

**OFFICE OF THE CITY COUNCIL**

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**Special Committee on the Potential Sale of JEA Meeting Minutes**

**March 8, 2018**

**3:30 p.m.**

**Topic:** Potential sale of the JEA

**Location:** City Council Chamber, 1st floor, City Hall – St. James Building, 117 West Duval Street

**In attendance:** Council Members John Crescimbeni, Danny Becton, Anna Lopez Brosche, Garrett Dennis, Joyce Morgan

**Also**: Council Members Greg Anderson, Lori Boyer, Tommy Hazouri, Sam Newby and Jim Love; Peggy Sidman and Sondra Fetner - Office of General Counsel; Kyle Billy and Phillip Peterson - Council Auditor’s Office; Cheryl Brown – Council Secretary/Director; Staci Lewis and Mia Richardson – Legislative Services Division; Jeff Clements – Council Research Division

**Meeting Convened**: 3:35 p.m.

Council Member Crescimbeni called the meeting to order and the attendees introduced themselves for the record. Deputy General Counsel Peggy Sidman read the committee’s charge into the record. Chairman Crescimbeni said that his objective is to have a free and open discussion of objective facts relating to the JEA and its potential sale and to “wipe the slate clean” of the events and controversies of recent weeks in order to start from ground zero. He distributed some historical information about the founding of electrical utilities in Jacksonville and their subsequent consolidation into the entity that eventually became the JEA.

Jordan Pope of the JEA provided data on JEA customer counts and electric and water and sewer sales in the last decade. The number of customers has steadily grown but electric consumption has gradually declined due to greater energy efficiency in appliances and buildings. Water, sewer and reclaimed water sales have varied over the decade with slight increases in recent years. Overall JEA has experienced actual declines in both electric and water sales from their peaks in 2006 and 2007 (respectively) to 2016 – a 10% decline from peak in electric sales and a 14% decrease in water sales. Council Member Becton asked that JEA’s senior leadership make a presentation at a future meeting on their vision for the utility’s future in the face of declining sales. In response to a question from Council Member Hazouri about whether JEA is currently studying the potential privatization issue, Mr. Pope reported that the JEA board has scheduled a workshop in the near future to continue exploring the issue. Council Member Dennis asked about JEA’s net income, believing that to be a more accurate measure of the utility’s ongoing health than gross sales – the two trends may be different. Chairman Crescimbeni asked Council Auditor Kyle Billy to work with the JEA on producing comparative revenue and expense statements for the past 10 years. Council Member Morgan asked about JEA’s overall mission and how customer rates play into that mission, and felt that the graphs showing declining sales paint a negative picture of the utility that may not necessarily reflect its primary mission of service to the community, not generation of profits. Chairman Crescimbeni requested information quantifying JEA’s community contributions over the last 5 years both financially (event sponsorships, joint activities with the City, etc.) and through employee volunteerism. Council Member Boyer inquired about the amount of hurricane damages the JEA incurred in Hurricanes Matthew and Irma and how much is FEMA-reimbursable.

Mr. Crescimbeni distributed a 10-year history of the JEA’s annual financial contribution to the City, independent of the franchise fee and utility service tax collections, compiled by the Council Auditor’s Office. Council Auditor Kyle Billy described several of the nuances of the charges for the franchise fee and utility services tax and agreed to provide further information at a future meeting. He also described the changing formula that determines the JEA annual contribution to the City, which is renegotiated every 5 – 7 years. The formula has for some time provided for guaranteed annual contribution increases regardless of actual sales.

Mr. Crescimbeni distributed information from the Florida Municipal Electric Association (publicpower.com) that shows the electric rates of both municipal and investor owned utilities across the state. The web site has at least 10 years of historical data on rates for the utilities.

Kyle Billy reported that his office will make a report on JEA valuation at the next meeting in 2 weeks. His office has also reviewed the PFM report commissioned by JEA and presented to Council in February.

Mr. Crescimbeni said that he had been approached by a local foundation offering to financially assist the City in commissioning a new consultant study on the JEA’s value. Deputy General Counsel Peggy Sidman related that the City Council has previously utilized private foundation funding to acquire consultant services in the past, and urged the council to ensure compliance with all relevant procurement regulations.

Ms. Sidman also reported that Council Rule 2.208 authorizes the chair of a council committee to place witnesses under oath when providing testimony to a committee and that another rule authorizes the Council Secretary to issue subpoenas to compel testimony before the Council.

Council Member Boyer noted that the City’s independent auditor works under the direction of the Council Auditor and may be another avenue for obtaining an independent financial opinion. Ms. Boyer also said she has been told that the mayor’s financial transfer authority allows the administration to reallocate funds to pay for the financial consultant RFP that the City issued in December. In response to a question from Council Member Anderson, Mr. Crescimbeni gave his perspective on the role of an independent consultant, whom he envisions as a utility industry expert who could help to verify and fact-check claims made by other parties to the committee.

In response to a question from Council Member Hazouri about how the special committee will finalize its work, Mr. Crescimbeni stated that it would vote on a recommendation to the full council as in any other committee. Non-members who attend meetings may participate by asking questions and making suggestions, but may not make motions or vote. Ms. Sidman was asked to provide information at a future meeting on what powers the committee has with regard to compelling testimony via subpoena and dealing with a witness who either refuses to testify or is suspected to have not been truthful under oath. Council President Brosche felt that the committee should require testimony under oath from the beginning of its process rather than starting later in the process for purposes of fairness and consistency. Ms. Brosche said that some factors from the recent past will need to be brought up at some point because they bear directly on the special committee’s work and she hoped that the chairman would allow those lines of inquiry. Council Member Dennis suggested that the council temporarily limit the mayor’s transfer authority until the special committee’s work is done; he asked Ms. Sidman to report back on the Council’s restriction of former Mayor Alvin Brown’s transfer authority during his administration and on the current council’s expansion of mayoral transfer authority during the current administration. He may offer legislation to that effect as an emergency bill at next Tuesday’s council meeting. He also suggested that bi-weekly meetings of the special committee may be insufficient to the task and that weekly meetings may become necessary.

Chairman Crescimbeni requested committee volunteers to meet and develop a scope of services for a utility consultant with the assistance of the Council Auditor’s Office. Council Member Love suggested that the members hear Ms. Sidman’s report about testimony under oath and subpoenas before making the decision whether to go down that road or not. Council Member Becton felt that changing the mayor’s transfer authority wouldn’t be necessary if the administration would voluntarily agree not to execute a contract on the financial advisor RFP from December. He questioned how quickly a committee consultant could be hired through the City’s procurement process and whether it could be done quickly enough to help the committee’s work, or whether the private foundation could do the hiring independent of the City apparatus. Mr. Crescimbeni said that he was open to the committee meeting weekly if that is necessary to accomplish the task, and that committee members could hold noticed meetings prior to the next full special committee meeting to develop a scope of services for a consultant.

In response to a question from Council Member Anderson, Chairman Crescimbeni said that he was open to the special committee taking an official position on several pieces of pending legislation related to referendum requirements on a JEA sale. Council Member Hazouri urged the committee not to restrict the mayors’ transfer authority.

Action items for future meetings

* Invite JEA leadership to talk about declining revenues
* JEA and Council Auditor’s Office produce a 10 year look-back on JEA revenues and expenditures
* JEA report on philanthropic expenditures and employee volunteerism
* JEA report on hurricane damages and FEMA reimbursements
* Council Auditor’s Office explanation of franchise fee and utility service tax
* Invite the City administration to attend the next meeting to explain its thinking with regard to a potential JEA sale
* Invite General Counsel Jason Gabriel to review his February 13th memo regarding procedures required for a sale of JEA

Council Members Brosche and Becton volunteered to meet and develop a proposed consultant scope of services.

The committee agreed that at future meetings the speakers addressing the committee will be sworn in and testify under oath. Chairman Crescimbeni said that opportunity for public comment will be given at future meetings. He also said that next week’s meeting will be noticed to run until 6:00 p.m.

Next meeting – March 15th.

**Meeting Adjourned**: 5:14 p.m.

Jeff Clements, Council Research Division

3.9.18 Posted 10:00 a.m.