SPECIAL COMMITTEE ON THE POTENTIAL SALE OF JEA
AGENDA

Thursday, March 22, 2018
3:30 p.m.
Council Chambers 1st Floor, City Hall

John R. Crescimbeni, Chair
Danny Becton
Anna Lopez Brosche
Joyce Morgan
Al Ferraro
Lori Boyer
Jim Love
Greg Anderson

Legislative Assistant: Staci Lopez
Legislative Assistant: Mia Richardson
Research Assistant: Jeff Clements
Council Auditor's Office: Kyle Billy
Council Auditor's Office: Phillip Peterson
Office of General Counsel: Margaret Sidman
John Phillips

DATE TAKEN: March 22, 2018
TIME: 3:31 p.m. - 6:01 p.m.
PLACE: City Hall
117 West Duval Street
Council Chambers
Jacksonville, FL 32202

This cause came on to be heard at the time and place
aforesaid, when and where the following Proceedings
were reported by:

Stephanie Powers Cusimano
Registered Professional Reporter
Florida Professional Reporter
Powers Reporting, Inc.
301 West Bay Street, Suite 1418
Jacksonville, FL 32202
MR. CRESCIMBENI: Call the meeting to order. Today is Thursday, March 22nd, 2018. It is 3:30 p.m. Welcome, everyone. I'll have everyone introduce themselves for the record. I started on the left last time. Mr. Anderson, you start on the right.


MR. CRESCIMBENI: All right. Thank you.


MS. BROSCHÉ: Anna Lopez Brosche, Group 1.

MR. CRESCIMBENI: John Crescimbeni, Group 2.

MR. BECTON: Danny Becton, District 11.

MS. MORGAN: Joyce Morgan, District 1.

MR. FERRARO: Al Ferraro, District 2.

MR. PHILLIPS: John Phillips, OGC.

MS. SIDMAN: Peggy Sidman, Office of General Counsel.

MR. BILLY: Kyle Billy, Council Auditor.

MR. PETERSON: Philip Peterson, Council Auditor's Office.

MR. CLEMENTS: Jeff Clements, Council Research.
MR. CRESCIMBENI: All right. Thank you all for being here today. I do have an excused absence from Garrett Dennis, so Council Member Dennis will be not participating this afternoon.

Mr. Phillips, I need you to give a crash course on the reason why the oath here and how it applies up here.

We'll start off today's meeting with some reports that we've been expecting from the Council Auditor's Office. A few of them, we're down to our last meeting, we ran out of time, but we will start with the most recent -- I'm sorry, we'll start where we were at a couple weeks ago, and I'm pretty sure it was the first one about the franchise free and utility service tax, there was a question that came from Councilwoman Boyer, who was visiting on that -- on that date, on March 8. Hopefully she's listening, but you may have to provide her with a separate tutorial since she's not here this afternoon.

But, Mr. Billy, are you going to take care of this or Mr. Peterson?

MR. BILLY: I'll take care of that one
when you're ready.

Everyone has a sheet in front of them. It says Allocation of Franchise Fee and Public Service Tax or Utility Service Tax. And up top you've got basically what the franchisee fee includes. It's an amount equal to 3 percent of electric revenues. There is a cap of 2.4 million per customer. I know when the City Council passed that, there was a concern about the big users of electricity, and so they capped it at 2.4 million per customer for a fiscal year. It's also on water and sewer revenues.

And the franchisee fee is limited to revenues derived from within Jacksonville essentially. It does not include the beaches and Baldwin. And then -- it does not apply to reclaimed water or the district energy services.

And we've got kind of a chart here where you can come down and see -- the franchise fee is the middle column, and so we checked the box -- we actually looked at some different bills. So the first part is the electric service bill, and you can see that the
franchise fee is on a basic monthly charge, the
ergy charge, the fuel cost, and the
environmental charge, but it's not on the other
parts of the bill. It's not -- it's not on
itself, it's not on the gross receipts tax and
it's not on the public service tax.

On the water bill, you can see it's on a
basic monthly charge, the water consumption
charge, the environmental charge.

And then on the sewer bill, it's on the
basic monthly charge, the sewer usage charge
and the environmental charge. And the
franchise fee is not on the reclaimed water
bill or on the district energy bill.

Now, the other thing we've got on this
page is a public service tax, and this is a
10 percent charge that's imposed and it's on
electricity. There's also a charge on metered
or bottled gas, and it's on water service. And
for electric service, it's only charged --
starts on the base side, there's no charge on
the part of fuel that was in placed prior to

Back in 1973, with the oil embargo and the
prices on oil going up so much, at that time
action was taken to limit it so that people's bills -- more and more taxes would not keep accumulating on top of these high increases in the fuel charge. So it's only on the pre-1973 part.

Coming down the chart on the rightmost column, it shows where public utilities service tax is charged on. And you can see on the electric bill, it is on the basic monthly charge, energy charge, the fuel cost, the environmental charge. It's on the franchise fee and the gross receipts tax.

Also, on the water bill, you see it's on the basic monthly charge, the water consumption charge, and environmental charge, and then the franchise fee. And you don't see it on the sewer bill because it's not a sewer service, but it is on the reclaimed water bill on basic monthly charge.

So that's it for the franchise fee, the public service tax. And these are -- these are not unique to JEA. So if JEA were sold, whatever utility's in place would still collect these -- these taxes and remit them to the City.
MR. CRESCIMBENI: And the franchise fee -- is the amount of the franchise fee set by the State of Florida, that -- the parameters of the franchise fee? Through the Chair, I think all of these taxes, there's limits by the State of Florida as to what can be charged.

Now, on the franchise fee, the City Council passed an ordinance that says we can charge up to 6, but they decided it should go to 3. I know that we're -- we're maxed out at 10 percent on the public service tax, is what the -- what the State allows.

MR. CRESCIMBENI: And the 2.4 million per customer, is that 2.4 million of electric charges or is that 2.4 million of [unintelligible] 3 percent?

MR. BILLY: I have the definition. Here we go.

So this is in the JEA charter, and it says, "In addition to all other sums paid by JEA to the City, they shall pay an amount equal to 3 percent of the revenues of the system" -- let's see. "It will be limited to revenues up to a per customer maximum of 2,400,000 per
fiscal year of electric rate and revenues."

So that says revenues. You want total fee collected?

MR. CRESCIMBENI: Right. So they're not -- it's not they pay 2.4 million and
3 percent, they pay 3 percent on 2.4 million, and then anything beyond that, they don't pay,
correct? It's a little confusing in your definition. I just wanted a clarification.

MR. BILLY: Yes, thank you. See --
through the Chair, do you want to go on to the contributions now?

MR. CRESCIMBENI: Yes. I'm sorry, I thought you were --

MR. BILLY: All right.

MR. CRESCIMBENI: -- still pondering a response there.

MR. BILLY: Well, I tell you, it is confusing language.

MR. CRESCIMBENI: Yeah.

MR. BILLY: What I'd like to do is get JEA to -- I don't know -- I guess we need to wait and hear from JEA, but we'll -- we will e-mail the JEA and verify that and see what the
*numbers, rates, 3 percent on 2.4 as opposed to
2.4 per customer.

MR. CRESCIMBENI: Right. I think that's the correct determination.

All right. Any questions on that from the Committee or from the visitors?

MR. BECTON: Thank you. Through the Chair, Mr. Billy, so the franchise fee, that comes directly into the General Fund, right?

MR. BILLY: Yes, that's correct.

MR. BECTON: Okay. Remind me on the public utility -- utility service tax.

MR. BILLY: Yes, through the Chair, that's also --

MR. BECTON: So both of those are combined and brought right into the General Fund?

MR. BILLY: Transferred, yes, from JEA to the General Fund.

MR. BECTON: Okay. Thank you for that clarification.

MR. CRESCIMBENI: So if we continue -- regardless of who the utility provider was, if we continue to levy a public service tax and public utility tax in the amount of 10 percent or the franchisee fee in the amount of 3 percent, whoever was providing water, sewer,
electric, we would collect pursuant to our
construction --

Mr. Becton.

MR. BECTON: Through the Chair to
Mr. Billy, so what is philosophically the
difference between a franchise fee and a public
service tax? I see -- except for public -- I
see the utility service tax is the -- the
franchise fee is actually a -- is actually
taxed by the public utility service tax. I
mean, that -- I see that difference, but why
the two different taxes?

MR. BILLY: Through the Chair to
Councilman Becton, I think it's got to do with
in the origin of the State statutes, that
allows it to be collected, and I really have
to, you know, go to the statutes. And I can
get that information and send it to you, but I
really off the top of my head wouldn't want to
going there.

MR. BECTON: Okay.

MR. CRESCIMBENI: All right. Let me add
this, and maybe, Mr. Billy, this will help, we
collected a -- we've collected the public
service tax for as long as I can remember. The
franchise fee is something that's pretty new.

In 2007 the Florida legislature decided to require municipalities and counties to roll back the millage rates. So Jacksonville had to roll back the millage rate, which means millage rate times values wasn't going to produce much revenue than in the previous year. So in order to plug that hole, the City of Jacksonville, the Council at the time, decided to do three things, implement a garbage fee, implement stormwater fees, and implement the 3 percent franchise fee on the utilities to try to recoup revenue to replace the hole that was created by management of the legislature.

Would you concur with that, Mr. Billy?

MR. BILLY: Yes, sir.

MR. CRESCIMBENI: All right. Go ahead and let's take up the JEA contributions and future thereof.

MR. BILLY: Okay. There's a handout, and it should be four pages, in front of you. The first page shows in years -- fiscal year 2008 through 2017. And what we've done is just to take Article 21.07 of the JEA charter and put it on here. And that's -- that is the
formula for the City -- of the JEA contribution to the city.

Really the easier way to walk through it is if you go to the second page. And this second page is something my office uses every summer to present to the Finance Committee to show the calculation. And so you can see on the left part of the page the electric and the right side water/sewer, and it's -- much of the calculations is based on the sales, so this is the sales part, where the actual retail sales are listed, and it's from May to April. And the reason that we end at April 30th from the previous fiscal year is because we have a firm number going in the budget the next year, so JEA knows what they'll have to pay, and the City knows what to expect.

The interchange sales, which are the sales between the utilities -- the sales that aren't retail sales, so that we deduct them out and we come to the net sale, and multiplied by the factor, which you can see in the definition is 7.468 mills.

And the same thing is done on the water side, the water and sewer consumption. There
are adjustments for the things that are not
included in the definitions behind it. This is
the k gallons and it's 1,000 gallons of sales,
indicates 12 months ending April 30th of the
prior fiscal year. And you'll multiply it
times the 389.2 and you come up with a number.

Both numbers are added together because
it's the combination of the electric and the
water and sewer. And if you flip to the third
page of the handout, you'll see those numbers,
the electric number of 91,471,795 and the water
number of 25,148,020, and then come up to
116,619,815.

Now, part of the formula, though, is there
a floor because it's the greater of. So it's
either the greater of the sales number or the
floor. And what is the floor? Well, the floor
currently in the definition is working off of
this year of '15/16, and it's 114,187,538 was
the contrition that year. And the floor is
1 percent increase each year. And so a
1 percent increase each year, if you're still
on that third page, you see part B is the floor,
that -- that means the number would be
116,482,708.
And so in the conclusion listed, you're comparing one or the other, which one is more. So the millage calculation of 116,619,815 is greater than the floor or minimum payment of 116,482,078, and, therefore, we go with the 116,619,815.

And so we know that -- we're still about a month and a half before the end of April, so again, we know we're -- at least the floor went up next year, which would be 117,647,535, or it could be more if the sales are great enough to generate a larger number.

The fourth page to your handout, it just shows more years. It takes the contribution all the way back to the beginning, to 1978/79 fiscal year. And you can see this has got all the -- if you follow the footnotes and look at the columns, originally back in '78/79, the millage used for electric is 4 and a half mills. And you can see it was -- after five years and it increased to 4.76 mills and 5 mills and then on, pretty much every five years, I think there was one deviation along the way, and it made it up to 5 and a half mills.
And so you come down the middle of the millage, you can also see along the way so many -- you've got electric contribution from '78, '79, all the way up through -- to '96, '97, you starting seeing the water contribution.

You see the 3,035,682, well, we -- the City gave the water/sewer utility to JEA, and that was on June 1st. So the reason it's only $3 million is because that represents just four months. This would be from June, July, August, and September, and that's why the next year jumps up to 9 million.

And so you can see from then on out, you've got electric and the water contributing all the way down to the bottom of 2017/18, where we get this year 91,471,795 in electric and then 25,148,020 in water and sewer.

And I think -- if you've read the footnotes, I'll just point out that along the way, you see, well, as I mentioned 4 and a half mills, 4.7 mills, 5 mills, but there are some increases put in there, but the floor is pretty in the middle. And at one time we were receiving a minimum bulk from a base of...
3 million a year. So a base was picked out
and it was a -- now we have a guaranteed
1 percent increase. It was 3 million. So
over five years, the contribution was
guaranteed to grow $15 million at -- and then
they started rationing it down some, so it
came to 2,750,000 guaranteed from 2 and a
half million, and now we're down to 1 percent
increase. But it has been a larger increase
in the past than it is now.

Are there any questions?

MR. CRESCIMBENI: Mr. Billy, the millage
is applied to volume, though, not revenue, correct?

MR. BILLY: Yes, that's correct.

MR. CRESCIMBENI: Volume of 1,000
kilowatt -- or kilowatt hours and volume of
1,000 gallons, it's not assigned, it's not
attached to revenue.

MR. BILLY: Yes, that's correct.

MR. CRESCIMBENI: And if you did a CPI
adjustment to the 1978/79 contribution and the
water contribution when it started to present,
have you ever done that calculation to see
where we'd be?
MR. BILLY: I have not, but we're about to do that.

MR. CRESCIMBENI: That's what I thought. I'm glad you are doing it because I was going to task you for that assignment.

The other assignment I'd like you to undertake is there's been a lot of discussion about, well, what if, what if, what if the JEA was unable to make these contributions or we sold the JEA to someone else, how would we make up this money? Can you -- can you take a look at this sheet that you have in your handout, which I assume is from the current budget year; is that right?

MR. BILLY: Yes.

MR. CRESCIMBENI: And instead of using your millage rate based on volume, you go back and tell me for electric and water -- I know there's different rate schedules, et cetera, let's just take the basic residential rate, basic residential water consumption rate, and can you tell me what adjustment would have to be made in rates to yield 91 million on the electric side and 25 million on the water side?

MR. BILLY: Yes, sir, I'd be happy to do
that.

MR. CRESCIMBENI: I would be interested in what it would take to make that up.

Any questions from the Committee?

THE COMMITTEE: (No response.)

MR. CRESCIMBENI: Mr. Billy, go ahead.

MR. BILLY: I believe the -- is the next sheet the ten-year cash flow statement?

MR. CRESCIMBENI: This was a question that Mr. Dennis and Mr. Becton had an interest in, and you may follow up with Mr. Dennis since he's not here today.

MR. BILLY: Okay. Mr. Peterson will walk through that statement.

MR. PETERSON: This is the -- my '17 two-page statement.

The first page is the electric side, and this is the Free Cash Flow Schedule prepared by JEA, reviewed by our office. And you'll see on top is the Total Operating Revenues going back to 2008 through 2017 and then JEA has projected out '18 and '19.

Then there our -- listed next are your Total Operating Expenses year to year to get to your operating income.
And then the next four lines are a reconciliation of operating income to get to cash provided by operating activity, so items like depreciation, deferred cost of revenues are added or subtracted back in as necessary to get to cash operation.

Then you'll see in the next five or six lines, in italics, cash used for capital expenditures and existing debt service. So this is making the necessary required debt payments on outstanding debts and their capital expenditures. So you then -- you get to the total cash used for capital expenditures and existing debt service.

Then you'll see the next slide is the cash used for the City contribution that Mr. Billy just discussed.

And lastly, the cash provided or used in investing activities, so the purchase of securities, the sales of securities year over year, and the cash that came from those transactions.

You'll take the cash provided by operating activities, the cash used for capital expenditures and existing debt service, cash
used for City contribution and the cash
provided by were used in investing activities
to get from the free cash flow from operations.
We will see some of those years, that number is
negative.

JEA was able to do those things by
borrowing additional funds, which is that next
line, borrowing needs, or withdrawing from some
of their reserve accounts to fund either the
capital expenditures or the bond payments. You
add those back in, get to an ultimate free cash
flow that JEA had year over year. And then in
the years where that -- those funds are
positive, they either made early debt
retirements, so additional cash payments
towards their debts, or deposited those funds
for future -- future expenses to get to a zero
pre-cash flow year over year.

And then the next page of that attachment
is the exact same presentation, but for the
water and sewer side.

MR. CRESCIMBENI: So the top line under
the fiscal year, that's in millions of dollars,
that's gross revenue, correct?

MR. PETERSON: That's correct.
MR. CRESCIMBENI: So 2008, 1.3 billion; is that right?

MR. PETERSON: Yes, sir.

MR. CRESCIMBENI: And this year, about the same, 1.3 billion?

MR. PETERSON: That's correct.

MR. CRESCIMBENI: And there's been a lot of discussion about the recent payoff of debt of JEA. I kind of assumed that was more recent, but it looks like some of the bigger debt reduction was '08, '09, '10, '11, '12, and then it starts tapering down a bit. Would you concur with that?

MR. PETERSON: There's been -- there's a $96 million payoff in '15, another 66- in '17.

When you flip to the water side, those are more recent years, 53 million in '14 and 73 million in '15. All in all those add up over $400 million for the ten-year period between '08 and --

MR. CRESCIMBENI: That was additional debt payoff that wasn't scheduled to pay off?

MR. PETERSON: That's correct.

MR. CRESCIMBENI: All right. Got you.

Thank you.
Any questions from the Committee?

Council Member Brosche.

MS. BROSCHÉ: Thank you, Mr. Chairman.

Through the Chair to Mr. Peterson, can you go back to where you got these numbers from?

MR. PETERSON: These numbers are taken directly from JEA's audited financials.

MS. BROSCHÉ: And so the projections are in which?

MR. PETERSON: The projections were straight from JEA. We did not have any way of reviewing those numbers.

MS. BROSCHÉ: So when did you request the projection information?

MR. PETERSON: We did not request the projection information. They provided it. And since this was -- this was their document, I was not able to alter it. We just made sure that the numbers were accurate.

MS. BROSCHÉ: Okay. So this -- this whole thing is their document?

MR. PETERSON: That is correct.

MS. BROSCHÉ: Prepared recently?

MR. PETERSON: Yes, ma'am.

MS. BROSCHÉ: Okay. Thank you.
MR. CRESCIMBENI: I'm sorry, Mr. Peterson, but you did reference it back to the audited financials, correct?

MR. PETERSON: Absolutely, we tied every number back to the audited financials, but we did not alter or add to, take away from this document.

MR. CRESCIMBENI: But you saw no discrepancies with what they presented in the audited financials?

MR. PETERSON: That's correct.

MR. CRESCIMBENI: Mr. Becton.

MR. BECTON: Thank you. Through the Chair, can you point me to, on the sheet or not, the cash on hand that JEA has also in relationship to possibly retained earnings in terms of investments, investment value that they have?

MR. PETERSON: Through the Chair to Councilman Becton, I cannot point you to that on this sheet. We can get that information to you, but it's not represented here.

MR. BECTON: Okay. I think that analysis would be something of major interest in how they look in those areas. Thank you.
MR. CRESCIMBENI: Do you want a comparison of their -- this is, like, more of a P&L. Do you want a comparison of the look-back on their balance sheet activities?

MR. BECTON: Yes. And I would like to dig into what -- as far as those investments, where are they at, what kind of investments are being made and those types of details as well.

MR. CRESCIMBENI: You want to just look at their most current balance sheet or go back -- you want to go back ten years like we did on this?

MR. BECTON: Yes, that -- that would be good.

MR. CRESCIMBENI: I'm sure you just made Mr. Peterson's day.

MR. BECTON: Thank you.

MR. CRESCIMBENI: All right. Mr. Love.

MR. LOVE: Thank you. Through the Chair to Phillip, the total revenues on your large sheet, what's the total revenues for, let's say, fiscal year 2017? What do you have for the electric revenues, what's the total revenues?

MR. PETERSON: 1,428,000,000.
MR. LOVE: Okay. On a sheet that Mr. Billy gave me, the total revenues for kilowatts is 12 billion. How do I reconcile that?

MR. CRESCIMBENI: Are you talking about the previous report that Mr. Billy gave?

MR. LOVE: Yes, it says that the total revenues for -- it's from May to April, so it's not exactly the same, but we're talking about a factor of 10 difference. So what are they really taking in? Are they taking in 12 billion --

MR. CRESCIMBENI: That's not --

MR. LOVE: -- is --

MR. CRESCIMBENI: If you're looking at this sheet, that's not -- that's not dollars. The big sheet that Mr. Peterson is referring to is dollars and cents. This sheet right here is --

MR. LOVE: Is kilowatts?

MR. CRESCIMBENI: -- volume. This is volume. Not cash volume, but BMI and electric current via induction of water.

MR. LOVE: So these are in kilowatts?

MR. CRESCIMBENI: Yes. So our
contribution is based on a formula that's applied to units only?

MR. PETERSON: Kilowatts.

MR. LOVE: Do they sell them for a penny?

MR. CRESCIMBENI: Well, they sell them at $10 a unit. It doesn't matter what they sell a unit for --

MR. LOVE: Okay.

MR. CRESCIMBENI: -- they're not looking at the revenue stream --

MR. LOVE: Got it.

MR. CRESCIMBENI: -- we're looking at the volume.

MR. LOVE: I understand. Thank you.

MR. CRESCIMBENI: All right. Mr. Billy --

MR. BILLY: All right.

MR. CRESCIMBENI: -- I think the one everybody's been waiting for.

MR. BILLY: Okay. Our report -- everyone has a copy in front of them. Go to page 1, and what we did is there's a chart you see on page 1, and we did not calculate the value to what we think JEA has projected themself for. We had reviewed the PFM report and we used several different methodologies as to what -- and I
calculate a sale price, and then he took the
lowest of that group and the highest and set a
range. And I thought those methodologies were
reasonable, so we started with that report's
gross values.

And that said, I did -- when he came down
to -- when Mr. Mace came down to a net
number -- and I did not come down to the same
net number because there was some things that
we included that he did not. And so if you
look at the chart, we included the General
Employees Pension Plan UAAL and subtracted that
541,000,000. He did not. I believe someone
asked you about that after the meeting, and
he -- he stated that we hadn't -- it would be a
half a penny for that.

But as I mentioned in the report, when --
when the pension reform went through, the sale
of JEA was not contemplated and so I think
that's got to be deducted, that UAAL would have
to be paid.

We also deducted out some -- some
liabilities and some -- they're called Other
Post-Employment Benefits. And so those numbers
broke down to the net proceeds. So using the
PFM report as a gross, then subtracting these things, the long-term debt, the local obligation, the Interest Rate Swap Termination cost, when you get down to the net proceeds on the sale of 1.7 million to 5.2 million, would be the range.

Now --

MR. CRESCIMBENI: Hang on a second, Mr. Billy. So the -- the total liabilities that you have posted here are the same in both columns, correct?

MR. BILLY: Yes, that's correct.

MR. CRESCIMBENI: Now, I'm getting a total of 5. -- 5,797,205,000, is that what you get? Sorry to put you on the spot. We'll call it 5.8 billion.

MR. BECTON: While Mr. Peterson's going to --

MR. CRESCIMBENI: All right. While he's doing that, now, Mr. Becton.

MR. BECTON: Thank you. Through the Chair, Mr. Billy, what is -- could you explain further what the Interest Rate Swap Termination costs would be?
MR. BILLY: Through the Chair, these are interest rate hedges. JEA has some fixed rate interest rates. They have some variable rate interest rates. And these are long-term agreements. And if you -- I guess if you get out of them early and you have to pay the other -- you have to pay the other person some money up front because you got out early.

And so, anyway, look at the chart. We ran ranges and then we said, well, these are values, possibly net values of what the City would receive, but what else needs to be considered, and that's what this report is really about, is things for the City Council to consider if they were to sell JEA.

And the first thing to consider is the contribution from JEA to the City General Fund. And we talk about that on the top of page 2, the current amount, a formula that -- this has been something -- the City's actually received a contribution from JEA from before consolidation, but the -- we just went to consolidation, so we were getting it every year since then, and then we have a formula in place in the late '70s just so that both parties
would know what to expect in the budget year.

The thing is if JEA was sold, then the City would not receive that contribution anymore, and so how do you replace it? So that's the next section on page 2, replacing JEA's contribution to the City General Fund.

And so, as I state, there are multiple options and multiple ways that that can be done, and so we just listed three of them. There's plenty of ways and plenty of ways that other people will think of.

But Option 1, we said, well, you could use some of the proceeds to pay off the debt service for the City General Fund. And so, just in round numbers, 850 million is the General Fund debt outstanding, and our debt service is about 90 million a year. If we pay it off, that frees up 90 million a year.

Now, how much are we trying to replace? The -- if a private entity took the place of JEA, we could have been paying $60 million a year in property taxes and ad valorem taxes. And so JEA paying about 117 million, and then you -- 60 million in property taxes, that leaves a $57 million budget hole. So we're
trying to look for 57 million in year one.
Now, of course, that number is not stagnant, it
will change over time, but that's what we were
looking for.

And so here's Option 1, we free up maybe
98 a year, which covers your hole and then
some.

So what's another option? Another option
would be to pay down the City pension debt.
And so if you had 1.1 million in proceeds and
you paid down -- you put that toward -- we took
this -- Police and Fire in this example, and
paid down the pension debt, that would free up
$75 million a year in pension payments that the
City makes.

Now, a third option that we talked about
with the -- setting aside some money
permanently to generate a revenue stream to
replace that contribution from JEA to the City.
Now, how would you do that? What would you
invest it in? We would think, well, you want
to put it in something really safe, and what's
safer than the U.S. Treasury bonds, so we
looked at 30-year U.S. Treasury bonds. I think
right now the rate is 3.1 percent. We used a
3 percent, to round numbers. And so if we put
$2 million in U.S. Treasury bonds, that would
generate $60 million annually, and that takes
care of the hole that you were trying to fill.

I did note, though, there was some
legislation filed in the Florida legislature,
House Bill 763 in 2017. Now, it died in
Committee, but it would have prohibited certain
local governments from enacting, extending, or
increasing taxes unless the government did not
have excess unencumbered fund balances. We
might not have been able to levy the millage
rate, levy the roll-back rate unless you spent
down the balances. So the the Committee,
there's things be I point things out like that
to think about that, are you going to be
allowed to have a big, couple billion dollar
trust fund or not.

Turning to page -- so these are just three
options. And then I say but there's something
that's not an option.

MR. CRESCIMBENI: Go ahead and finish your
point on the section.

MR. BILLY: There's something that's not
an option. And what I said was not an option
would be just to use the proceeds from the J--
-- from the sale of JEA to directly fill the
hole of the budget. So you've got a
$57 million hole in the budget, and we once said
that you don't use one-time money for recurring
expenses, you don't use the operating expenses,
because then once they're gone, how are you
going to fill that hole in future years?
So that's why I say it's not an option to
directly use those proceeds from the sale to fill
the hole. I think we have a recommendation on
that too in here.

MR. CRESCIMBENI: All right. Thank you,
Mr. Billy. So Option 2, your $75 million,
assuming the use of the proceeds to pay down, I
think you said that 1.1 billion was just police
and fire?

MR. BILLY: Yes, we looked at that and we
thought that was where you would get the most
bang for your buck.

MR. CRESCIMBENI: So does that $75-million
savings from the General Fund include benefits
realized from immediate capture of the pension
sales tax?

MR. BILLY: Through the Chair, what we did
on that was we looked at what the City owes and
we backed off of that present value of the
pension sales tax, and I think what's left is
about 1.1 million on that particular pension
plan. So that's why we left it -- so it
does -- it does take that into account, but you
still have that money from the sales tax.

MR. CRESCIMBENI: What did you use as the
net present value of the pension sales tax?
Because if you paid that off, you'd still be
collecting a half penny, but instead of it
being a PJP sales tax, it all of a sudden
becomes a pension sales tax. So the value
wouldn't be present, it would be whatever we're
getting from a half penny, would it not?

MR. BILLY: Through the Chair, now, first
we have paid off PJP debt -- or to the Chair,
I'm sorry --

MR. CRESCIMBENI: I'm sorry, you're not
saying -- you're not saying -- okay. I see
what you're saying. You're not saying we're
not paying off PJP, you're paying off -- you're
just putting a contribution into the pension
fund from the proceeds of the sale.

MR. BILLY: That's correct. We got our
number on the present of the sales tax from the actual --

MR. CRESCIMBENI: All right. I got you.

Council President Brosche.

MS. BROSCHÉ: Thank you. Through the Chair, back on the calculation of getting to your $57 million hole, and I see that you are calculating ad valorem on all real property and tangible personal property minus St. Johns Power Park and the downtown headquarters in making those assumptions, and yet, that assumes that a new entity would hold all the rest of that property.

MR. BILLY: Through the Chair, I mean, that's off -- so the land for St. Johns River Power Park is in the calculation as is the land that the downtown tower sits on. We took out the St. Johns River Power Park intangible personal property, which is everything they built aboveground, because that's being torn down. We took down the tower because we just didn't think that another entity would replace JEA that they would be using the tower, which I know JEA's planning to tear down anyway -- they'll be -- we left in everything else.
MS. BROSCHÉ: So you left in everything else, including those two pieces of land. And so that $60 million is assuming that someone keeps the rest of the property and tangible personal property that JEA has now.

MR. BILLY: Yes, that's correct. I mean, I -- some of them we -- it would be on the volume side.

MS. BROSCHÉ: Thank you.

MR. CRESCEMBENI: Thank you, Council President Brosche.

Councilman Becton.

MR. BECTON: Thank you. Through the Chair, on your Option 1 and going back to that swap expense, that interest rate expense, so with -- that 850 million that we would be paying off, does any of that have any early payment penalties?

MR. BILLY: Through the Chair to Councilman Becton, thinking on this, we -- these numbers, I would think of them are -- as round numbers. I know there -- if you're going to fees things, and some bonds can't be called that, but again, the fees -- there would actually be a little bit more, but we don't
have all of those numbers. So we went with the
closest, and it should be the amount of
outstanding at the time.

MR. BECTON: But -- so there are -- but
there are probably early payoff expenses that
there would be associated with Option 1?

MR. BILLY: Okay. Through the Chair, my
understanding is if you're not allowed to call
the bond yet, for some reason you get the fees,
so it's -- legally that obligation has been
taken care of. And so I think although it will
cost you a little more, I don't know that they
call them payoff penalties, just an extra cost
of the fees that's got some extra interest in
it. I'd be happy to, you know, get the exact
number. I can check and --

MR. BECTON: I just -- I guess I was just
going to say, does that tie back into your -- I
guess what was it, $180 of that interest rate?
I guess, was there any expenses coming out of
Option 1 that were going into that number?

MR. BILLY: Okay. Now, through the Chair
to Councilman Becton, the chart on page 1 is
all JEA, and Option 1 is --

MR. BECTON: Oh, that's right.
MR. BILLY: -- is coming --

MR. BECTON: Right. Right. So -- but in all likelihood, it would have its own type of expense for however you wanted to define it, whatever you want to call it.

MR. BILLY: Through the Chair, there may be. I'd be happy to ask the treasurer if --

MR. BECTON: I guess the question would be, would it be anything of significance, you know, to -- that would need to be considered?

MR. BILLY: We're going to -- I'd have to ask the Treasury and see if we can get you a more definite answer.

MR. BECTON: Okay. Thank you.

MR. CRESCIMBENI: Mr. Billy, just for the record, I think you did a calculation on ad valorem taxes that would come to the school district, much like you did a calculation on the 60 million. I know this is not part of your report. Could you just briefly address what the school system -- what your projection would be for the school district and how that's a little bit different from your calculation on what would come from the City.

MR. BILLY: Through the Chair to
Councilman Crescimbeni, actually the school
district calculation is in here, and I'll --

MR. CRESCIMBENI: It is.

MR. BILLY: -- make sure that --

MR. CRESCIMBENI: Okay.

MR. BILLY: It's actually attached. I
wanted to show the whole -- for everything we
got in here, we essentially -- we got back up
and tried to keep all our calculations and set
it up for the question of whether it was the
school calculation. I knew there would be a
lot of interest, and we actually did a separate
sheet. And an attachment was attached to one
to show that, so if it's okay with you, we'll
get --

MR. CRESCIMBENI: Okay. That's fine.

Councilwoman Morgan.

MS. MORGAN: Thank you so much. Through
the Chair to Mr. Billy. Mr. Billy, because --
you know, in the introduction, it said it's
estimated that the sales price for JEA could
range from low 7.5 billion to a high of
11 billion. So is that sales price including
electric, water, and sewer?

MR. BILLY: Yes. Through the Chair to
Councilwoman Morgan, that's if you sold everything.

MS. MORGAN: Okay. So it would certainly look different if we sold off part -- parts and not the whole.

And --

MR. BILLY: Yes.

MS. MORGAN: -- would it be worth our time to maybe not now, but at some point have further calculations on -- on selling off parts of it versus the whole?

MR. BILLY: Oh, yes, absolutely. If -- I was sitting -- actually I was meeting in this room yesterday, and I believe that Councilman Gulliford stated that he -- he might be willing to sell the electric, but he didn't want to sell water and sewer, after he already [unintelligible]. And so yes, we could get the numbers from PFM that they got and split between the two and we can get you what you would net in selling either one or whole.

MS. MORGAN: Okay. Thank you so much. I appreciate that.

MR. CRESCIMBENI: Thank you, Ms. Morgan.

Mr. Billy, if you're going to get those
numbers from the PFM, I'm afraid you're going
to have to revise your chart on page 1 of your
report because this is all combined debt and
combined everything. You're going to have to
probably split that out if -- in two additional
columns so that you can show electric and
water -- electric and water based on those
two --

MR. BILLY: Yes, yes, you're correct.
We'll have to get with JEA and -- I mean, it
may take a little time, but we'll be happy to
get it for you.

MR. CRESCIMBENI: Mr. Anderson, I think
you wanted to speak. My queue for you,
Mr. Anderson, is not working.

MR. ANDERSON: He just -- he fixed it, so
we're good now. Is it still working?

MR. CRESCIMBENI: You're good.

MR. ANDERSON: Okay. Thank you,
Mr. Chairman.

I thought -- the same question just to
follow up. JEA's presentation, their workshop
included a couple of slides that did break out
electrical and sewer and water and they had
values for both of them, and I got copies of
the presentations if you'd like to see them here, but they've already -- they've already done that calculation.

MR. CRESCIMBENI: Okay. Ms. Lopez, how many have we noticed today?

And by the way, I failed to mention this, if anybody wants to address the Committee, we will have public comment. So if you fill out a speaker's card, I'm not sure where they are, I think they're blue, just fill one of those out and just leave them up at the front desk -- they're sitting up there by the pencils -- and we'll take you up at the end of the meeting.

All right. Mr. Billy.

MR. BILLY: All right. On page 3, so we had a section called Additional JEA Contributions To The City. And so these are additional factors that we thought that the JEA does things for the City or citizens that are above and beyond the annual monetary contribution to the General Fund, and we went ahead and listed them.

So number 1, in 1996, the Environmental Protection Agency issued an administrative order to the City because of sanitary sewer
overflows due to the poor sewer infrastructure. So then on June 1st, the City Water/Sewer utility, which was -- I remember that. It was part of the Public Utilities Department, it was transferred to JEA. And in 1998, JEA started their Groundworks Program to dedicate resources to reworking the water and sewer system, which improved so much that the EPA lifted the administrative order that same year. And so far -- or as of the date of the report, JEA has invested more than $3.6 billion in the water/sewer system.

The second item we've got here is just to point out that before JEA took over the water/sewer, the City never received a contribution -- a monetary contribution in the General Fund from the water/sewer utility. This was run by the Public Utilities Department. And so ever since they took over, as I mentioned, as I showed on the sheet earlier, we received a monetary contribution.

The third -- the third item, there is -- in the 1990s there was what's called the River City Renaissance project, which I think this building is part of the River City Renaissance
project as well as work was going on at the Performing Arts Center and -- and at that time the City did not use any variable rate interest, we used -- we used fixed-rate bonds. JEA, they used a lot of commercial paper and they had a variable rate interest program, and they suggested using the variable rate interest to save money rather than paying higher fixed rates that are on bonds.

I think the City was reluctant to do it, and so JEA actually guaranteed a maximum rate that the City would pay. I think the way the market was, if the variable rates went up and cost the City more than we thought, that they would actually give us additional contribution in the following years to make up for it. So that's something that they did. And that was the -- that was quite a -- that's a $242 million in variable-rate debt.

The fourth item I mentioned is in 2001, JEA expanded its water/sewer territory. The -- all 19 Council Members at the time sponsored Ordinance 2001-880-E, which approved the financing, appropriated the funds for JEA to purchase United Water. That increased JEA's
service territory and added approximately 36,000 customers. And the majority of those customers, actually their rates were lowered by JEA.

And I pointed out as JEA expanded, its contribution to the City General Fund increased.

And then 5, JEA partnered with the City for a Joint Projects Agreement so that utility and drainage projects could be accomplished at the same time. And I think that the example that I put in there for this is, you know, why tear up the street twice. And so good coordination, the streets have to be redone, and JEA goes ahead and replaces infrastructure on that street that they know needs to be replaced in the next couple of years. It ends up saving money because the street only has to be repaved once after the work is done, and so that's kind of where it's coordinated. And that kind of coordination was especially helpful during the Better Jacksonville Plan.

Number 6, JEA performed the project management function for the $75 million septic tank remediation project that was included in
the Better Jacksonville Program.

Number 7, JEA has an Economic Development Program Rider with two rate programs to attract new business to Jacksonville. They actually told us some of the companies to take advantage of that is Sysco International Food Group, Dresser Equipment Group, and Hans Mill Corporation.

Number 8, JEA spent approximately $53 million on electric, water, and sewer infrastructure at Cecil Field to assist the City in creating Cecil Commerce Center. That is, JEA normally -- I mean, developers would have to put that in, and JEA would have approved it even before we had customers out there for it.

Number 9, at the top of page 4, JEA spent approximately $20 million to purchase over 5,000 acres of preservation land to complement the City's Preservation Project.

Number 10, as part of the Better Jacksonville Plan, JEA constructed chilled water plants. So they constructed one at Hogan's Creek to serve the arena and baseball field. They constructed another downtown to
serve the new courthouse and the Main Library. That plant also serves now the JEA Plaza, the State Attorney Office building, the City Hall Annex, and the Library Garage. And they've since constructed another plant in Springfield to serve the University of Florida College of Medicine, the Proton Beam Facility, and Shands Healthcare campus.

So when they do that, and I'm using the Better Jacksonville as an example, they make the dollars go farther, because essentially, say, for the library, the City did not have to buy the -- the chiller or the compressor part, you know, they've just got the ductwork in the lower part, but it's the JEA that has the chiller plant and they pipe the clean water to facilities. So in doing that, it lowers the construction costs of these new buildings that were part of the Better Jacksonville Plan, and JEA recoups its money through the monthly operating charge.

Number 11, rather than the City and JEA each constructing their radio systems, JEA coordinated the design and construction of the radio system that the City and JEA could both
use. First Coast Radio System -- First Coast Radio System was a city-wide 800 megahertz trunked radio system used by JEA, the City, the Sheriff's Office, and Fire/Rescue Department. JEA financed the $20 million cost of the system and billed the using agencies for their monthly operating charges as well as a capital recovery charge. And there is a newer -- new P-25 radio system, and that's just where JEA houses the transmitters and receivers at no cost to the City.

Number 12, JEA has several community partnerships and community involvement programs that enable and encourage their employees to contribute to a better community. Examples include internships through the Duval County Public Schools and Florida State College of Jacksonville, participation in Junior Achievement of North Florida as well as involvement with local charity fundraising efforts.

Number 13, JEA spent $1,450,000 to fund the initial construction of the JEA Science Theatre at the Museum of Science and History. And in years later when it needed renovations,
they funded the additional $775,000 for that
renovation.

Number 14, they -- JEA performed the
financing in an estimated cost of
$10 million, the City's LED streetlight
conversion. So they're handling that. They
front the money to do that, then bill the
City. There's a recovery charge with it --
with a cost-back, but they finance it.

Number 15, so back about the -- at the
time of the recent City contribution language
of the -- and that was '09, there was also a --
-- associated with that in 2016 interagency
agreement, and so JEA contributed $15 million
to be used in conjunction with a match of
15 million for a the City for a $30 million
total for water and sewer infrastructure.
They also transferred 30 metric tons of
Nitrogen Water Quality Credits to the City.
The City needed these because we weren't
meeting our -- what we expected in the
septic-tank phase-out program. We did not
meet the Nitrogen Load Reduction Goals. So
JEA agreed to provide these credits, which
were valued over $2 million a year to the
City for no compensation through December 31st of 2023. That enables the City in meeting our Basic Management Action Plan, load reduction goal. The Department of Environmental Protection said that if the City sold JEA, the City could keep their BMAP credits that we've already received, but in the future the credit transfers would have to be between the City and the new utility.

Also associated with that -- the interagency agreement in 2016, JEA had committed to contributing $1 million a year for sewer projects that the City undertakes to meet its environmental obligations, and also committed to $650,000 a year for sewer capacity fees.

Number 16, JEA agreed to provide the City Solid Waste Division a discounted rate on the landfill leachate disposal through Fiscal Year 2018/19, while the City explores alternative ways to disposal.

Now, leachate is a liquid that comes out of the landfill. After heavy -- after you get a rain, it sucks through all that stuff in the landfill and you got to do something with it.
And they pump it out and they put it in tanker trucks, and they take it to JEA, to the Buckman sewage plant, I believe, and it's got to be treated. And so it's very expensive to treat it because it is -- it's pulling water, and JEA treats it. They're giving the City essentially a break on cost with that. We would be looking -- and the City's currently looking at other ways to dispose of that.

Number 17, the City, the Duval County School Board, the United States Navy, and the United States Marine Corps all save money on their electric bills because they qualify for a -- it's called JEA's General Service Extra Large Demand Rate Rider, and that rider provides reduction in overall costs in large users that have a lot of accounts, and they combine all the accounts that would otherwise be required to be separate billed separately at a higher rate.

On the top of page 5, we mentioned that in 2013, the Northeast Florida Regional Council released an Economic Impact Analysis for JEA, and the study estimated the economic impact and value of JEA to Duval County in 2012. And that
impact -- I've listed it out here. They say
JEA contributed between 816 and 910 million to
gross county product. The JEA contribution was
for 1.4 to 1.5 percent of Duval County gross
county product, that JEA directly or indirectly
impacted between 4500 and 4700 jobs. And the
JEA Impacted Earnings/Personal Income, between
206 and $310 million.

Are there any questions at this point?

MR. CRESCIMBENI: We do have some
questions.

Mr. Becton?

MR. BECTON: Thank you. Through the
Chair, Mr. Billy, so understanding that a
private entity does some of this philanthropic
work, you know, not only for just the good of
the community, but because they get a tax
deduction, those types of financial incentives,
what is it here that drives the -- the JEA in a
lot of these things that you kind of went over
that wouldn't have a direct benefit to the work
that they do in water and sewer and
electricity?

MR. BILLY: Through the Chair to
Councilman Becton, I might -- I think that
MR. BECTON: Okay. So, I mean, they don't have the same tax incentive, correct?

MR. BILLY: J-- that's right. I mean, JEA doesn't have to worry about paying State taxes and Federal -- Federal income taxes and that type of thing, so they're not doing it for tax reasons.

MR. BECTON: Okay. And that's kind of what I wanted to point out, where a private entity certainly has corporate income tax and that is an advantage of a local -- municipal entity.

MR. BILLY: Yeah. Through the Chair to Councilman Becton, I will point out since you brought that up, I have been at -- it might have been something like the Home & Patio Show at the convention center where JEA had people there and they were giving out LED light bulbs. And there's some thought about J-- people are using less electricity, and I thought, well, here is JEA giving out LED light bulbs and it's going to lower people's electric usage, but it's kind of along the lines of what you said, you know, they're doing something there and
make it -- they sell less electricity, but it's something that maybe the consumer wanted in that case.

MR. BECTON: Right. And we -- and through the Chair, certainly I know I've had that conversation with JEA and the fact that, you know, we've spent millions of dollars on advertisements and marketing trying to help the consumers out there in Duval County lower their own expenses by doing the energy-efficient things and those type of things. So some of these points that you've made seems like they might have some opportunity costs for -- or, shall I say, just some costs for the City if they were to go away. You had mentioned the landfill, you know, processing that water somewhere.

So might we go back to some of these areas that if they were taken away or kind of re-occurring that they might have an economic impact to the city, that kind -- that would be -- the expense would come through kind of the back door and hit our General Fund and that that we might need to evaluate.

MR. BILLY: Through the Chair to
Councilman Becton, obviously, there are examples throughout here that the -- we're saving on our electric bill, but we don't have that quantified. JEA's working on that. That was number 17 at the bottom of page 4. But there was a lot that was involved, and they said they have to run the calculation of what's being paid versus what we were being paid and how that electric rider, but that would hit the General Fund. The landfill costs you're talking about, that gets -- that's factored, but ultimately -- you know, that hits the Solid Waste Fund and then the solid waste fee that goes in there. And so yeah, that will impact that, that nitrogen credits, the --

MR. BECTON: We have to pay to replace the light bulbs out there in our streetlights that JEA is out there --

MR. CRESCIMBENI: Well, we aren't paying for that. We're paying a -- we're paying a fee per location that's got built into it, cost of a --

MR. BILLY: There's a recovery charge.

MR. BECTON: There is? Okay.

MR. BILLY: So there's the monthly charge
and then a recovery charge that they recover
the cost to capital. But they fund -- they
front the money and they do work for us.

MR. BECTON: Okay. But you agree there
are some areas here that might have some --
some expenses that we wouldn't -- do not
currently see that might need to be factored
back in?

MR. BILLY: Yes.

MR. BECTON: Okay. Thank you.

MR. CRESCIMBENI: This was a point that
was made in the PFM report which I asked for.
Hopefully we can get that next week, and that
is the -- you know, what -- we only asked for
the past ten years. It looks like this goes
back to '96 and forward. We asked for the last
ten years.

What's -- give us a list of all -- give us
a list -- give a list to JEA of all your
philanthropic giving, whether it's 20-- --
whether it's giving away light bulbs at the
home show or giving an energy rebate if you
bought this appliance or giving the City
$20 million to buy preservation land. I mean,
the list could be endless. And I think that's
going to be -- I mean, I think they may have a
hard time building that number, because I'm not
sure -- they're not filing an income tax return.
I keep all those receipts, I do those things,
but I don't know if they'd be tracking that.
That may be a huge research exercise on that
part. I think that number is going to
be big and that's something that PFM is going
to say you got to take into consideration
because you may not have a partner.

And I think -- what this list says is they
have a partner. They've been a part of the
City and they've stepped on numerous *** to
help us get where we wanted to go. If we -- if
they hadn't helped us with the bond on River
City Renaissance, we wouldn't have been able
to -- we would have to shave projects or borrow
more money to make that work, so -- the
chiller, I think, was River City Renaissance,
or that was BJ -- that was BJ --

MR. BILLY: BJ, yes, sir.

MR. CRESCIMBENI: Again, if we had to buy
all that HVAC equipment, we would have had to
borrow more money or cut back even more
projects to get those costs on our budget. So
I think when they -- if they're able to give us those true numbers, it would be pretty staggering.

And this -- you think this is an exhaustive list of what you can find or --

MR. BILLY: Through the Chair, no, I don't think it's exhaustive. It's -- it's what we could do in this amount of time. I'm sure there's more. I also think that, you know, a week after the major event --

MR. CRESCIMBENI: Right.

MR. BILLY: -- the major things, we spent a lot of time going back and researching.

MR. CRESCIMBENI: Think about all the events you go to and you see the JEA logo on the sponsorship board. I'm just tossing out examples. I'm not saying they sponsored these things, but, you know, World -- they're always getting involved in community events. I don't know if that meant they wrote a $10 check or a $100 check or a $10,000 check, but that -- I mean, all that stuff adds up after a while.

Mr. Anderson, you're next, followed by Ms. Morgan.

MR. ANDERSON: Thank you. Just a --
through the Chair. Mr. Billy, you talk about
the BMAP credits, and I'll be honest with you,
that's been several years ago that we dug into
that, but my recollection was that JEA was
required to reduce the nitrogen that they
were -- they were putting in the river. They
did it so well that they actually created extra
credits, and that during the renegotiation of
the contract -- contract, we -- we -- they
partnered with us. It was to arrive at those
credits that we would otherwise have had to
provide; is that right?

   MR. BILLY: You are absolutely correct.
   Yes, you captured it exactly.

   MR. ANDERSON: well

   MR. BILLY: The negotiated contribution,
   and that's exactly what happened. They
deducted more credits because they cleaned up
the river more than they anticipated.

   MR. ANDERSON: Right. And so I guess I
would ask, that would clearly be a liability.
I mean, it's a financial liability if, for
example, a new owner took this over and they
did not assign a contract to us, we would have
to provide that as well. So unlike most of
these items, that one actually, I think, we need to dig in a little bit more on how you would treat that in terms of liability. Does that make sense?

MR. BILLY: Yes. We -- and we'll see what -- I think the answer is you have to -- the City has to build these projects that would prevent these things from going into the river or you have to have credits.

MR. ANDERSON: Right. And it's a -- it's a pretty substantial number of credits that we have provided, and it continues to escalate. And all that really means is that the river is cleaner, so it's a good thing. But it's harder to do when -- when you're doing it septic tank by septic tank. It's -- this project that JEA did allowed a major extraction of nitrogen, which we were able to benefit from.

But in any event, if it went away -- if that contract went away and we would have to replace those credits, that's a real cost to the City. And I just want to make sure that when we're considering this, that that's somehow either a contingent liability or somehow it's calculated so that it's -- for
example, it's not included in your analysis.

MR. CRESCIMBENI: Mr. Anderson, are you referring to 15B on page 4?

MR. ANDERSON: I am referring to 15B on page 4, yes, sir.

MR. CRESCIMBENI: So -- so I'm going to put that item back, an item for follow-up --

MR. ANDERSON: Yes, sir.

MR. CRESCIMBENI: -- by the Council Auditor's Office, then.

You have a value in here of $2,086,000, is that a per year -- where did you get that value from? That's what we pay if we didn't have the credits?

MR. BILLY: Through the Chair to Councilman Crescimbeni and the Committee, prior to the renegotiation with JEA, the City needed credits immediately, and JEA had credits available. And so the City had negotiated with JEA to purchase their credits at 2,087,000, whatever that number is.

When it came to renegotiation time, the City renegotiated with JEA for JEA to give us back any credits we had purchased at that time and then to give us those credits free for the
next, I think it's seven years. So we were
already in agreement to purchase those credits,
and that's the value that --

MR. CRESCIMBENI: But we were only
purchasing them for a fixed period of time.

MR. BILLY: That's correct.

MR. CRESCIMBENI: And I think it was
$2,086,000 a year for all 34 -- 30.34 metric
ton credits or was it -- that's the total
amount?

MR. BILLY: Yes, sir.

MR. ANDERSON: John.

MR. CRESCIMBENI: Now, if we had that much
of agreement with JEA, and they said, no, we're
just going to sell them -- we're going to sell
them to somebody else, is there an avenue that
we can go buy these on the open market like a
water -- like a storm water credit or
something?

MR. BILLY: Through the Chair -- or to the
Chair, the discussions I had with Public Works,
there are other counties, surrounding counties,
Clay and St. Johns, that have excess credits
available. I don't know if they'd be at the
same price, but they appear to be purchasable
elsewhere.

MR. CRESCIMBENI: Will you take a peek at that, what they may be selling those for?

MR. BILLY: Yes, sir.

MR. CRESCIMBENI: Mr. Anderson, did you --

MR. ANDERSON: No. I just thought that rather than calculating it based on this 2 million 86, I'd be -- you'll probably have access to sort of market valuations for the credits, and that's more of an accurate number, I would think.

MR. CRESCIMBENI: Ms. Morgan.

MS. MORGAN: Thank you so much. Through the Chair, looking at these 18 items that you have listed out, they are -- they are certainly to me the -- the really big items that JEA's responsible for and have really made a big impact in our city. So that doesn't even -- I think Mr. Becton may have said it, and Mr. Crescimbeni may have alluded to it as well, but that doesn't even include the human factor as in the volunteerism that goes on in the community that we see pretty much daily. And if I'm not mistaken, I think that JEA might do something with -- with schools as far as Earth
Day and things like that. So there's still
many other instances that we haven't even been
able to capture that human factor in what --
what you put together.

MR. BILLY: Through the Chair to Council
Member Morgan, we touched on that human factor
a little bit in number 12 on page 4, but,
right, I didn't get into specifics and we
didn't get into how many hours are we talking
about and how many -- how many people. So
you're absolutely right, there's -- that's the
type of thing, and like Councilman Crescimbeni
asked about, their involvement in the county
and how much is given to charity, that type of
thing, that -- you're right, it's not reflected
in here.

MS. MORGAN: True, because that might be
countless, countless hours that they've
actually given.

And what I'm also wondering is because of
that, we can't -- or is there a way to even
estimate the value of that to the City?

MR. BILLY: Through the Chair to Council
Member Morgan, JEA may keep records on that.
We would have to ask them. Yeah, I really
don't know if there's a way to -- we'd have to
know how many hours or how many employees, and
then --

MR. CRESCIMBENI: And we've asked for
that.

MS. MORGAN: I guess we have.

MR. CRESCIMBENI: That's what our ten-year
look-back, I think, on volunteerism and what
they can quantify about that and, you know, we
sent 30 employees for an out Jax project, for,
you know, 18 hours over a three-day period. I
mean, we may be -- I don't know whether they're
going to have those records or not. We've
asked. We'll see what they come up with, but
they -- but there's probably a way we can put
up and monetize that or put a value on it. I
think -- I think Volunteer Jax or whoever may
be able to help us with that, because you
frequently see the quantification in value of
volunteer hours posted by various
not-for-profit organizations. So we can
probably pick up some of those volumes and
whatever JEA gives us for that value.

MS. MORGAN: Thank you.

MR. CRESCIMBENI: Anything else,
Ms. Morgan?

MS. MORGAN: No.

MR. CRESCIMBENI: That's it?

Council President Brosche.

MS. BROSCHÉ: Thank you. Through the Chair, I think that number 18 on page 5 is probably the closest place that covers the economic impact of doing business with local companies, and in particular, the JSEB program. But I have a feeling that instead of using the Northeast Florida Regional Council, we could probably get more information that is specific to the true economic impact of utilizing local engineering firms and -- who are JSEB and non-JSEB and how much money goes back into the community because they choose to do business locally. So if we could add that to the list as well.

MR. BILLY: Yes. Through the Chair --

MR. CRESCIMBENI: You want to -- you want to see if we can glean what JEA has spent on JSEB or you want it broader than that?

MS. BROSCHÉ: I think I would like to be broader. I think I'd like JSEB identified --

MR. CRESCIMBENI: Okay.
MS. BROSCHE: -- but if we can, get to non
JSEB as well in terms of the contracting.

MR. CRESCIMBENI: So I guess we're asking
you to do a little bit -- a little bit more of
an independent dive into the economic impact
that JEA has on our community as compared to
what the Northeast Florida Regional Council
published in 2013. Is that something you can
do?

MR. BILLY: It's still on -- I had on the
list. Be happy to do it.

MR. CRESCIMBENI: We need all this by next
week. And if you do look -- if you are able to
drill down into JSEB, can you do a comparison
of that to City JSEB? I'm just curious. I
think our current office should be able to
provide you-all with the information related to
the City and you can just compare it to the
JEA.

MR. BILLY: Yes, sir.

MR. CRESCIMBENI: I don't know where I'm
going to put my money down.

Okay. Any other questions? Mr. Becton --
I'm sorry, let's take Mr. Love. I think he
hasn't spoken and I'll come back to you.
MR. LOVE: Thank you. Through the Chair, Mr. Billy, one more thing, could we compare JEA rates over the last ten years compared to the IOUs, independently-owned utilities, and just see how much they could have saved our rate payors over the last ten years compared to independently-operated utilities in the state of Florida? We'll just stay in Florida.

MR. CRESCIMBENI: You want just residential rate, the global -- global residential rate --

MR. LOVE: Yeah, residential would cover most of the people.

MR. CRESCIMBENI: Electric and water or just electric?

MR. LOVE: I was thinking electric may be easier, just to make it easier for y'all, because it probably is going to be similar for both.

MR. BILLY: Yes.

MR. CRESCIMBENI: Thank you, Mr. Love.

Mr. Becton.

MR. BECTON: Thank you. Through the Chair real quick, from the conversation that -- or points that you and Council Member Morgan were
making about the philanthropic work of JEA,
perhaps let's solicit from the JEA team members out there themselves to help, you know, shoot us information about the work they do, because as you point out, they might not have it at the corporate level, but certainly want to open up the lines of communication to say from this list, for -- we're just trying to understand the impact that JEA has, you know, in that philanthropic work, you know, start compiling a list of things that you guys and ladies can remember having done over the last year, two years type of thing, and send us e-mails of those activities and those works.

MR. CRESCIMBENI: Look right into that camera on the post, make their -- make your plea. I'm not sure we're going to --

UNIDENTIFIED MALE SPEAKER: The JEA has good records.

MR. BECTON: I think we'll get it.
Thanks.

UNIDENTIFIED MALE SPEAKER: JEA has good records.

MR. CRESCIMBENI: Ms. Morgan.

MS. MORGAN: Thank you so much. Just to
piggyback on what Council President Brosche had
asked for with the JSEB, on number 18, is it
possible to even drill down further on that one
to kind of list out the -- what JEA has done as
far as -- how do I want to say this?
African-American firms, can you divide it up
into -- to which firms they are, what kind of
firms they are, whether they're female-run
firms?

MR. BILLY: Through the Chair to Council
Member Morgan, I know JEA keeps -- they have
breakdowns down like that of the --

MS. MORGAN: Okay.

MR. BILLY: -- JSEB work, so I'm sure we
can do that.

MS. MORGAN: Awesome. Thank you.

MR. CRESCIMBENI: Thank you, Ms. Morgan.

Any other questions on -- up through the
top of page 5?

THE COMMITTEE: (No response.)

MR. CRESCIMBENI: Mr. Billy, proceed.

MR. BILLY: All right. So the top of page
5. So the things that were listed to this
point were additional things JEA was doing or
has done.
The Other Considerations section, which starts here at the top of page 5, are just other things that we thought that the City Council should consider.

And so number 1, as a municipally owned utility, JEA is eligible for FEMA money. And we note that since 2001, JEA has been reimbursed 81.9 percent, which is $13,829,366, of storm damage costs by FEMA and the State. Now, that number does not include Hurricanes Matthew and Irma. They haven't gotten any FEMA money for those yet because the City also, as I mentioned, the Finance Committee, that money is slow to come in, and so -- but this is a big difference.

And so what we point out is because -- because -- again, because they're municipally owned, they get FEMA reimbursement. The investor utilities are not eligible for FEMA reimbursement. And then we give some examples and how does that work.

So on a -- we looked -- as of January 2018, looked at the Florida Power & Light customers, they're paying two different storm recovery charges. So when there's a big storm,
there's extra -- if the damage is incurred, FEMA doesn't pay it, then it's charged to the customers on their bill. I see these on my insurance bill sometimes for past hurricanes. And so we point out that on a typical 1,000 kWh monthly bill, $3.36 was being collected for a period of 12 months for Hurricane Matthew. And in addition, there's $1.20 that's being collected to repay bonds that were issued for 2004, 2005 hurricane restoration efforts and to replenish the storm drainage reserve for future storms. That charge has been collected since 2007. And we note that FPL has -- just using them as an example, that they have one residential rate for their entire service area. So no matter where the storm hits within the service area, the charge goes to all customers. So if the storm hits down state and you're in a different part of the state, you're still going to see that charge on your monthly bill.

MR. CRESCIMBENI: And that storm recovery cost, is that -- I mean, that's a statutory permitted -- I mean, the Public Service Commission can just authorize that, it has nothing to do with typical rate review or
applicability to a return on their investment, correct?

MR. BILLY: Public Service Commission.

MR. CRESCIMBENI: Above and beyond anything else, the Public Service Commission would normally -- this is simply to pretty much pass through based on per customer over a period of time, right?

MR. BILLY: Yes, that's correct.

MR. CRESCIMBENI: Mr. Becton.

MR. BECTON: Thank you. Through the Chair, Mr. Billy, so in a request like Council Member Love made to you about comparing rates, would something like this go into that comparison or would they just consider it kind of an ancillary expense and say, you know, that's really not our base rate, but we had to charge this because of something, you know, act of God type of thing? So when you -- so when you hear companies go out there and make comparisons, we're 30 percent lower than the average blah, blah, blah, the -- you know, of the state type of thing, would you typically find that it includes all of the expenses?

MR. BILLY: Through the Chair to
Councilman Becton, that is an excellent question. I think if you're just comparing their rates, the rates to rates, I'm not sure that these fees -- extra fees are in there, so that's something we're going to have to look into.

MR. BECTON: Thank you.

MR. CRESCIMBENI: Thank you, Mr. Becton.

All right. Mr. Billy, go ahead.

MR. BILLY: All right. The second item on this page 5 is that the JEA contribution is a pledged revenue for the City's Capital Project bonds. The City has approximately $108 million of these bonds outstanding as of September 30, 2017. And since the JEA contribution applies to less revenue, you have to refund or diffuse those bonds. And, of course, we point out that obviously if you get enough money from the sale of JEA, you could -- you could do that. It's $108 million.

The third item is that the JEA contribution is a pledged revenue for all of the Jacksonville Port Authority's outstanding bonds. This is pursuant to Municipal Code Section 106.218, and the pledge amount is
calculated by multiplying a quarter mill times gross kilowatt hours of electricity sold by JEA for the prior 12 months.

Now, I want to make it clear, this isn't extra money. What happens, JEA pays its contribution to the City General Fund, and then the City trans- -- makes its transfer to the Port Authority. We see it in the budget every summer.

But again, it's a -- this is a pledged revenue, and so the bondholders, the bonds would have to be refunded, or the fees. The outstanding amount of the bonds is 182,269,000 as of September 30th, 2017. And the bondholders would have to consent to some other kind of pledged revenue in its place.

I want to point out that from 1996, '97, to fiscal year '16, '17, 63 and a half million of revenue from JEA was pledged to JPA for debt service. The pledge amount this year, the number in the budget this year is 3,062,125.

The fourth item, JEA has an interlocal agreement with Nassau and St. Johns Counties that allows either county the first of right refusal to purchase the JEA water and sewer
facilities in those respective counties in the event of a change of majority ownership of JEA. And so if the City was to sell the water and sewer utility, those -- Nassau and St. Johns Counties could say, no, we are going to exercise our right of first refusal, they could buy it instead of whoever the buyer was for the --

Now, we point out that there is a clause that's essentially -- I guess it's kind of like a flip there if you were to -- if they bought it and in the first five years decided I want to sell it, they would have to split the profits. It says -- when you read these interlocals as we've got them, it says they split 50/50 the profit between JEA and the county. And I don't know that JEA would exist, so I would assume that the City would get that 50 percent split if Nassau or St. Johns consulted in five years in buying with the --

Item 5, according to the American Public Power Association, the 2017/18 Directory and Statistical Report, public utilities gave back 5.6 percent of their electric operating revenues to their communities in 2014. In comparison,
investor-owned utilities only paid 4.2 percent of the operating revenues in taxes and fees to State and local governments. For that same time period, JEA paid 6.1 percent of operating revenues to the City. And in 2017, JEA paid 6.7 percent.

Item 6 at the top of page 6 --

MR. CRESCIMBENI: Mr. Billy.

Mr. Anderson.

MR. ANDERSON: Yes, sir. Just through the Chair real quick, on item 4, is -- so I assume there's a price that has already been put into that local agreement; is that right? If somebody exercises their right, how is that price determined?

MR. BILLY: Through the Chair, we have the interlocal agreements in the office, and we can --

MR. ANDERSON: Mr. Chairman --

MR. BILLY: -- it has that language. It tells you how to do it. And I'm not sure that they both do. Thinking back, I don't think they're both exactly the same, but one of them -- anyway, I won't -- I won't try and go there, but we can get you that.
MR. ANDERSON: Mr. -- I'm not on the Committee, but it would be interesting for me to know that number.

MR. BILLY: We'll get that.

MR. CRESCIMBENI: Those numbers that --

MR. ANDERSON: So --

MR. CRESCIMBENI: -- the Clay and Nassau would have to pay?

MR. ANDERSON: Right. Exactly.

MR. CRESCIMBENI: That's -- it's not infrequent. Winter Park did that about five years ago, their Franchise Agreement, I think it was Progress Energy at the time, and they exercised the option to purchase the utility. And trust me, when that -- if that's a private utility, they -- in fact, I have a copy of a -- I'll send it to you. It's a copy of a playbook that the Private Utility Committee has on how to beat back -- instead of a privatization, they call it a municipalization of a private utility. Pretty interesting reading. You know, they figured out how to, you know, strategically and politically and campaign against the community wanting to buy the private assets back. You could imagine all
the -- the arguments that they make of higher
rate and -- it's a pretty interesting read.
Would you like me to send that to you?

MR. ANDERSON: Yes, please.

MR. CRESCIMBENI: I got that from that
Jerry Warren at the underground meeting -- that
meeting I attended in Winter Park.

Sorry, Mr. Billy, over to page 6.

MR. BILLY: Page 6, number 6 on the page,
we point out that the City Council currently
has the capability to question and influence
JEA's annual proposed budgets. It goes to the
Board, the City Council each summer for
approval as well the planned capital project
expenditures for electric, water/sewer,
district energy systems. And the ability to
influence where or when improvements occur
would likely not exist under an Investor-Owned
Utility.

Number 7, JEA's contribution to the City
has a guaranteed floor or minimum. Returns on
the invested sale proceeds from JEA would be
dependent on market conditions.

Number 8, JEA does contribute to the cost
of providing City services. We give specific
examples, that they -- that the contribution, they might range $85,000 to Office of Inspector General, and 5,000 to the Office of Ethics, Compliance & Oversight. JEA also utilizes the services of Fleet Management and they participate in the City's workers' compensation program and general and auto liability insurance pooling with the Risk Management Division.

And I would -- we're not clear how those areas would be affected if JEA's removed, I can't tell you exactly, you know, how much. That would be something that would have to be looked into.

Number 9.

MR. CRESCIMBENI: Hang on.

Ms. Morgan.

MS. MORGAN: Thank you so much. Through the Chair, Mr. Billy, so we don't know how much that would be affected. So you're saying that the numbers that you gave us at the beginning, they're not even -- that's not even kind of factored in or is it factored in?

MR. BILLY: No. Through the Chair --

MS. MORGAN: No?
MR. BILLY: -- and to the board, this is not factored in.

MS. MORGAN: Okay. Thank you.

MR. BILLY: Number 9, if JEA's utilities are split, and the example we use is if the electric was sold, but water/sewer is retained, the utilities would not be sufficient operating separately as they are together. The electric, water/sewer, district energy utilities are deeply intertwined. They have employees that are cross-trained and employees from one utility to perform functions in the other utility. And in fiscal year '17/18, for example, the electric utilities budgeted to perform $48 million of water/sewer work.

Now, this work is charged to the correct utility, so they have expense credits that are in their budget. And so if they aren't charged to the correct utility -- but our point is that the efficiencies you'd get from this combined utility would be lost if they were separated, and the work would likely cost more.

Number 10, JEA maintains its company headquarters building downtown and is preparing just a few months ago to build a new
headquarters building in the heart of downtown. JEA has approximately 2,000 employees. Most of these jobs are well paid with benefits. And we state that if JEA were a company thinking of moving its headquarters with 2,000 employees to Jacksonville, we believe the Office of Economic Development would likely come to City Council and ask for millions of dollars of incentives to work with them.

Number 11, the City of Jacksonville receives JEA contribution on utilities sales outside of Jacksonville. So we have water and sewer in Nassau County and St. Johns County. And we point out that the City contribution is based on the water's -- water and sewer sales, and so every time these customers pay their monthly bill, they're giving a little contribution to the City of Jacksonville General Fund.

Number 12, Private Utilities would likely not pay as much in ad valorem taxes as one might think. So if you can do the math up front, and we said what the math would show is if JEA's property changed hands, the assessed values, but it is common practice in private
sector business, and I know Mr. Crescimbeni has
been on the Value Adjustment Board many, many
years, it's common practice for them to
challenge their assessments. And so we checked
on some utilities the City -- we checked on the
Florida Power & Light, and they challenged
their assessments, and we found that in 2013,
2014, and 2015, they did file a petition in
Miami-Dade County, but they later withdrew
those petitions. But in another county, in
Palm Beach County, Florida Power & Light filed
petitions challenging their assessments in

Now, in 2014 and '16, FPL withdrew those
petitions with no change in assessment. In
2015, they withdrew their petition, but they
did receive a reduction in its assessment from
1,710,880 to $342,176. And in 2017, FPL did
not appear at the hearing when the petition was
denied.

We found another example where in 2012,
there was a tax dispute between Duke Energy and
Citrus County. And after 15 months Citrus
County agreed to a settlement. Citrus
officials said they agreed to settle because of
rising legal bills in their battle with Duke.

Number 13 is about what would be --

MR. CRESCIMBENI: Council President Brosche.

MS. BROSCHE: Thank you, Mr. Chairman. Through the Chair to Mr. Billy, so in Palm Beach County, they filed a petitions in '14, '15, '16, and '17. They were successful in '15, and came back in '16 and '17, right?

MR. BILLY: Through the Chair, they did -- they filed a petitions all of those years.

MS. BROSCHE: Okay. Thank you.

MR. CRESCIMBENI: Mr. Becton.

MR. BECTON: Through the Chair, to continue what -- where I was hoping she was going to go, did the assessment the following year stay at 342- or did it go back to 1.7? Because if it stayed at 342-, I can understand why they wouldn't be so upset.

MR. BILLY: Through the Chair, I don't know the answer to that question. We can check on that.

MR. BECTON: Okay. Thank you.

MR. CRESCIMBENI: My experience with several different property appraisers while...
serving on the Value Assessment Board is that
if -- if the board determines that the
valuation was too high and sets it lower
through the special magistrate process, the
subsequent year the property appraiser --
whatever they think it's supposed to be. Yeah.

Mr. Billy.

MR. BILLY: All right. Still on page 6,
number 13, while it might be a stretch to say
that local control is priceless, we want to
point out that we think it does have
considerable value. Possible bidders for JEA
might include Florida Power & Light, which is
based in Juno Beach, Florida, Duke Florida,
which is owned by Duke Energy, which is based
in Charlotte, North Carolina, or TECO, which is
owned by Emera, which is based in Halifax, Nova
Scotia, Canada. And we asked the question,
would these companies based in other cities,
states, and in another country make
Jacksonville a priority on a day-to-day basis
or after a natural disaster? Would they work
closely with the City on infrastructure
projects? And we do point out that the CEO
would not be just across the street.
On page 7, number 14, the City must assume that if JEA is sold, the City will not be able to get JEA back later if it has seller's remorse. Jacksonville Port Authority once owned all of Blount Island, but they sold the eastern 900 acres to Offshore Power Systems in the early '70s for use in a large economic development project. We point out how things might be different if they had not sold that half of Blount Island. They may never have developed the Dames Point Terminal. They might have a cruise ship terminal east of the Dames Point Bridge instead of what's -- having to worry about the big ships getting under that bridge. The length of their dredging project now is going -- the length of it takes it to the Dames Point Terminal, but it would be shorter and less expensive if they only had to accommodate Blount Island.

Item 15, even the sale proceeds pay for JEA's share of the UAAL. We point out that an actuary will have to determine the effect on General Employees Pension Plan if the JEA employees were removed from the pension plan. The models that were used in pension reform did
not contemplate the sale of JEA. The employees
up through September 30th of 2017 would have
included in those models that was contemplated
if you have an employer -- a contribution with
employer share and employee share for decades
into the future. And so we point out that the
impact to this -- to the pension plan might be
favorable or unfavorable, but we would need an
actuary to determine the impact, and we have a
recommendation on that we'll get to.

   Item 16, JEA and the City spend
considerable sums of money -- could spend
considerable sums of money working on a deal
that might never close.

   We give you two recent examples. And when
we researched this, we found more than two
examples, but we gave you two. And so we've
got in 2016, NextEra Energy, which is the
parent of Florida Power & Light, canceled its
$2.63 billion bid to purchase Hawaiian Electric
Industries after the deal was rejected by
Hawaiian State regulators.

   And in 2017, utility regulators in Texas
rejected an $18.7 billion bid by NextEra Energy
to buy Oncore Electric Delivery Company, the
state's largest regulated utility.

To reiterate, it is entirely possible that bids could be obtained, a term sheet could be agreed on, millions of dollars could be spent on attorneys, consultants, financial advisors, and investment bankers, but for regulatory or other reasons, the deal does not close. In its February 14, 2018, report, PFM stated, and I quote, A sale of all or a portion of JEA's assets will represent one of the largest, most complex transactions ever attempted in the municipal utility market, end quote. So we ask where will the funds come from to pay all these costs? And if the deal does not close, those millions of dollars that were spent may not be recoverable. We do have a recommendation on that that we'll get to.

Number 17, the sale could take years to close. We looked for examples and we found an example of the sale of Vero Beach's electric utility to Florida Power & Light. It was first approved by voters in 2011. In October of 2017, six years later, the Vero Beach City Council approved the sale, but the sale is still not final as of -- as of today. It still
must be approved by other groups, including the Florida Public Service Commission. On that sale, if you look at the agreement, if the sale does not go through, the City of Vero Beach will be responsible for the majority of the costs associated with the sale.

And I want to point out, down on the bottom of page 7, for example, you can see all our footnotes. When you look at this on the computer, you can click on those links and it will take you to these articles if you want to do further reading.

Page 8, number 18, eight City Council members will be leaving the City Council due to term limits. It is possible that the current Council could vote to move forward with the sale, but the next Council may not approve the deal.

Number 19, it's possible that a private equity firm could purchase and operate JEA. Private equity firms buy companies with cash and/or borrowed funds, so cash investors or with debt. If the borrowed money greatly exceeds the cash, it is called a leveraged buyout. And if we have a leveraged buyout, the
purchase company ends up with that debt on its books.

And we found an example, in one of the largest leveraged buyouts in history, a utility company, TXU Corp., was purchased by a group of five equity firms, which left TXU with more than $40 billion in debt. In 2014, Energy Future Holdings, which is what TXU is now known as, filed for Chapter 11 bankruptcy protection because it could not make the scheduled debt payments.

Number 20, lastly, we point out that if the City sells JEA, it would not have JEA to manage, own, receive any future capital projects involving the undergrounding of electric lines or the extension of water and sewer lines.

MR. CRESCIMBENI: All right. Mr. Billy, hang on, I have questions for you. Let the record reflect that Councilwoman Boyer has joined us.

MS. MORGAN: Thank you so much. Through the Chair to Mr. Billy, on number 17, we were talking about the City of Vero Beach will be responsible for the majority of the costs
associated with the sale. So if -- if JEA is
to wager into an agreement to sell JEA, could
we also put the cost of the deal into that
agreement where the City would not be held
financially liable for it afterward?

MR. BILLY: Through the Chair to Council
Member Morgan, we believe that would be an
option, and that's one of our recommendations
that we will get to later in the report.

MS. MORGAN: Thank you.

MR. CRESCIMBENI: Mr. Becton.

MR. BECTON: Thank you. Through the
Chair, you know, if we weigh the pros and cons
here and look at this, going back to number 7
where you say JEA's contribution to the City
has a guaranteed floor or minimum, wouldn't
you -- wouldn't you kind of classify that as
basically the City's receiving a dividend from
JEA, right, Mr. Billy? Wouldn't that be a good
analogy?

MR. BILLY: Yes.

MR. BECTON: Okay. I've heard colleagues
talk about JEA would not guarantee that for ten
years, and I buy that, I wouldn't guarantee
that for ten years either, but if we compare
that to other corporations on the New York
Stock Exchange and so forth, how far out do
most companies, would you say, declare their
dividends to their shareholders and guarantee
those dividends?

MR. BILLY: Through the Chair to
Councilman Becton, I'm not sure I know the
answer to that. It's probably a year at the
time, although, there's always a list of
documents I look at of companies who have made
dividends forever, you know, they've never
missed a dividend payment, that type of --

MR. BECTON: Yeah, but they -- but from my
experience, dividends are really declared at a
shareholder meeting sometimes on a quarterly
basis where they absolutely say, you know, we
declare our dividends of, you know, $1 per
share and it's going to be executed, so it's
almost -- I guess the point I'm trying to make
is nobody on the New York Stock Exchange is
going to guarantee a dividend for ten years,
much less. It's most likely just quarter by
quarter as the sharehold- -- as the Board of
Directors meets and declares dividends,
correct?
MR. BILLY: Yes, I see what you're saying, and I agree with that and point out that JEA's formula historically has been five years. There was one time in there I think it was seven years, but all of the other times, in the late '70s, it's been five years at a time. But they have a formula where there's an amount they're going to pay us.

MR. BECTON: Right. Right. So when it just comes to the sheer fact that we can't guarantee this -- this payment for ten years, I think -- you know, the point, you know, for any company is longevity and, you know, certainly staying in business and those types of things, but when you comes to just sheer guaranteeing of a dividend to the shareholders, I think that -- that really doesn't equate to how you would judge, you know, whether a company's going to stay in business or not or what they think of themselves. I think that's just the way business and normal course of business is done, would you agree?

MR. BILLY: Yes.

MR. BECTON: All right. Thank you.

MR. CRESCIMBENI: Thank you, Mr. Becton.
All right. Mr. Billy.

MR. BILLY: All right. We're on page 8.

MR. CRESCIMBENI: Just hang on one second.

I've got three speaker cards here. I don't know if anybody else hasn't filled out a speaker card and haven't turned it. You have to turn it in. Please walk it up, put it on the counter so we can estimate the time that we're going to need to hear from the audience.

Sorry, go ahead.

MR. BILLY: Page 8, we listed out benefits to the City of selling JEA and then benefits to the City keeping JEA.

Benefits of the City selling JEA, number 1, the City could potentially receive a large sum of money without increasing debt or raising taxes. These funds could be used to pay down or pay off City debt, pay for the pension front-end liability, construct infrastructure, or provide funding for large projects -- for large projects, convention center, downtown development, or an entertainment zone.

Number 2, benefit of selling of JEA is that ad valorem taxes and stormwater fees would be collected on former JEA property.
And number 3, the Duval County School Board will receive additional ad valorem taxes from the sale of JEA.

And we have an attachment, and I'm going to go to attachment 1. If everybody would flip to attachment 1. And the reason, you know, we show this is that it's not as much as people would think. I've seen some numbers in the newspaper.

If you look at attachment 1, the way we laid out is up top, you've got the Duval County Gross Taxable Value, which is used to calculate the Duval County School Board taxes, say, for '17/18, and that's $64 billion. So that's -- that's the value the county has used with multiplying amount of the millage. And then there's -- the value of the JEA property is the next line, and we've got that in January 1st, '17, and it's 5 and a half billion dollars. And so you add that together, you get 69 million 902.

Now, coming down to our chart, there's three funding sources -- or four funding sources for the school board. You've got the required local effort taxes, you've got the
discretionary local effort, and that's --
you've got State funding, and down at the
bottom, you've got the capital -- local capital
improvement, and we put in their millage rates.

And we've got a column for JEA, here's
Scenario 1, JEA being City owned. And Scenario
2 is the next column, JEA being investor owned,
and then we showed the differences out to the
side.

So when -- when the JEA is City owned,
local funding, when you take the assessment
times the millage, they get a total of local
funding of $307,810,753, and then State
funding, 637,616,380. And then for local
capital improvement funding, they get
92,621,089. And I'll point out the total of
the local and State funding is 945,427,133.

Now, come down the column for JEA investor
owned, they will get 284,328,908 for the
required local effort, 50,195,603 for the
discretionary local efforts. When you add that
up, you get local funding of 334,525,511. So
you look at JEA City owned versus that, you
see, well, that's a big increase from 307
million to 334. It's a $26,000,00 increase,
26,714,758, where the JEA is investor owned.

However, go to the next row, State funding, that would go from 637,616,380 to 610,901,622, the difference of 26,714,758. The way that the formula works is the City part increases then -- or the local effort part increases, then the State reduces their funding, and so they do not need any extra operating funding from the JEA based on the formula the way it now works.

Now, what they would need extra is capital funding, and that's at the bottom row, local capital improvement would -- we calculated it would go from $92,621,089 to 100,659,632. So we believe they will receive an extra $8,038,543 of capital -- money that's used for capital purposes, but no extra operating funds. We say we can further our methodology with Florida Department of Education on this.

MR. CRESCIMBENI: Mr. Anderson.

MR. ANDERSON: Well, I hope I'm not the only one that's confused. So on page 2, you indicated -- I think you used a number of what, $60 million for ad valorem taxes? And this seems to point to a smaller number.
MR. CRESCIMBENI: 60 million was for the City. On page 2, that was what would come to the City.

MR. ANDERSON: Okay.

MR. CRESCIMBENI: Now -- yeah, attachment 1 just deals with what would go to the School Board.

MR. ANDERSON: I'm sorry. Oh, this is just the School Board?

MR. CRESCIMBENI: Yeah, that's one --

MR. ANDERSON: Okay.

MR. CRESCIMBENI: I think they would essentially get no operating revenues, it would be offset by client, State. They would pick up some capital improvements dollars.

MR. ANDERSON: It says the School Board.

MR. CRESCIMBENI: All right. Mr. Billy, back to page 8?

MR. BILLY: Yes, back to page 8. Benefits to the City of keeping JEA, Number 1, an annual, predictable monetary contribution to the City General Fund.

Number 2, local control of electric and water/sewer utilities.

Number 3, a corporate headquarters located
in downtown Jacksonville.

Number 4, thousands of high paying jobs
with benefits.

Number 5, rates are set by the JEA Board,
whereas rates for industrial utilities are set
by the Public Service Commission in
Tallahassee.

And number 6, after a hurricane or a water
storm where there is a lot of electrical
outages, JEA makes it a priority to restore
electrical service to JEA's sewer
infrastructure, thus reducing all the potential
problems that could have happened from the
storm, sewer backup.

And now we have our recommendations.

MR. CRESCIMBENI: Hang on.

Mr. Becton.

MR. BECTON: Through the Chair, in looking
at the benefits and going back to that whole
point that you made about economic development,
our economic development guys, when they do
bring us a package to do incentives and so
forth, they talk about, you know, the
administration has this formula return on
investment of what that means to our community.
Might -- it might be interesting to see what that number. As you put it, JEA was a new company coming into Jacksonville, 200 jobs, and what that return on investment number would look like.

MR. BILLY: Through the Chair to Council Member Becton, we ran one internally in our office based on other recent large deals, and that's where I got the -- I was able to say that millions of dollars that we expected to see, City Council would be asked to approve millions of dollars, but I can get you that calculation or we can ask -- to get a copy.

MR. BECTON: Print it up for us. Thank you.

MR. BILLY: On page 9, the recommendations. And two groups, the first recommendation, if the City decides to sell JEA, number 1, proceeds from the sale of JEA should never be used for operating expenses. This is what I mentioned earlier, you don't want to use one-time money for operating expenses or recurring expenses, because when the money is gone, we won't have a way to pay it. We say that the proceeds should be set
ahead aside to generate a future income stream and/or used for one-time expenditures, such as paying down debt or for any capital expenditures. And I do have -- I do have a note, a cautionary note, the City needs to be cognizant of the increased operating costs that would be associated with any capital expenditures. So obviously depending on your high capital expenditures, it's then creating operating costs, then you've got to think about that, are you budgeting somewhere, are you going to be able to recover those.

Recommendation number 2, as part of the City's due diligence, it should engage in its actuary to determine the effect on the general employees pension plan if JEA is sold.

And number 3, we recommend including a requirement in the purchase agreement that if the deal does not go through for any reason other than the City backing out, that the buyer must reimburse the City and JEA for all expenses incurred in the attempted sale.

MR. CRESCIMBENI: Mr. Billy, what happened to recommendation number 4? I thought you included if they sold, we'd get 50 percent of
the profits, like that other thing you were referencing. No? Okay.

MR. BILLY: All right. We also have recommendations if the City decides to keep JEA. A task force should be created to determine what, if any, changes could be made to JEA that would help JEA to increase its financial contribution to the City and/or help the City accomplish other goals, such as extending water and sewer infrastructure. And we note that from 2010 through 2017, JEA paid down $400 million in debt on top of its normal debt service. And while paying down that additional debt in that period of time shows fiscal discipline, it also begs the question as to whether those funds could have been used in other ways to benefit the City. The task force could explore ideas such as those listed below and many others not contemplated here.

Number 1, could JEA become a natural gas utility, which would create additional revenue stream and therefore an additional City contribution? For example, Tallahassee operates electric, water, and sewer, and natural gas utilities.
Number 2, could JEA sell or lease rooftop solar to its customers? I understand people are doing rooftop solar. Maybe JEA would want to participate in that. It fears that JEA will lose its customers. A lot of people might rather be with JEA than another company.

The next one, could or should JEA take over the City stormwater utility? One of the ways we asked if JEA generated additional revenue, we were at a meeting earlier this week, which they mentioned dark fiber, having extra, I guess, fiberoptic lines that they could rent or lease out space. So that's one way, but what other ways are there? There could be many.

Should the City contribution -- could JEA make a larger financial contribution to the City General Fund?

And should the City contribution include sales of reclaimed water? Technically reclaimed water had been increasing and they're not currently included in their contribution, so that's something to look at.

And lastly, we asked, what amount of electric line undergrounding or extension of
water and sewer lines should be pursued and included in JEA's capital improvement budget each year?

Now, to wrap up, I'll go to where the report started and say this -- we're not experts. We doing the valuation. We put together a report, like the title says, Things To Consider. We've talked to a lot of people, considered, and we wanted to make sure that all these were out there so that they could be given thought and investigated further, if necessary, so the Council could make a well-informed decision.

And I'm happy to listen to the Council Members at any time or answer any questions.

MR. CRESCIMBENI: All right. Thank you, Mr. Billy. I have nobody on the queue.

Any questions from the Committee on the report from Mr. Billy?

THE COMMITTEE: (No response.)

MR. CRESCIMBENI: The court reporter -- are you able to continue or do you want a short break?

THE COURT REPORTER: Five minutes.

MR. CRESCIMBENI: Five minutes? All
right. Let's -- I apologize. I meant to give you a -- to offer you that opportunity earlier.
So we will take a five-minute break so that you can go stretch your legs and try to get the feeling back in your fingers. Come back, and I've got Ms. Morgan on the queue. So just a quick five-minute intermission for the court reporter.

(Recess from 5:32 p.m. to 5:37 p.m.)

MR. CRESCIMBENI: We're going to start back up if everyone -- all right. Ms. Morgan, you have a question for Mr. Billy on his report date.

MS. MORGAN: Not for Mr. Billy, no.

MR. CRESCIMBENI: Not this --

MS. MORGAN: It's okay, the other one.

Yes. Through the Chair, thank you so much.

I just kind of wanted to reiterate what we had talked about earlier, and that was, through the Chair to Mr. Billy, we had talked about the other options on selling just the electric and maybe not the water and sewer, and Mr. Anderson has said that JEA provided that to us.

However, I would still like it from you because you had different numbers because you included
different things. So I think my ask is still pretty much the same thing.

MR. BILLY: Yes. Thank you. We'll be happy to get that for you. It may take -- it may take a little time for me to get it.

MS. MORGAN: That is --

MR. BILLY: I'll send it to you.

MS. MORGAN: Okay. Thank you so much.

MR. CRESCIMBENI: Thank you, Ms. Morgan.

Ms. Brosche, I had you on the agenda today. Did you want to give an update or you want us to just pass over that until the next meeting? It's up to you.

MS. BROSCH: I can if we have time, but we --

MR. CRESCIMBENI: All right. Let's come back to that.

Item 5 was an update on the subpoena that this committee issued, and we were also going to hear from Mr. Phillips in regard -- did Mr. Phillips leave?

MS. SIDMAN: I'm sure he's here.

MR. CRESCIMBENI: All right. We were going to hear from Ms. Sidman and Mr. Phillips on just some protocol, I guess you would call
it, with regard to dealing with someone that may appear here at our next meeting at the request -- or pursuant to our subpoena.

So, Ms. Sidman, can you just -- we're a little bit constrained for time, so if you could just briefly give an update on the subpoena and just walk us through. I even made an outline that you want to go through, and we'll --

MS. SIDMAN: So to be quick, we wanted to let you know that the subpoena was issued and signed by the Council secretary on September -- excuse me, on March 20th, and it was served on March 21st, that's seven days in advance of the March 29th meeting. So the subpoena was served on the managing director and CEO of JEA, Paul McElroy, to appear and provide testimony on the subject matter or the matters concerning the potential sale of JEA and to bring specific documents.

The subpoena has been included in your package today, but, generally speaking, there are three specific items of documents to be included, the philanthropic volunteer hours over the last five-year period '13 to '17. And
we made reference to the PFM report and
attached two pages of that that referenced the
key value drivers of the PFM report. So that
gives the broader area of which the committee
was looking for documents.

Second was documents concerning the JEA
strategic plan to offset the decline trend.
There was a PowerPoint that was presented to
you last meeting, I'm not sure if that's
responsive, but we included, but not limited
to, that PowerPoint.

The third one is the JEA report on
hurricane damages for Hurricanes Matthew and
Irma and the FEMA reimbursements.

So that's the update on the subpoena.

I wanted to -- we have to do this quickly
because I notice the time. I wanted to let you
know that with me today is Jon Phillips. He's
the deputy of litigation. He has almost 40
years of experience being a lawyer, 15 with our
office, another 15 with the State Attorney's
Office, and so he is going to be a resource for
this committee, the lawyer -- the litigation
lawyer for the committee. He will help the
committee in this litigation-type environment
that we're in. In other words, if there's questions and the questions need to be rephrased because there's an objection by the lawyer for the witness, Jon will help the committee do that.

And so at this point I'd like to turn it over to him, and if he will just outline what we can expect at the next meeting.

MR. CRESCIMBENI: And, Ms. Sidman, the lawyers for any witnesses that come before us, if they're a City entity, they're not going to be represented by the General Counsel's Office; is that correct?

MR. PHILLIPS: Through the Chair -- to the Chair, I think that's right.

MR. CRESCIMBENI: So they have to hire what, private counsel?

MR. PHILLIPS: Assuming that the General Counsel certifies the necessity for that, which I think it is going to, yes.

MR. CRESCIMBENI: And that was being paid for by whomever the client -- or whomever the subpoenaed individual works for?

MR. PHILLIPS: Since they're being subpoenaed by this body, I would think that the
answer to that is likely, and the General
Counsel can correct me if I'm wrong, but I
think they would have to be fully appropriated
to pay for their lawyers.

MR. CRESCIMBENI: All right. Please
proceed.

MR. PHILLIPS: It's a little bit difficult
to say exactly what's going to happen because
one can't anticipate necessarily what somebody
else's lawyer is going to do in a given
situation, so lots of things could happen. But
what I would expect to happen is that the
witness would be called up pursuant to his
appearance under the subpoena, his lawyer would
accompany him, and you would need to provide,
you know, some sort of accommodation for the
fact there will be two people nearby -- sorry, I wasn't speaking into the mic correctly.

The -- 99.9 percent of the time in a
situation like this, the court reporter would
swear the witness in, and that would apply to
anybody who is subpoenaed, although it doesn't
have to be the court reporter. Because of a
fairly peculiar provision in our ordinance code
in Section 134.102, it specifically provides
that if the witness appears under subpoena,
that the presiding officer would administer the
oath, or in the absence of the presiding
officer, somebody on the committee. So when
the CEO shows to testify, the Chair would swear
them in and then he can be questioned by
anybody on the board or any of the other
Council Members and he would be required to
answer the questions under law.

Now, that -- that doesn't mean that he
won't refuse to testify, because I don't -- I
don't know whether he's going to or not. I
would think not. I would think he's going to
be fully cooperative. If he's not, I guess
we'd have to deal with it then, but I don't
have any reason to believe that he's not going
to be totally cooperative, and I would expect
that he would just answer your questions just
as he would if he were not here under subpoena.

Now, because of the nature -- because the
subpoena is in effect, it does trigger the
possibility of in the, I would guess, unlikely
event of not being honest, there is the
possibility of a perjury charge down the road,
but -- and that would militate in favor of more
targeted questions.

For instance, if you ask a witness a question that asks for -- just tell me a narrative, tell me everything you know about something, and then the witness leaves something out, you are never going to successfully prosecute somebody for perjury based on that, so the lawyer might point out, well, that's -- calls for a narrative. You know, can you be more specific. And in that event, it probably would be better to be more specific, although it isn't required.

So in general -- and I'm trying to wrap it up here, he's going to be here, I imagine, unless he files something, and you'll ask him questions, he'll respond. If he -- and I'll be here to assist if there's an issue. And I have no reason to expect there's going to be, but I certainly can't rule that out.

And I'll be happy to respond to any questions that you may have.

MR. CRESCIMBENI: Thank you, Mr. Phillips.

Mr. Anderson.

MR. ANDERSON: Yes, Mr. Chairman, I'm trying to understand, are there limits to the
questions? So we've subpoenaed -- or this subpoena's been issued and it's -- it specifically gives three sort of items to be discussed. Does this limit the questions? And then my follow-up is, who is the judge of that, who sort of presides over the questions? Thank you.

MR. PHILLIPS: To Council Member Anderson through the Chair, well, there isn't any judge. What -- typically in this kind of situation, what you have is legal advisors to help you decide, so you are kind of the judges and kind of the questioners.

It's -- you would have to -- you could consult me, I could give my opinion about whether the question's proper or not, then you would have to decide whether you want to make an issue of his refusal to answer if he persists in refusing it, or I might agree that yeah, the question is a little hard to understand, maybe you should rephrase it, something like that.

You're not restricted to the three items. The -- these are just documents that he's supposed to bring if he can get them together
by then, and I assume he could. You're actually -- the scope is limited to what the statement is, so you could pretty much ask him anything that's relevant for your inquiry to determine whether the sale of the JEA is a good idea or a bad idea. So you have a pretty broad scope here. You can't ask him about personal business or things like that, but you can certainly ask him anything that's related to the potential sale of JEA. That's a fair question about that subject. He should answer it, which is also true if he wasn't under subpoena.

MR. CRESCIMBENI: Does that answer your questions, Mr. Anderson?

MR. ANDERSON: Yes.

MR. CRESCIMBENI: And the subpoena will be issued, I am going to make it applicable to the 29th and carry over to the 5th, if necessary. Because it's a seven-day notice requirement, if any questions come up on the 29th that are unprepared or unable to answer, we can -- he's obligated to come back on the 5th for the following -- or if we can't get through our agenda in time.
All right. Thank you, Mr. Phillips. I'm sorry you sat here for the whole meeting. We had to kind of constrain your presentation because we're up against a hard stop. I appreciate it and I hope you -- Council Auditor's Office.

I have no one else in my queue.

Ms. Brosche, do you want to give a brief update on the --

MS. BROSCH: Thank you to the Chairman. To -- through the Chair to my colleagues, Councilman Crescimbeni and I had a noticed meeting with Dr. Sherry Magill of the duPont Fund on Monday, and Council Member Boyer joined us for a short period of time, and we were really specifically reviewing the qualifications and scope of services that this group reviewed and approved at our last meeting. We were then -- she was fine with that scope and qualifications.

We were then discussing how do we make this happen and how do we onboard someone that could accommodate all of those services or some portion thereof and the qualifications. She walked away from the meeting going to do some
research with a number of institutions because we discussed whether it was directly contracted with us and went through the procurement process, went through the legislative process. And then we were also talking about whether or not it was -- there was an opportunity for the duPont Fund to contract with someone and then have them on loan to us. So we were discussing a number of opportunities. She walked away from that meeting understanding that we were trying to do the best we could with all the options that existed to help us get the resources that we need as quickly as possible. She's in the process of having those conversations and is strongly considering contracting directly with the organization but making sure that any output, its commission research, that any of that, the resulting product would be delivered both to the duPont Fund and to the City Council, in particular this committee.

So that's my update, and she'll get back in touch with us definitely by next week.

MR. CRESCIMBENI: All right. Would you mind if I add you for another update by the
next week's meeting to provide --

MS. BROSCHÉ: Please do.

MR. CRESCIMBENI: Thank you.

All right. Are there -- I have three
speaker cards, so I'm going to read out these
names, so if you'd make your way forward.
Raymond Olan, please come up. Mr. Johnson,
please move towards the podium as well. And
Chris Howard, if you'll come up.

Go ahead. Mr. Olan.

MR. OLAN: My name is Raymond Olan, Jr.
My address is on file. I'm the vice president
for the IBEW 2358. Ms. Guiterrez, the
president, apologizes she's not able to be
present today. She had some family matters.

First of all, I would express my thank you
to all of you guys who showed up yesterday for
the JEA special meeting. It really shows
character that you are really looking for the
truth of this matter.

Second, Ms. Billy, great job. I really
appreciate the fact that you are trying to look
for all the facts and not just the surface. I
really appreciate that.

Talk -- to that note, I have to say that
I'm really disappointed, but it took up someone yesterday calling a special meeting without giving us the opportunity to be present and to hear what they have to say. We were at the special meeting ourself.

And that -- in that point of view, I had a little misunderstanding last -- last time that we were here because I thought we going to subpoena everybody at the end of the day, and it didn't come out that way. I was very disappointed. I think Mr. Morgan -- Mrs. Morgan said it the best way, if we going to be playing this field, we got to play equally. We got to subpoena everybody. I appreciate it if you guys try to think about that and to not get bullied or scared by political [unintelligible], you know.

Hey, there's a lot put out here today and I saw a lot of positive things about JEA. I tell you myself, I volunteer 200 hours a year on the field. I deal with kids, homeless, whatever we got to do, clean the St. Johns or whatever, but there's more to it.

There's a few points that I disagree with, like the pension. I said, if you take money
away from us and give it to somebody else, it will cost you at the end of my what? I don't see all the revenues going to come from the State because the company that is going to come here to make money, it's not going to take that land. It's going to let guys on that land or sell it forward and don't pay, you know, tax on it. That's just my point of view, but if I'm a businessman, that's what I would do. If I don't have to use it and I'm not going to use it, I'm not going to pay for it, so you can kiss those $60 million good-bye.

And there's more to it. It's the time that everybody puts in. JEA use 66 minority groups last year on this city to help them out, to bring them forward. You're going to lose all that. The company comes back here don't even have the same heart and reliability that they need to put into the city.

Time factors, when a storm comes, you might forget it, you're not priority number one, but the [unintelligible], that's where they're going to be at.

And about CEO not being around, you're correct, sir, he don't give a damn. He's going
to be somewhere else.

Thank you very much. Have a great day, guys. Be blessed.

MR. CRESCIMBENI: Thank you, Mr. Olan.

Mr. Johnson.

MR. JOHNSON: My name's Andy Johnson, 1341 Bricksee [phonetic] Court, Jacksonville.

I assert what I say is the truth, the whole truth, and nothing but the truth. I don't understand why anybody would be here and be unwilling to make such an oath. I appreciate this consult this last meeting trying to get at this. And I didn't get a chance to stay to the very end of the meeting, but I assume at the end of the meeting, there must have been some cheers or laughter or some appreciation of great irony that we had somebody speak before you saying, I've never told you a lie. I've never lied. I've never lied, but I refuse to take an oath. There must have been somebody who laughed at them and thought that was a huge irony.

I would like to call attention to that. I think it's very important that this council insist upon everybody connected with this sale,
from the administration and from outside the administration, everybody associated with any aspect of it needs to take an oath. And while under oath, they need to be asked, can you please disclose every detail about how you or your family member might benefit from this sale. I think that's the whole thing driving it. 80 percent of the people in Jacksonville are now -- vote against this if you put it to a vote today. If we have a referendum later on, after the insiders get a chance to raise a million dollars to promote this thing, the referendum might go the other way, but if you voted with a snap election next week, [unintelligible] the voters.

I mention that I am in declining health right now and I want to call attention to that because that's -- helps illustrate my passion for this issue. I wouldn't come down here if I didn't feel pretty strongly about it, especially since this City Hall is now less accessible by far than it was a few years ago. We used to have disabled parking right outside -- right out front -- the front door, but all the disabled parking spots have been
gobbled up by hotshots and bigshots and grand
poobahs and people connected to the mayor.
There is no disabled parking anywhere near
here. You have to push yourself uphill
backwards in your wheelchair to get here from
the parking garage or else go through
intersections that are dangerous. I didn't
understand how it was to be an advocate for the
disabled, but didn't understand how hard we
made it on them until I became one. I hope I'm
not going to remain one, but it may be I never
get out of the wheelchair.

We talked about selling the JEA. If we're
going to sell the JEA and we're going to do
business like that, why don't we put every
asset on the block and measure everything,
compare everything. Is it more sensible to
sell the JEA? Maybe we ought to just sell off
the property tax revenue from some section of
town. Maybe we ought to just sell off the
Matthew's Bridge. Maybe we ought to just sell
off the Hart Bridge. Why is JEA more
marketable than something else. We want to
compare selling the JEA, compare it against --
compare it against other opportunities. We
have other assets. Selling JEA makes no sense to me.

In the future I think you'll hear from environmentalists that if it gets close to a sale, because I think that no municipal utility has ever been sold, but there would be advantages of water and city and air quality that always goes down.

MR. CRESCIMBENI: Thank you, Mr. Johnson.

Chris Howard.

MR. HOWARD: My name is Chris Howard. 8140 Niska Trial. I had about four points I wanted to discuss, but Mr. Billy actually hit all of them, so thank you.

I will say real quickly, you know, JEA points out how sales are declining, they're flat, yet PFM looks at those exact same revenue streams and determines we're worth billions of dollars. I just -- I don't see how there's two different viewpoints on the same -- same set of income. Thank you.

MR. CRESCIMBENI: Thank you, Mr. Howard.

All right. Are there any announcements?

Ms. Boyer, did you have a couple questions that you wanted to get into the record?
MS. BOYER: Through the Chair to the Committee, and my apologies, I haven't been able to attend a lot of the meeting, and you may have at some other point already asked OGC or someone else to opine on this, but if you haven't, I wanted to add to your list of questions that we were looking for information on, and that is, if you recall back when we were looking at pension funding, one of the big concerns was how we locked in any kind of commitment that was made by the City Council or whether we could actually set aside funds in a secured depository of any kind, whether it is to pay down debt or pay pension liability or something else, and we had an opinion from Mr. Durden at the time that basically had told us that we couldn't do that or there was no mechanism to do that. So I would love to hear from someone at OGC if there -- because it's a utility, because it might need proceeds, if there was something different about this transaction that would potentially give us the ability, whether through an annuity or some device, whatever that device might be, is there a way that the City Council today could tie up
future proceeds for specific uses, whether that is for septic tank remediation, whether that is for keeping rates, whether that is for debt repayment, I don't care what the use is, and I'm fine if the opinion indicates we can do it use one but not use two. But I just want to know if there's anything that we can do that could be binding in the future.

MR. CRESCIMBENI: Just that one question?

MS. BOYER: That's it.

MR. CRESCIMBENI: All right. I'll give that to OGC.

Anything else to come before the Committee? Wow, we're going to hit our hard stop.

THE COMMITTEE: (No response.)

MR. CRESCIMBENI: All right. I appreciate y'all being here. Reminder, our next meeting will be a week from today, the 29th of March, it will be at 2 p.m., not 3:30. 2 to 6 is our schedule. It will be a long one.

And, Mr. Clements, I've got a list of action items. I'll meet you after to go over those and make sure you capture all those.

MR. CLEMENTS: Yes, sir.
MR. CRESCIMBENI: Thank you-all for being here. We'll see you next Thursday at 2 p.m.
This meeting is adjourned.

(Proceedings concluded at 6:01 p.m.)
REPORTER'S CERTIFICATE

STATE OF FLORIDA  
COUNTY OF DUVAL  

I, Stephanie Powers Cusimano, Registered Professional Reporter and Notary Public in and for the State of Florida at Large, hereby certify that I was authorized to and did stenographically report the proceedings and that the foregoing transcript, pages 1 through 126, is a true record of my stenographic notes.

I further certify that I am not a relative, employee, attorney, or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 30th day of March 2018.

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Stephanie Powers Cusimano
RPR, Court Reporter