45,000,000 on or before June 1, 2022, and \$60,000,000 on or before December 1, 2022, to authorize the Managing Director/Chief Executive Office, or designee, to execute amended agreements was unanimously approved.

Eminent Domain – Paul Mitchell, Vice President, Economic Development, provided a review of the real estate team. Mr. Mitchell provided a review of the purpose and process of utilizing eminent domain noting the last time eminent domain was brought before the Board of Directors was in 2018.

Southside Integrated Piping System – Brandon Traub, Real Estate Coordinator, provided a review of the Southside Integrated Piping System including the purpose for the land, benefits of acquiring the land, timeline of negotiations, and construction timeframe.

On *motion* by Bobby Stein and seconded by Marty Lanahan, Resolution 2022-08 authorizing the Managing Director/Chief Executive Officer to negotiate and acquire and enter into acquisition agreements and to execute on behalf of JEA such documents as may be required for acquisition of utility easement rights for the Southside Integrated Piping System was unanimously approved.

Circuit 663 – Brandon Traub, Real Estate Coordinator, provided a review of the Circuit 663 request for eminent domain including the purpose of the land, benefits of acquiring the land, timeline of negotiations, and construction timeframe. Board Members held discussions.

On *motion* by Bobby Stein and seconded by Marty Lanahan, Resolution 2022-09 authorizing the Managing Director/Chief Executive Officer to negotiate and acquire and enter into acquisition agreements and to execute on behalf of JEA such documents as may be required for acquisition of utility easement rights for Circuit 663 was unanimously approved.

Proposed Cost Participation Policy – Robert Zammataro, P.E., presented staff has been working with the development community over the past six months to hear their concerns. Mr. Zammataro provided a review of the existing and proposed Cost Participation policy. Board members held discussions.

On *motion* by Bobby Stein and seconded by Marty Lanahan, Resolution 2022-10 to revise the Cost Participation Policy was unanimously approved.

Mr. Stowe and Board members expressed appreciation to Mr. Zammataro and team. Mr. Phillips thanked Ms. Crawford and staff for their great work on the FY23 budget and Cost of Service studies.

ADDITIONAL INFORMATION

Appendix A: Plant Capacity Fee Implementation – Provided for information only

Appendix B: Compliance with JEA's Disclosure Policies and Procedures – Provided for information only

Appendix C: Jacksonville Small and Emerging Business Update – Provided for information only

Appendix D: Hurricane Preparedness – Provided for information only

Appendix E: Electric System and Water & Sewer System Reserve Fund Report – Provided for information only

Appendix F: JEA Energy Risk Management Policy Report – Provided for information only

Appendix G: Annual Disclosure Reports – Provided for information only

CLOSING CONSIDERATIONS

First Coast Regional Utilities / 301 Partners – Ms. Ross provided a review of the processes and timeline related to the First Coast Regional Utilities plant, settlement agreement, and Cost Participation Agreement in relation to 301 Partners. Ms. Ross will provide an update to the Board at the May 24, 2022 meeting.

Announcements – Next Meeting September 9, 2022

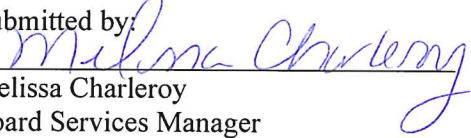
Adjournment – With no further business coming before the Committee, General DiSalvo declared the meeting adjourned at 10:19 am.

APPROVED BY:



Joseph DiSalvo, Committee Chair

Date: 9/20/2022

Submitted by:


Melissa Charleroy
Board Services Manager