

**SPECIAL COMMITTEE ON THE JEA INTERLOCAL AGREEMENT  
October 27, 2015 Agenda**

**Reports to be Given**

- 1. Jody Brooks, OGC - Report on septic tank changes**
- 2. Administration & JEA - Service maps, giving oversight of current Conditions (in-fill map)**
- 3. JEA – St. Johns County example – Ponte Vedra Agreement**

**Report by Council President Anderson on Proposed Legislation**

**To be Discussed**

- 1. Water quality, BMAP credits and Septic Tanks**
- 2. Joint operating/Cost savings opportunities**
- 3. JEA Board Composition, Responsibilities & Oversight**
- 4. “Profits” – dividends or retained earnings?**
- 5. Pension issues**
- 6. Contribution Formula – financial goals, targets, objectives and reasonableness**

**Previously Considered**

- 1. Legal services (Discussed 7/28)**
- 2. Civil Service Issues for JEA employees (Discussed 7/28)**
- 3. Exclusivity of JEA controls over utilities in the City (Discussed 7/28)**
- 4. Future distribution and opportunities for JEA (Discussed 8/25)**
- 5. JEA alternative business lines and their relations to the City, i.e. taxability (Discussed 8/25)**
- 6. Use of JEA real estate assets (Discussed 9/08)**
- 7. Infrastructure expansion policies (Discussed 9/08)**
- 8. JEA charges for services to the City (Discussed 9/8)**  
**(a.)street light costs (b.) Leachate disposal (c.) Fee and rate Adjustments**
- 9. Salaries and compensation (Discussed 9/21)**

## Framework for JEA and COJ Charter Revisions/MOU/Contribution

### 1. BMAP credits

**Goal:** To achieve compliance with nutrient reduction requirements for both the City and JEA in the most cost-effective, legally permissible manner

**Suggested Solution:** JEA to transfer 30.34 Metric Tons of Total Nitrogen Water Quality Credits to the City through term of agreement as a contribution

**Discussion points:** City's ability to earn credits independently severely limited and expensive; JEA has previously earned credits; no alternate market for credits; use of City funds to lease credits annually reduces City's ability to complete work to earn additional credits and increases need for cash contribution from JEA

### 2. Water and Sewer Service Expansion

**Goal:** To reduce pollution, insure public health, and promote economic growth by making public water and sewer service available throughout urbanized portions of the City

**Suggested Solutions:**

- a. Define urbanized area for term of agreement
- b. JEA to adopt monthly capacity fee charge for residents in areas where lines are in place and service is available
- c. City to revise zoning/subdivision codes to require JEA water and sewer for all new development in defined area (lines in the ground in rural areas where service not available)
- d. City to eliminate waiver and allow state law requiring connection to become effective
- e. City to consider environmental charge where new septic tanks installed in areas where service not yet available/Concurrency review
- f. JEA to use capacity fee to expand service/City to apply for CDBG funds to expand service/ Storm water utility to dedicate annual funds to septic tank phase out
- g. Cooperative agreement re: expansion roles and responsibilities; financing options for connections; can waiver of connection fee in economically disadvantaged areas be a contribution to the City

**Discussion:** Combined effort to normalize cost of and require connection to currently available service lines; Opportunity to provide additional revenues for line extension; prioritize extensions based on cost, health risks and BMAP credits; critical not just because of environmental and public health issues, and disparities within City, but to economic future of City by facilitating redevelopment

### 3. Governance

**Goal:** To respect the independence of JEA and insure that enterprise decisions are in the best interest of the utility and its customers, while recognizing JEA's position in our consolidated government

**Suggested Solutions:**

- a. Work with the General Counsel to insure appropriate and timely legal services are available to the utility, subject to the ultimate authority of the General Counsel in accordance with the charter**
- b. Pension**
- c. City employees**
- d. Budget approval to include review of performance pay criteria impacted by budget**

**Discussion:**

- 4. Contribution**
- 5. Expansion of Utility Business Opportunities**

**Special Committee on the JEA Agreement Elements**  
**Administration Suggested Topics**  
**October 27, 2015**

- 1. Contribution formula/Hold Harmless clause**
- 2. Pension & Civil Service status**
- 3. Water quality/BMAP credits**
- 4. Infrastructure expansion**
- 5. JEA charges for services to the City of Jacksonville/Unique customer category**
  - a. Facilities & street light costs**
  - b. Leachate disposal costs**
  - c. Fee & rate adjustments**
  - d. Right-of-way & Easement consideration**

1 Introduced by the Council President:

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3

**ORDINANCE 2015 -**

4

AN ORDINANCE AMENDING ARTICLE 21 (JEA) OF THE

5

CITY CHARTER, SECTION 21.07, RELATING TO THE

6

ASSESSMENT CALCULATION FOR JEA'S ANNUAL

7

CONTRIBUTION PAYMENT; ADDITIONAL PROVISION FOR

8

FINANCIAL RESPONSIBILITY FOR THE BASIN

9

MANAGEMENT ACTION MAP (BMAP) CREDITS;

10

PROVIDING AN EFFECTIVE DATE.

11

12

**WHEREAS,** JEA, pursuant to Article 21 of the City Charter, has plenary authority regarding electric, water, sewer, natural gas and all other utility systems existing under JEA's control now or in the future; and

16

**WHEREAS,** Section 21.07(c) describes the method by which the JEA contribution to the City is calculated;

18

**WHEREAS,** the City and JEA desire to amend the annual contribution calculation;

20

**WHEREAS,** the City is required through the Basin Management Action Plan (BMAP) agreement with Florida Department of Environmental Protection (FDEP) to annually reduce total nitrogen from the Lower St. Johns River; and

24

**WHEREAS,** JEA has performed certain activities at JEA water treatment plants that can provide the City with water quality credits to assist the City in compliance with the FDEP BMAP requirements;

28

**WHEREAS,** JEA shall provide the City through fiscal year 2023 30.34 metric tons of total nitrogen water quality credit.

30

**BE IT ORDAINED** by the Council of the City of Jacksonville:

31

**Section 1. Recitals.** The recitals above are true and

1 correct and incorporated herein by reference.

2 Section 2. Amending Article 21 (JEA), Section 21.07 of  
3 the City Charter. Section 21.07 of the Charter of the City of  
4 Jacksonville is amended as follows:

5 ARTICLE 21. JEA

6 \* \* \*

7 Section 21.07. Fiscal and budgetary functions.

8 JEA shall have fiscal and budgetary functions, subject to the  
9 limitations herein expressed:

10 \* \* \*

11  
12 (c) As consideration for the unique relationship between  
13 the City of Jacksonville and JEA, as a tax-exempt entity  
14 within the consolidated government, and in recognition of  
15 the shared attributes with the consolidated City of  
16 Jacksonville in connection with its ~~electric, water, and~~  
17 ~~sewer distribution systems~~ operations, there shall be  
18 assessed upon JEA in each fiscal year, for the uses and  
19 purposes of the city, from the gross revenues of the JEA  
20 ~~electric system and the water and sewer system operated~~  
21 ~~by JEA available after the payment of all costs and~~  
22 ~~expenses incurred by JEA in connection with~~ JEA~~the~~  
23 ~~operations of such electric system and water and sewer~~  
24 ~~system (including, without limitation, all costs of~~  
25 ~~operation and maintenance, debt service on all~~  
26 ~~obligations issued by JEA in connection with such~~  
27 ~~electric system and water and sewer system and required~~  
28 ~~reserves therefore and the annual deposit to the~~  
29 ~~depreciation and reserve account required pursuant to~~  
30 section 21.07(g)), an amount as provided herein.  
31 Effective October 1, 200817, consistent with the

1 provisions of this section 21.07(c), JEA shall pay the  
2 city an amount equal to 6.2 percent of 3 year rolling  
3 average of gross revenues as reported on audited  
4 financial statements of JEA with a one year time lag. The  
5 JEA contribution for fiscal year 2017-2018 shall be  
6 \$114,184,000 based upon 6.2 percent of JEA's average  
7 gross revenues from fiscal years 2013-2015. At no time  
8 shall the annual contribution to the city by less than  
9 the amount contributed in the base rate year of 2015-  
10 2016. ~~combined assessment for the electric system and the~~  
11 ~~water and sewer system. The combined assessment for the~~  
12 ~~electric system and the water and sewer system shall~~  
13 ~~equal, but not exceed the sum of (i) the amount~~  
14 ~~calculated by multiplying 5.513 mills by the gross~~  
15 ~~kilowatt hours delivered by JEA to retail users of~~  
16 ~~electricity in JEA's service area and to wholesale~~  
17 ~~customers under firm contracts having an original term of~~  
18 ~~more than one year (other than sales of energy to Florida~~  
19 ~~Power and Light Company from JEA's St. Johns River Power~~  
20 ~~Park System) during the twelve month period ending on~~  
21 ~~April 30 of the fiscal year immediately preceding the~~  
22 ~~fiscal year for which such assessment is applicable plus~~  
23 ~~(ii) the amount calculated by multiplying 2.149 mills by~~  
24 ~~the number of cubic feet of potable water and cubic feet~~  
25 ~~of sewer service, excluding reclaimed water service,~~  
26 ~~provided to consumers during the twelve month period~~  
27 ~~ending on April 30 of the fiscal year immediately~~  
28 ~~preceding the fiscal year for which such assessment is~~  
29 ~~applicable. Notwithstanding the foregoing not to exceed~~  
30 ~~amount for the combined assessment, JEA shall pay the~~  
31 ~~city each fiscal year, from fiscal year 2008 2009 through~~

1 ~~fiscal year 2015 2016, an additional amount, if~~  
2 ~~necessary, to ensure a minimum annual increase of \$~~  
3 ~~\$2,500,000, using the fiscal year 2007 2008 combined~~  
4 ~~assessment of \$ \$94,187,538 as the base year.~~

5 (d)

6 The assessment calculations based upon a percentage of  
7 gross revenue of JEA operations ~~for the electric system~~  
8 ~~and the water and sewer system~~ shall be in effect until  
9 September 30, 20123, when the council may reconsider the  
10 assessment calculations. The council may reconsider the  
11 assessment calculations every fifth year thereafter. The  
12 council may change the assessment calculations by  
13 ordinance within the provisions of this section 21.07.  
14 Should the council not reconsider the assessment  
15 calculations, the assessments shall be calculated using  
16 the existing ~~formula~~ percentage of gross revenue of JEA  
17 operations. If either federal or state laws are enacted  
18 or regulatory actions are taken that adversely impact  
19 JEA's financial position for the ~~electric utility system~~  
20 ~~or the water and sewer utility system~~ operations, the  
21 council shall promptly consider enacting such changes to  
22 this section 21.07 as may be negotiated by JEA and the  
23 council to mitigate such adverse impact.  
24

25  
26 \* \* \*

27 ~~(e) The council shall have the power to appropriate~~  
28 ~~annually a portion of the available revenues of each~~  
29 ~~utility system (other than the electric, water and sewer~~  
30 ~~systems) operated by JEA, for the uses and purposes of~~



1 ~~the city. This appropriation shall be based on a formula~~  
2 ~~to be agreed upon by JEA and the council.~~

3  
4 (e) JEA will transfer 30.34 metric tons per year of total  
5 nitrogen water quality credit to the City to assist the  
6 City in meeting its load reduction Basin Management  
7 Action Plan (BMAP) goal for the Lower St Johns River.  
8 The value of the BMAP credits has been taken into  
9 consideration in the development of the section 21.07(c)  
10 assessment calculation. The terms of the transfer shall  
11 be in effect until September 30, 2023 when JEA and the  
12 council may reconsider the amount of total nitrogen  
13 transferred and the value.

14  
15 **Section 4. Providing for construction.** The provisions  
16 of this Ordinance shall be construed in such a manner to affect its  
17 purposes and shall be deemed cumulative, supplemental and  
18 alternative for the exercise of the powers provided herein.

19 **Section 5. Effective Date.** This Ordinance shall  
20 become effective upon signature by the Mayor or upon becoming  
21 effective without the Mayor's signature.

22  
23 Form Approved:

24  
25 \_\_\_\_\_  
26 Office of General Counsel

27 Legislation Prepared by: Jody L. Brooks

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