

JEA 2020 FACTFINDING WORKSHOP

SESSION #2

DATE: Monday, November 25, 2019
TIME: 11:01 a.m. - 1:15 p.m.
PLACE: Lynwood Roberts Room
First Floor
City Hall at St. James Building
117 West Duval Street
Jacksonville, Florida 32202

COUNCIL MEMBERS PRESENT:

Joyce Morgan, District 1
Al Ferraro, District 2
Aaron Bowman, District 3
LeAnna Cumber, District 5
Michael Boylan, District 6
Ju'Coby Pittman, District 8
Garrett Dennis (telephonically), District 9
Brenda Priestly Jackson, District 10
Danny Becton, District 11
Randy White, District 12
Randy DeFoor, District 14
Terrance Freeman, Group 1
Ronald Salem, Group 2
Tommy Hazouri, Group 3
Matt Carlucci, Group 4
Sam Newby, Group 5

ALSO PRESENT:

Council Staff:

Dr. Cheryl Brown, City Council Director
Steve Cassada, IT Administrator
Jeff Clements, Chief of Research
Peggy Sidman, Office of General Counsel
Yvonne Mitchell, Research Assistant
Sonia Johnson, Executive Assistant

1 P R O C E E D I N G S

2 CHAIRMAN BOYLAN: Good morning. We have
3 a very full agenda today, and I want to try
4 and get through it as quickly as we can so
5 that we have an opportunity for public
6 comment.

7 You've got before you an agenda that
8 speaks to what we're going to be doing
9 today. I want to, first of all, thank all
10 of my colleagues for being here. I suspect
11 I probably should be doing, appropriately
12 enough, a role call. So we'll start at my
13 far right.

14 MR. GODBOLD: Do you have a microphone?

15 CHAIRMAN BOYLAN: I'm trying to use it.

16 MR. GODBOLD: Okay.

17 CHAIRMAN BOYLAN: Thank you, sir.

18 MR. GODBOLD: I've got a blown-out ear.

19 COUNCIL MEMBER SALEM: Ron Salem, Group
20 2 At-Large.

21 COUNCIL MEMBER NEWBY: Sam Newby, Group
22 5 At-Large.

23 COUNCIL MEMBER WHITE: Randy White,
24 District 12.

25 COUNCIL MEMBER DEFOOR: Randy DeFoor,

1 District 14.

2 COUNCIL MEMBER BOWMAN: Aaron Bowman,
3 District 3.

4 COUNCIL MEMBER FERRARO: Al Ferraro,
5 District 2.

6 COUNCIL WOMAN MORGAN: Joyce Morgan,
7 District 1.

8 CHAIRMAN BOYLAN: Michael Boylan,
9 District 6.

10 COUNCIL MEMBER HAZOURI: Tommy Hazouri,
11 Group 3 At-Large. Good morning.

12 COUNCIL MEMBER FREEMAN: Good morning.
13 Terrance Freeman, Group 1 At-Large.

14 COUNCIL MEMBER PRIESTLY JACKSON: Good
15 morning. Brenda Priestly Jackson, District
16 10.

17 COUNCIL MEMBER CARLUCCI: Good morning.
18 Matt Carlucci, Group 4 At-Large.

19 COUNCIL MEMBER BECTON: Good morning.
20 Danny Becton, District 11.

21 CHAIRMAN BOYLAN: And I understand
22 Council Member Cumber will be joining us
23 momentarily, and the prospect of Mr. Dennis
24 on the phone, as I understand it.

25 First of all, I want to say thank you to

1 all. I appreciate you taking the time to be
2 here. I am very excited about the active
3 interest all of us have in the prospect of
4 the future of JEA. We all understand and
5 appreciate the gravity.

6 It is truly one of the greatest assets
7 of our community. And we need to be
8 diligent in the work that we are doing today
9 and for the next five months to do the
10 factfinding work that we talked about that
11 needs to be done. Because we, as council
12 members, as we learned at the last meeting,
13 unequivocally will have a voice in the
14 decision, in this process. And should it
15 come to a privatization as a prospect,
16 certainly the voters out there will have a
17 voice in this process.

18 So I encourage you sitting in the
19 audience to encourage your friends to go
20 online, take a look at these factfinding
21 workshops. We are here to get informed and
22 to get educated. And I really do appreciate
23 the opportunity and the earnestness by which
24 we are attempting to deal with this.

25 I want to thank my colleagues again for

1 your time and patience with this process.
2 I'm looking forward to learning an awful lot
3 over the course of the past -- over the
4 course of the next five to six months. We
5 need to be diligent in this process, and I
6 am hopeful that we can do that.

7 As we started this process a few months
8 ago, we were -- when we were looking at the
9 expanded pension opportunities for JEA
10 employees, then we began the scope of
11 service work, I came to realize, as I was
12 doing my homework, that I didn't know what I
13 didn't know in this process.

14 Now, today's workshop is really the
15 benefit largely, I think, for the
16 constituents out there, as well as for,
17 particularly, the new members, because today
18 is a history day. We're going to be looking
19 back. After this session, from that point
20 going forward, we are going to be looking
21 forward. For the time being, today it's
22 about learning about where we came from and
23 how we got to the process we have going
24 today.

25 So if you take a look at your agenda,

1 you'll appreciate that we've got three
2 presenters: Mr. Michael Mace is here -- I
3 was remiss and should recognize the former
4 mayors in the room. I understand
5 Mr. Hazouri is here. Thank you, sir, for
6 being here.

7 COUNCIL MEMBER HAZOURI: Mr. Godbold.

8 CHAIRMAN BOYLAN: Well, he's a former
9 mayor.

10 Mr. Godbold is here. Thank you. And,
11 of course, Mr. Delaney as well. Thank you
12 both for being here and taking the time to
13 be part of this process.

14 All right. For today's agenda, we have
15 Mr. Michael Mace here from PFM, who is going
16 to speak to us about what really kind of got
17 the ball rolling, and he'll explain some of
18 that.

19 I have invited Mr. Billy, the Council
20 Auditor, to talk about the value of JEA.
21 Not in the sense of its marketability in
22 terms of an asset, but its value and
23 importance to the City of Jacksonville so
24 that we all have an appreciation of that.

25 And, thirdly, Mr. Crescimbeni,

1 former-Council Member Crescimbeni, is going
2 to be sharing with us, as he chaired last
3 year's special committee on the future of
4 JEA, to speak to us about what came out of
5 that committee, specifically the
6 conclusions, as well as some of the
7 questions.

8 In many respects, I'm looking at what
9 we're doing as picking up where they left
10 off. We're now taking a serious look at the
11 prospect of changing the future structure of
12 the JEA more seriously than, I think, we've
13 ever done in the past. So it's important
14 for us to have that perspective on the
15 history.

16 There were a couple of items that came
17 out at the last workshop that were somewhat
18 open-ended in terms of questions. The OGC
19 office has provided us with a response to
20 that in memo form. You have that in the
21 pile of documents you have there. It's
22 dated today from Ms. Sidman. Please feel
23 free to take a read of that and share. And
24 if you have any questions following up on
25 it, please do take the time to share that

1 with Ms. Sidman to get any further response.

2 From there, we had a couple of
3 questions. As you know, I've invited my
4 colleagues to submit questions in advance.
5 The goal in the future would be to have
6 those questions speak to the workshops
7 that we're going to be -- the topic of the
8 upcoming workshops.

9 Mr. Carlucci, Council Member Carlucci,
10 had submitted two questions to us and asked
11 that we provide him a response to those two
12 questions. And those questions related
13 specifically to the sale of the assets and
14 what characterizes 10 percent. And if, in
15 fact, any current assets were being sold.

16 So the answer to those questions -- the
17 answer to the first question, Council Member
18 Carlucci, came in the form of a memo from
19 Jeff Clements, which you have in your stack
20 of papers there. It clearly delineates the
21 fact that it's the total value of the asset
22 of 10 percent. So if you sell off 10
23 percent of any of it -- it can be some
24 portion of it can be sold, but as long as
25 the aggregate value is less than 10 percent.

1 The second question is really asking
2 what have we sold to date; correct?

3 COUNCIL MEMBER CARLUCCI: Well, my
4 question is 10 percent of what? Electric;
5 electric and water; electric, water and
6 sewer?

7 CHAIRMAN BOYLAN: If you see in the
8 memo, it says 10 percent of the total
9 assets.

10 COUNCIL MEMBER CARLUCCI: I appreciate
11 it, and I apologize I hadn't had a chance to
12 read that yet.

13 CHAIRMAN BOYLAN: But it is 10 percent
14 of the total asset, that's the answer to the
15 question.

16 The second question was, Have they sold
17 any assets to date? Right now, as I was
18 handed the piece, over the course -- so I
19 asked the question: Over the course of the
20 past year, what have they sold off in terms
21 of property or assets? And it totals
22 roughly four items of roughly a total value
23 of \$62,000. And there is a piece of
24 property, which is also being sold to a
25 developer, but none of them are utility

1 related or investor related.

2 COUNCIL MEMBER CARLUCCI: What property
3 is that?

4 CHAIRMAN BOYLAN: It's the former Nissan
5 dealership, as I understand it. And it was
6 being used basically as a weigh station
7 retaining space for trucks, et cetera. It
8 really wasn't used as part of the operation
9 of the organization.

10 COUNCIL MEMBER CARLUCCI: Councilman
11 Boylan, you said year to date?

12 CHAIRMAN BOYLAN: This is from November
13 of last year, November of 2018 to the
14 present. Over the course of the last year
15 is what I asked for in terms of a specific
16 answer to that question.

17 COUNCIL MEMBER CARLUCCI: The other
18 thing I wanted to mention is, as far as I
19 know, unless something has changed there,
20 the JEA bought a plot of land out on the
21 west side of Jacksonville that would be used
22 as a solar farm. And I didn't know if that
23 had been included in the assets or not and
24 what their future prospects were, but that's
25 another question. I apologize I didn't send

1 that in.

2 CHAIRMAN BOYLAN: No worries. We'll get
3 an answer to that question for you for the
4 next meeting.

5 COUNCIL MEMBER CARLUCCI: Thank you.

6 CHAIRMAN BOYLAN: All right. Any other
7 conversations with respect to the items that
8 have been brought forward from the past
9 meeting, as well as any questions that you
10 have with respect to today's meeting do you
11 want to put into the record?

12 Hearing none, let's go ahead and get
13 started with our first presentation. I'm
14 going to invite Ms. Stewart up and Mr. Mace.
15 Ms. Stewart is going to set the table for
16 Mr. Mace and help us appreciate what -- how
17 this ball got rolling.

18 I apologize for those out there. I'm
19 not sure you're going to be able to see much
20 more than the top of the head. We only have
21 one camera here. As I understand, in the
22 future, there will be multiple cameras in
23 this room so that we can do the interactions
24 much like we do on the Chamber floor.

25 Ms. Stewart, make sure that's turned on.

1 MS. STEWART: I think it's on. Now it's
2 on, perfect.

3 Thank you, Chairman Boylan. Chairman
4 Boylan and Committee Members, first, on
5 behalf of the JEA Board and the nearly 2,000
6 full-time employees of JEA, I want to be the
7 first to thank you for holding these
8 meetings to deliberate on what may be one of
9 the most consequential decisions this
10 community has ever been faced with. You
11 said that when you laid out the meeting,
12 this is all about the future of JEA.

13 As you all know, the JEA Board embarked
14 on a 10-year strategic planning process in
15 January of this year. Eleven months ago the
16 Board and the leadership team at JEA, along
17 with our consulting partner, McKinsey, began
18 to look at the current state of JEA through
19 the lens of our four measures of value: And
20 that's customer, community, environmental,
21 and financial.

22 In order to understand where we stood,
23 we also took a look back at decisions and
24 events that have come to define where we are
25 today, as well as the challenges we may face

1 in the future.

2 Briefly, the most impactful events were
3 the four that I'm going to outline very
4 quickly. We talk about the past and how it
5 impacts the future. I know we're moving to
6 the future in the next meeting. So we want
7 to talk a little bit about how JEA got where
8 we are.

9 Number one, debt was out of control.
10 Due to the need for expansion primarily on
11 the water side of our business, coupled with
12 a commitment to not raise customer's rates,
13 in 2000 and beyond, JEA borrowed, and we
14 borrowed a lot. So much so that there were
15 points in the mid-2000s that JEA's debts
16 exceeded its assets, and we borrowed money
17 to pay for operations.

18 Observations from JEA's then CFO to the
19 Board in 2010, and this is a quote: By any
20 measure, we have reached or exceeded our
21 debt capacity. This is not a finance issue;
22 this is a JEA issue.

23 So we reacted well. And post that
24 comment from then CFO in 2010, JEA began
25 aggressively paying down debt. We had a

1 record debt reduction in 2018 of more than a
2 half a billion dollars. We also have
3 maintained stable rates for the last six
4 years, although electric and water sales for
5 customers continues to decline year over
6 year.

7 That leads me to number two. About the
8 same time JEA was betting on increased sales
9 covering the cost of our debt service, the
10 Energy Policy Act of 2005 was enacted. It
11 changed the way energy would be used for
12 decades to come. And as a result, JEA
13 customers, as well as electric consumers
14 across the country, use less energy each
15 year, even as population grows. That goes
16 largely for the water side of our business
17 as well.

18 You all may also remember that we closed
19 a major coal power plant, St. Johns Power
20 Park -- St. Johns River Power Park, in 2018
21 because energy demand had declined so
22 steeply.

23 Number three, then in 2008 JEA invested
24 in nuclear energy to diversify its portfolio
25 for cheap, clean energy. But now it's

1 costing JEA billions. As a result of this
2 investment, JEA started paying for Plant
3 Vogtle in 2016. This year's payment was
4 approximately \$20 million.

5 Starting in 2022 JEA's payment for Plant
6 Vogtle will balloon to \$120 million. And
7 then ramp up to \$200 million from 2023
8 onward, as operating costs are added to the
9 debt service.

10 And let me be clear, construction is not
11 complete. We are not currently taking power
12 from Plant Vogtle. So we are making
13 assumptions about the operating costs that
14 will be added to the debt service.
15 Customers will have to bear the brunt of
16 this massive annual expense for the next two
17 decades.

18 And number four, as one of the reactions
19 to the Great Recession, the American
20 Recovery and Reinvestment Act of 2009
21 catapulted the solar industry with a massive
22 stimulus and incentive. Public policy
23 coupled with decreasing costs of rooftop
24 solar and battery technology will continue
25 to erode our sales on the energy side of our

1 business. We're just seeing the beginning
2 of residential and commercial adoption.

3 But thanks to prudent management and
4 accelerated paydown of debt, JEA is in a
5 good position today in all four measures of
6 value despite challenging and unrelenting
7 trends. What the Board is struggling with
8 is the next 10 years and how to best equip
9 JEA to provide safe, affordable, and
10 reliable energy and water services to our
11 customers in all of our territory.

12 So what should the Jacksonville City
13 Council and the community expect at the end
14 of this strategic planning process? JEA's
15 Board is expected to approve a strategy for
16 JEA's next 10 years, the conclusion of which
17 is currently planned for March of 2020.

18 The Jacksonville City Council and
19 community should expect JEA's Board and
20 senior leadership team to recommend one of
21 the following five options: Scenario one is
22 status quo. We remain largely as we are as
23 a government owned entity and we simply
24 raise rates to cover the cost of the trends
25 that I mentioned previously.

1 Scenario two is a traditional utility
2 response plan. That's raise rates, cut
3 expenses, cut capital expenditures and go
4 more aggressively after new lines of
5 business.

6 Scenarios three through five all entail
7 JEA becoming a nongovernment entity.
8 Scenario three is a community ownership
9 plan, which is exactly what it sounds like:
10 JEA would be owned by its customers.

11 Scenario four is an initial public
12 offering plan, which is very similar to the
13 community ownership plan, but it would be
14 owned by individual investors that aren't
15 necessarily customers of JEA.

16 And in scenario five, which is the
17 strategic alternative that will come out of
18 our attempt to negotiate that is on the
19 street now, JEA would be owned by a private
20 entity.

21 There has been a lot of attention given
22 to scenario five and the intent to negotiate
23 process, but that is only one option we are
24 considering. And it is important to point
25 out that any ITN only asks the private

1 sector for their best offer for services.
2 It does not commit any of us to any outcome.
3 Having the conversation at an ITN is not a
4 decision.

5 Our customers and our community as a
6 whole will be impacted by any one of these
7 five scenarios. The JEA Board is using all
8 four measures of value as they deliberate
9 each scenario.

10 Scenarios one and two remain viable
11 options, and are the default if a
12 recapitalization event does not occur.

13 Today you will hear reviews of the
14 findings of three key reports, which were
15 published in 2018, about the value of JEA.
16 You will hear about the tangible and
17 intangible benefits of intangible values of
18 JEA to our community.

19 When JEA's strategic planning process is
20 complete in early 2020, there will be five
21 options on how to capture the value of JEA
22 now and in the future. We look forward to
23 continuing to work closely with this
24 committee and the Council as a whole as you
25 all complete this important work.

1 I would like to turn it over now to
2 Michael Mace from the firm PFM.

3 CHAIRMAN BOYLAN: If I might, for my
4 colleagues, we have given Mr. Mace about 20
5 minutes -- actually, about 18 minutes now
6 for his presentation. And then we'll have
7 about 10 minutes for questions to follow
8 thereafter.

9 COUNCIL MEMBER CARLUCCI: Just real
10 quick, Mr. Chair, as we go through the
11 process, there is oftentimes -- I didn't
12 hear it in Kerri's, but it tends to -- we
13 get into acronyms. And if we can try to --
14 PFM, I don't know who PFM is -- explain who
15 that is. As we use acronyms, if we can
16 define what those acronyms are, because not
17 everybody here is going to know what these
18 acronyms are.

19 CHAIRMAN BOYLAN: Thank you. Appreciate
20 the good advice.

21 You do have, as part of your materials,
22 the PowerPoint presentation that Mr. Mace
23 will be sharing with us. We will turn the
24 floor over to Mr. Mace.

25 MR. MACE: Sure. Good morning. It's

1 good to be here at this lunch and learn.
2 Based on the limited amount of lunch I see,
3 I hope there is at least more learn than
4 lunch today. But you'll be the judges of
5 that.

6 CHAIRMAN BOYLAN: I never market it as a
7 lunch and learn.

8 MR. MACE: So today I'll provide a brief
9 introduction, and we'll go over the scope of
10 the report, what we were given as the scope,
11 and then talk about some elements of utility
12 valuation, how the world looks at the
13 utility industry and puts a value on that.

14 We'll talk about some important
15 considerations to the extent there ever was
16 an asset sale or privatization, some of the
17 big impacts and changes, and then provide a
18 brief summary as well.

19 And this is intended to be more of a
20 recap of the 2018 report that we've updated
21 it in very limited ways, but it's largely a
22 lookback at the history. And to start the
23 history, it was about two years ago coming
24 out of some of the late 2017 JEA Board
25 meetings that the then chairs of the boards

1 posed some interesting questions. One, What
2 would -- would Jacksonville be better served
3 in the private marketplace by a private
4 utility? And should JEA and the City
5 consider the benefits of privatization?

6 The directive was given to management
7 that they should evaluate JEA's position in
8 the market, report on JEA's private market
9 value so that the constituents, the
10 citizens, the Mayor, and the Council can
11 evaluate that opportunity.

12 COUNCIL MEMBER CARLUCCI: May I ask who
13 gave you the directive?

14 MR. MACE: I believe the directive was
15 given by Mr. Allen Howard, who was the
16 incoming Chair of the Board at that time,
17 gave the directive to JEA management.

18 COUNCIL MEMBER CARLUCCI: Thank you.

19 CHAIRMAN BOYLAN: Mr. Carlucci, if we
20 could hold off the questions, I'd
21 appreciate --

22 COUNCIL MEMBER CARLUCCI: Well, that was
23 an important question.

24 CHAIRMAN BOYLAN: They're all important.
25 Go ahead.

1 MR. MACE: And then the management of
2 JEA requested that Public Financial
3 Management, that's the PFM in the report,
4 prepare a report.

5 And just to give you an introduction of
6 PFM, I work at PFM and have been there since
7 2001. We're the leading advisor to state
8 and local governments, financial advisor to
9 state and local governments in the U.S. And
10 we have an advisor-only business. That
11 means we're not a broker. We don't
12 underwrite. We don't lend or trade any
13 securities. We advise governments on how to
14 raise money and how to invest that money.

15 And we are advisor to over half of the
16 50 largest public power utilities,
17 governmentally owned utilities in the
18 country and we're the leading advisor to the
19 large water and sewer entities as well. PFM
20 had been serving as JEA's financial advisor
21 for the past 17 years.

22 To talk about the scope of the report,
23 the primary purpose was to establish a range
24 of potential values that third parties,
25 external entities, might pay for JEA's

1 enterprises. Predominantly we looked at
2 this on an overall basis. We didn't break
3 out in our discussion the isolated values of
4 electric versus water and sewer, but it was
5 an overall aggregate enterprise value.

6 And in order to do that, we looked at
7 some commonly accepted valuation
8 methodologies. We looked at utility market
9 conditions. And we examined some of the
10 potential buyers who would buy JEA. We also
11 looked very deeply into JEA's financial
12 metrics and conditions.

13 So in addition to coming up with a
14 value, we also discussed some of the
15 important considerations to the extent that
16 there was privatization and some of the
17 variables that would influence value.

18 And very importantly, the report was
19 never intended to be a recommendation to buy
20 or to sell or retain JEA, rather. And there
21 may have been some sentences you could pull
22 out of that report that would look like it
23 leaned toward a positive view of selling,
24 and you can probably look at elements of the
25 report that brought up some of the

1 complications and considerations and view
2 them negatively toward a sale. But those
3 were isolated sentences here and there,
4 possibly, but the report never was intended
5 to recommend a sale.

6 At this point we'll talk a little bit
7 about some of the things that affect utility
8 valuation. And just to recall, we're kind
9 of taking a look at how the outside world
10 would look at JEA as buying JEA. And there
11 are now, and there were then, very strong
12 market characteristics that drive
13 investor-owned utility value.

14 Now, investor-owned utilities are
15 utilities like Florida Power & Light owned
16 by NextEra that would be private companies
17 owned by either shareholders or by other
18 large financial investors. And we
19 distinguish investor-owned utilities, or
20 IOUs, from municipally owned utilities.

21 Investor-owned utilities provide about
22 75 percent of the retail electricity in the
23 country, and public power provides about 15
24 percent. The other 10 or 11 percent is made
25 up from electric utility cooperatives.

1 On the water and sewer side of the
2 business, that relationship is flip-flopped;
3 it's primarily small, private companies and
4 governmental utilities that provide water
5 and sewer services, but there is a limited
6 number of large publicly traded owners of
7 water and sewer systems.

8 So we look back in February of 2018. At
9 that time we were seeing very high stock
10 market values for utility shares. And we
11 were seeing at that time what we felt were
12 low interest rates. Since that time
13 stockmarket prices have climbed, as we all
14 know, and interest rates have come down and
15 remained quite low. So the financial market
16 conditions that would drive utility assets
17 to high values are even more pronounced
18 today than they were in late 2017 and early
19 '18.

20 Another thing that drives utility
21 values, and has driven them and has
22 suppressed them at times, is that
23 shareholders of these IOUs, these private
24 companies, very much value growth. And it's
25 not just utility companies; it's really

1 every private company. They want to see
2 growth. But utilities have not seen growth
3 within their own systems in recent years.
4 You've had conservation and energy
5 efficiency that have cut and eroded demand
6 growth. And you have distributed generation
7 solar, which has supplanted some of the
8 supply to retail customers.

9 And this is an industrywide condition.
10 It's not specific to JEA. I think you can
11 look at the electric and water and sewer
12 businesses as some of the only businesses
13 out there that have spent considerable
14 amounts of money in the past decades to
15 actually reduce the sales that they make to
16 their customers. So conservation and
17 efficiency has really changed the face of
18 the industry.

19 Another major change in the utility
20 industry has been consolidation in the
21 industry. I would say 20-plus years --
22 pardon me, 20-plus years ago you had twice
23 as many utility companies. They've
24 essentially gobbled each other up so that
25 you have fewer larger companies out there,

1 but they still want to grow. So they have
2 to look at other acquisitions as a form of
3 growth. And municipal utilities are where
4 they're starting to turn some of their
5 attention.

6 If you look at JEA, it's asset based,
7 it's service territory, the geography, it is
8 a very attractive acquisition target for any
9 investor-owned or private company.

10 And there has been a lot of change in
11 the utility industry. When we have been
12 asked to perform this type of an analysis of
13 whether it makes sense to sell or to
14 privatize a municipal utility, I would say
15 10, 15 years ago it was an easy math
16 exercise. You had public power utilities
17 that borrow with tax exempt funds in the
18 market and they didn't pay taxes, they
19 didn't pay income taxes. So they had a
20 distinct advantage in terms of the costs of
21 service relative to private utilities that
22 had higher cost debt, higher cost equity and
23 they paid income taxes. And a lot of that
24 has changed.

25 The differential between the municipal

1 tax exempt market borrowing cost and a
2 private market borrowing cost have shrunk
3 quite a bit. In the corporate market,
4 they're not big taxpayers, tax rates have
5 gone down. And I think if you look at any
6 investor-owned utility, they don't pay a
7 whole lot in taxes relative to in the past
8 would have been a 35 or -6 percent tax rate.

9 So we have an industry that is not
10 growing as much, it's less capital
11 intensive, and communities don't have as
12 much of a capital cost advantage as they
13 used to. The industry has also seen as
14 subject to greater technology and business
15 risk than it was.

16 So you have JEA. When you have these
17 big utilities looking at places to grow, JEA
18 is a very attractive candidate, strong cash
19 flow, solid financial position. JEA has
20 tremendously reduced its debt in recent
21 years. And you do have an attractive mix of
22 asset and customers in this region.

23 At this point I'll turn to some of the
24 valuation methods that outside third-party
25 investors, buyers used to establish a value

1 for any type of an asset that they would
2 look at.

3 First and most importantly, there is a
4 discounted cash flow model. They've set up
5 a model and do long-term projections to the
6 extent that they bought an asset, what kind
7 of cash flow would that return, and how
8 would that justify the price they paid.
9 This is the most commonly accepted tool for
10 any buyer to look at an asset and come up
11 with a value. They build their model. They
12 test all kinds of assumptions, and build a
13 range of expected values.

14 There is other metrics, as well, that
15 are more market based that they use to then
16 test the cash flow model. You would look at
17 price -- or price earnings multiples in the
18 stockmarket. You would look at cash flow
19 multiples, which is this earnings before
20 interest taxes, depreciation and
21 amortization. And then you would look at
22 the ratio of a price to plant property and
23 equipment, which would be the rate based
24 assets the utility acquires to put into
25 service to supply load.

1 The top line, the discounted cash flow
2 model, that's the number one tool. These
3 other ones are kind of scorecards on
4 transactions to give us an idea of what was
5 paid and also to rationalize or test what a
6 buyer might pay.

7 And we still see, as we saw two years
8 ago when we look at a lot of these metrics,
9 that the values are quite high relative to
10 what they've been historically. So we look
11 at mergers and acquisitions and we look at
12 stock prices to gather this data.
13 Generally, you're looking at price earnings
14 multiples for utility companies in the
15 market at 25 times. So the share price
16 would be 25 times earnings.

17 You would look at cash flow multiples of
18 12 times, so somebody might pay 12 times
19 cash flow for a utility. And on the rate
20 base side, you look at the book value of
21 rate base assets, and a lot of the mergers
22 and acquisitions are done at around the two
23 times multiple.

24 So we built a cash flow model in 2018.
25 We looked at some of these other metrics,

1 and we've come up with the goal post, the
2 football field scale here. And that
3 basically yielded expected prices that a
4 third party would pay for JEA, the overall
5 enterprise that range from around 7 billion
6 to a little over 11 billion dollars by the
7 end of these various metrics, or
8 methodologies.

9 And that's certainly a wide range, as
10 you can imagine, but there is a lot of
11 ranges out there in the market about what
12 entities might pay. And, also, even on a
13 discounted cash flow model, depending on
14 what assumptions you use in that model, you
15 can get either higher or lower values. But
16 all of these considerable sums of money,
17 some of them quite impressive.

18 So one thing to point out is that this
19 gross transaction or enterprise value is a
20 number that would be paid prior to paying
21 off any of JEA's debt or satisfying other
22 liabilities that we'll talk a little bit
23 about as well. But it's a very wide range
24 of values. I think you could relook at this
25 today. I would expect that we would have

1 higher values, a higher range. And given
2 the market conditions, I think, if anything,
3 the values that you might see would be
4 pushed toward the higher end of that range
5 and even beyond it.

6 But all of this, it's subject to
7 assumptions that you make in the market.
8 It's subject to conditions that a seller
9 could put on the sale as well. So we have
10 this gross transaction value, but we need to
11 also get at a net value to the City to
12 determine whether it would be appropriate.

13 So we looked at a couple of adjustments
14 to the gross value. First of all, JEA would
15 be required to pay off all existing debt.
16 This is tax exempt debt that would have to
17 go away if there was a private buyer.

18 In 2018 we estimated the cost to get rid
19 of the debt was 3.9 billion, given that
20 there's been some decline in the amount of
21 debt and JEA has retired debt, that figure
22 would be about 3.4. There are interest rate
23 hedges that JEA has, they would cost about
24 \$100 million to terminate.

25 There is also the Vogtle nuclear power

1 contract. That has a lot of debt underlying
2 that contract. To the extent a private
3 buyer could no longer sustain or legally
4 keep the tax exempt debt out there, we've
5 calculated that the cost of JEA's portion of
6 the debt within the contract is about 1.8
7 billion, but there are ways you could
8 potentially address that debt far short of
9 having to eliminate all the debt, that there
10 would be ways to make payments to the
11 treasury or reduce payments to the treasury
12 that could lead to a much lower cost than
13 eliminating all of the debt.

14 And, also, we calculated at that time
15 that, upon a sale, JEA would still have
16 about \$600 million on its balance sheet that
17 might be used to offset the debt. Once
18 again, all of these are subject to market
19 conditions and a lot of things that could
20 change.

21 On this table we recap the gross
22 transaction value and then offset that by
23 some of these adjustments. So you start
24 with a gross transaction value range of 7 to
25 11 billion. You make these adjustments, and

1 it brings it down to more like 3 to 6
2 billion. Again, we could be on the higher
3 end. We could be higher than the higher
4 end, given some of the changes in market
5 conditions.

6 Now, beyond the financial considerations
7 in the sale, there are important
8 nonfinancial impacts on any -- on the
9 constituents of JEA, the customers of JEA,
10 and the City to the extent there was a sale.
11 First and foremost, you would move from a
12 not-for-profit cost-of-service ratemaking
13 structure under the City ownership and go
14 toward a for-profit system where the rates
15 would be regulated by the Florida Public
16 Service Commission.

17 And so those rates under a different
18 owner could be the same, higher, lower.
19 You'd have to do a long-term projection
20 model to take a look at all the
21 eventualities that could lead to changes in
22 rates in the future. They would be governed
23 by the Florida Public Service Commission.

24 Oftentimes, in an asset sale, in a
25 utility sale, one of the conditions of the

1 sale is that there is a rate freeze for some
2 period of time, some number of years.

3 Also, very clearly, that a sale would
4 impact JEA's employees. I think we've seen
5 even the discussion of a sale is very
6 impactful. And it's hard to keep the
7 workforce centered on its mission where you
8 want to maintain service and safety during
9 an ongoing discussion of a sale and also
10 even immediately after a sale. Once again,
11 here there can be conditions established
12 that would maintain certain employment
13 levels for some periods of time.

14 There would also be a significant
15 financial impact to the City. The City
16 right now derives various forms of payments
17 from JEA, a city contribution, franchise fee
18 and public service tax. A private owner
19 wouldn't make a city contribution, but there
20 would be property taxes. There may be ways
21 such that, after a sale and a condition of
22 the sale, that you can impose such that you
23 would maintain those -- that level of
24 financial commitment and hold harmless the
25 City in the future from reductions in

1 payments.

2 In addition, a new buyer would pay
3 different taxes than JEA currently pays.
4 There would be income taxes and property
5 taxes to county and schools as well.

6 JEA is a large employer located here in
7 the middle of Jacksonville. It is also an
8 economic driver. To the extent a new buyer
9 came in, and they were less committed to the
10 City, they move their headquarters, that
11 could reduce the economic value to the City.

12 JEA and the City also partner on various
13 initiatives and provide efficiencies in
14 getting things done around the city. The
15 simplest thing is, if there is a street to
16 be torn up and also underground work to be
17 done on utilities, those two things could be
18 done at the same time.

19 A large transaction like this would be
20 the largest of its kind, would be quite
21 complex. JEA owns real estate, has
22 right-of-ways. And some of these real
23 estates and right-of-ways are shared by
24 electric, water and sewer, and district
25 energy. To the extent there were separate

1 buyers and they had to be divided up, it
2 would be quite complex. There would be a
3 way to do that, but it's far more complex
4 than a button push.

5 In addition, JEA is a governmental
6 utility. It's eligible for FEMA disaster
7 assistance in the event of natural
8 disasters. Private companies, for the most
9 part, are not eligible for this aid. So
10 this could be, especially when you're in a
11 hurricane zone, could be a meaningful impact
12 in the future if you had a big event.

13 On one hand, as a governmental utility,
14 it would be aided by FEMA. On the other
15 hand, as a private utility, it would fall
16 primarily on the ratepayers.

17 So in summary, in 2018 we were looking
18 at a situation where the utility industry
19 had changed quite a bit over the prior
20 decade. In the past couple years have been
21 more of a change. Looking forward I don't
22 think anybody sees a static type of utility
23 business environment.

24 It's my expectation that a sale of JEA
25 can be expected to produce substantial net

1 proceeds to the City ranging from 3 to 6
2 billion and possibly even more. The actual
3 value that would be derived would depend
4 heavily on market conditions at the time and
5 on any conditions that the City imposed on a
6 sale.

7 It would be a complex undertaking, one
8 of the most complex transactions done in
9 municipal finance. And, clearly, in
10 addition to just price, there are a lot of
11 other things to consider and a lot of
12 impacts to evaluate.

13 At this point I would be very happy to
14 take any questions.

15 CHAIRMAN BOYLAN: Mr. Mace, thank you.

16 First of all, couple housekeeping items:
17 Number one, these presentations will be
18 available online so you can get a copy of
19 this PowerPoint presentation if you choose
20 to do so.

21 And, also, I understand that Councilman
22 Dennis has joined us on the phone.

23 So I'll turn to my right and work my way
24 around the table.

25 Mr. Salem.

1 COUNCIL MEMBER SALEM: Thank you,
2 Mr. Chair. Through the Chair.

3 Ms. Stewart, you mentioned in your
4 presentation that JEA was borrowing money to
5 pay operational expenses. Can you be
6 specific to the years that occurred?

7 MS. STEWART: I would have to go back
8 and get you the exact years, but it was the
9 mid-2000s, 2004, '5.

10 COUNCIL MEMBER SALEM: I would be very
11 interested in that.

12 MS. STEWART: I will get you that
13 information.

14 COUNCIL MEMBER SALEM: If I can follow
15 up on that: In your presentation, when you
16 talk about the 3 to \$6 billion net to the
17 City, does that -- have you calculated the
18 pension cost, the three-year employee cost
19 and those types of commitments that this
20 Council has made or is making and how that
21 adds up to affect that net result?

22 MR. MACE: The pension cost nor the
23 recent -- more recent conditions were not
24 part of our original analysis.

25 COUNCIL MEMBER SALEM: Can you update it

1 to consider those things, or is that
2 something that you could do or can do?

3 MR. MACE: We certainly could, yes.

4 COUNCIL MEMBER SALEM: I'd like to see
5 that.

6 CHAIRMAN BOYLAN: That may be something
7 that -- I'm certain that the JEA will be
8 addressing that at some point in time.
9 We're trying to keep this in the history
10 lesson point in time, if we can. You're
11 right, I think that's a good question to
12 ask, if it was a part of the consideration.
13 And clearly the answer is, no, it was not.

14 COUNCIL MEMBER SALEM: Because I think
15 we need to know those numbers.

16 CHAIRMAN BOYLAN: Absolutely.

17 COUNCIL MEMBER SALEM: Thank you,
18 Mr. Chair.

19 CHAIRMAN BOYLAN: Mr. Newby.

20 COUNCIL MEMBER NEWBY: No questions at
21 this time.

22 CHAIRMAN BOYLAN: Mr. White.

23 COUNCIL MEMBER WHITE: No.

24 CHAIRMAN BOYLAN: Ms. DeFoor.

25 COUNCIL MEMBER DEFOOR: Thank you,

1 Chairman. And through the Chair.

2 Just as a clarification, I'm looking at
3 your February 2018 report. And it states
4 that this report is written primarily from
5 the perspective that the City could choose
6 to sell JEA's assets in its entirety,
7 including the electric system, the water
8 system and the district energy system. This
9 perspective is for the purpose of
10 simplicity.

11 I just want to make sure that we're
12 clear about what you stated in your report.
13 And based on that, a couple things, one, you
14 said that -- and they've done this, I've
15 been looking for the roadmap that they've
16 been following, which is here. They're
17 working on the guaranteeing employment,
18 which they've done, and the headquarters of
19 location is also in your report, and they
20 followed that advice as well.

21 You said, as we turn to the sale
22 process, you said for the first phase you
23 need to do, is you need to develop consensus
24 and commitment. Do you stand by that today?

25 MR. MACE: I think consensus and

1 commitment is an important part of the sale
2 process.

3 COUNCIL MEMBER DEFOOR: In addition, you
4 said that you need to -- before you go down
5 this process, you need to have a pro forma
6 for a sale, what a pro forma would look
7 like, and a pro forma as the status quo. Do
8 you stand by that as well?

9 MR. MACE: Yes. Before a sale would
10 occur, that would be important.

11 COUNCIL MEMBER DEFOOR: And, finally,
12 you say you need to have rate projections,
13 how the rate projections will impact the
14 customer. Do you also -- before you go down
15 for a sale. Do you also stand by that?

16 MR. MACE: Yes.

17 COUNCIL MEMBER DEFOOR: I'll ask
18 Ms. Stewart: Have we done that?

19 MS. STEWART: Those will all be a part
20 of the ITN process. There has been a status
21 quo pro forma that has been completed. I
22 believe you'll be seeing that at the next
23 meeting. McKinsey will be here, our
24 consulting partners will be here, to relay
25 that information to you with all of the

1 underlying assumptions. So the status quo
2 has been completed.

3 COUNCIL MEMBER DEFOOR: Okay. I'd like
4 to see that. And then you state that the
5 JEA is the largest and most complex
6 municipal power sale in U.S. history. And
7 so I'd ask what is your -- what do you --
8 have you ever done an evaluation of a public
9 utility before?

10 MR. MACE: We have performed evaluations
11 for a number of our clients that have
12 considered selling. Now, there haven't been
13 a large number of public utilities sold, a
14 very limited number, but we have been
15 involved in the processes of most of the
16 large ones that have considered, for
17 example, the Long Island Power Authority,
18 and we're currently working with Santee
19 Cooper in their process.

20 CHAIRMAN BOYLAN: Ms. DeFoor, if we get
21 around the table here --

22 COUNCIL MEMBER DEFOOR: That's the last
23 question.

24 CHAIRMAN BOYLAN: Thank you.
25 Mr. Bowman.

1 COUNCIL MEMBER BOWMAN: Thank you,
2 Mr. Chair.

3 Mr. Mace, I just want to ask a question,
4 given your expertise in the industry, we've
5 talked about some hybrid models that JEA
6 sells their assets and retains management of
7 those assets, and the other that JEA keeps
8 their assets and brings in a management
9 company to run those assets. In the
10 industry are those real? And is that really
11 an option that is out there that we should
12 consider?

13 MR. MACE: Well, the second that you
14 mentioned, I believe, was the -- more of a
15 private management contract is in place for
16 the Long Island Power Authority, where they
17 have something like 50 employees of their
18 own and then the utility is managed by a
19 third party on more of a hybrid approach.
20 I'm not aware of the first example, whether
21 that's been implemented.

22 COUNCIL MEMBER BOWMAN: Thank you.

23 CHAIRMAN BOYLAN: Mr. Ferraro.

24 COUNCIL MEMBER FERRARO: Thank you.

25 Ms. Stewart, so at the beginning part of

1 your presentation, you talked about the debt
2 spiralling out of control at the beginning.
3 Was that for ratepayers or was that for some
4 dealings that JEA made with other things
5 outside electric?

6 MS. STEWART: It was to expand the
7 system on both the energy and the water
8 side, primarily the water side. But there
9 were times in the mid-2000s where money was
10 borrowed to pay for day-to-day expenses.

11 COUNCIL MEMBER FERRARO: Let me ask you
12 about the St. Johns Power Plant. So could
13 you tell me again the reason why it was
14 sold?

15 MS. STEWART: It wasn't sold. It was
16 dismantled and shut down in 2018. And it
17 was due to the declining needs for energy in
18 our region. We had too much capacity for
19 the amount of energy that was required from
20 our customers.

21 COUNCIL MEMBER FERRARO: So I was the
22 chairman of TEU during that time. And I
23 spoke with Jordan Pope. And we were told
24 exactly what you said, but we were also told
25 that the plant was going to be sold to other

1 power plant companies.

2 So I would like to kind of get a little
3 bit of that addressed to where it seemed
4 like what I was hearing from you was
5 different than was sold to us when we were
6 going through TEU.

7 And the other thing is, I wanted to just
8 make a note, if I could, Mr. Chairman, that
9 it seems like with JEA going over this
10 long-term process, we have different people
11 that constantly we meet with. Is there
12 going to be somebody that would be staged in
13 here that would be the same person through
14 this whole process so we don't have a
15 mixture of we talked to this person or
16 talked to that person?

17 MS. STEWART: Absolutely. We'll work
18 with the Chair and the Council President to
19 make sure we address that issue.

20 CHAIRMAN BOYLAN: Thank you,
21 Mr. Ferraro. Just for point of reference,
22 at the next two meetings, we're going to
23 provide JEA the ample opportunity to address
24 many of the same questions we've raised
25 today. And I encourage my colleagues, if

1 you haven't, some of these questions being
2 asked today have been answered in the
3 documentation that's been provided. So I
4 encourage you to go back and look at some of
5 that if you haven't already done so.

6 Ms. Morgan.

7 COUNCILWOMAN MORGAN: Thank you so much.
8 Through the Chair to Ms. Stewart.

9 Ms. Stewart, when you did your
10 presentation, you were talking about the
11 options, one option, number two, three,
12 four, and five. And, basically, you said
13 that number one and two would be
14 the fallbacks. So is there a methodology or
15 reason why we would fall back to those
16 rather than using those to be the start?

17 MS. STEWART: Well, they are the start.
18 Status quo is exactly what it sounds like;
19 it's the current state of the business. And
20 the traditional utility response is what
21 we're working with McKinsey as our path
22 forward. As we do business on a daily
23 basis, we are looking at other lines of
24 business, lowering our O&M cost. Right now
25 we are not lowering capital expenditures and

1 we are not looking at raising rates except
2 for maybe for Plant Vogtle in the future,
3 but right now we are working through
4 scenarios one and two as a course of doing
5 business now.

6 COUNCILWOMAN MORGAN: Okay.

7 MS. STEWART: So if we didn't change the
8 business structure, it would default to what
9 we are currently doing now.

10 COUNCILWOMAN MORGAN: Okay. And my last
11 question is on the debt, the Southside
12 generating plant, can you put that in
13 perspective as to debt and the fact that,
14 when that was sold, the City actually got
15 \$15 million to help with the septic tank
16 phaseout. So where does that fall into debt
17 management?

18 MS. STEWART: We owned the property,
19 which is the south side of the river. It
20 was a decommissioned power plant, the
21 proceeds of which have come to the City to
22 be spent on septic tank phaseout. We did
23 not use it to defuse debt. We sold the
24 property and are now committing it to septic
25 tank phaseout here in our service territory.

1 COUNCILWOMAN MORGAN: Okay. Thank you.

2 CHAIRMAN BOYLAN: Our time for questions
3 is running quickly short here. So we'll try
4 to get through them as quickly as possible.

5 COUNCIL MEMBER DENNIS: I'd like to ask
6 some questions.

7 CHAIRMAN BOYLAN: Give me just a quick
8 second, Councilman Dennis, then I'll let you
9 have the floor.

10 I just want to let folks know that, if a
11 question isn't answered today, they can
12 certainly be provided to Ms. Cheryl Brown
13 and they will be responded to and likely
14 addressed in the next conversation,
15 particularly as we take a look at the status
16 quo in the immediate future.

17 Ms. Cumber first and then we're going to
18 turn to you, Mr. Dennis.

19 COUNCIL MEMBER CUMBER: Thank you.
20 Through the Chair to Mr. Mace.

21 So you mentioned that utilities are
22 consolidating and they have for the last 20
23 years. How does that impact rates
24 accounting for fuel? Obviously, you know,
25 fuel going up and down will impact the

1 rates. But I mean, I assume that the
2 consolidation of the utilities is making the
3 systems more efficient. Is that the case or
4 is there an average?

5 MR. MACE: I haven't done any kind of a
6 study of what's happened post-consolidation
7 of utilities. I think certainly there is an
8 argument among utilities when they merge or
9 when one acquires another is to achieve
10 efficiencies either in the resource side,
11 transmission distribution, or even on the
12 personnel side. So I think that's always
13 the expectation.

14 COUNCIL MEMBER CUMBER: Okay. Thank
15 you.

16 CHAIRMAN BOYLAN: Mr. Dennis.

17 COUNCIL MEMBER DENNIS: Thank you,
18 Chairman Boylan.

19 I want to go back to slide number seven.
20 Slide number seven -- slide number seven
21 talks about JEA as an attractive acquisition
22 candidate and the three bullets, cash flow
23 and financial position, significant debt
24 reduction in recent years. So I want to
25 kind of -- my question is along the lines of

1 the status quo. And if from, Mr. Mace, your
2 assessment a year or so ago, basically, if
3 we stay in the status quo, JEA is still in a
4 very good position. Am I correct in such?
5 Kind of want to piggyback on the questions
6 that Councilwoman Morgan asked. I mean, how
7 has it changed all the questions in the year
8 if we remain at status quo, if we're in a
9 good cash position, we reduce debt, how is
10 that a major change in what we've been
11 hearing, reduction of staff and things like
12 that?

13 CHAIRMAN BOYLAN: Mr. Mace, in case you
14 didn't quite catch the question, you
15 mentioned early on the fact you're likely
16 the evaluation today would probably be
17 higher. And what Mr. Dennis, I believe, is
18 asking, whether or not given the fact we
19 have seen improved numbers across the board
20 in reduction of debt, do you see us being
21 viable to continue in a status quo
22 situation?

23 MR. MACE: Well, certainly right now JEA
24 is strong financially with high credit
25 ratings, good cash flow, lower debt than it

1 has. And looking at how over the past
2 couple years it's changed, I would say from
3 the perspective of a buyer, there probably
4 hasn't been a major difference in how it
5 would look at JEA; all those features were
6 in place two years ago, they are now. I
7 think the financial markets are stronger
8 even than they were two years ago, so that
9 would argue for a higher value.

10 I think the supply-demand aspects of the
11 fact that there are fewer utilities, it
12 seems, every year because of mergers and
13 acquisitions, that they still want to grow,
14 they have to look at remaining utilities and
15 they have to -- and they're starting to look
16 at public power. So I think all those
17 forces combine to say that there would still
18 be very strong interest in JEA.

19 There's been reference to the challenges
20 in the utility business and what's going on
21 in the past couple of years and what is
22 likely to continue to some degree. And
23 that, I think, is something that all
24 utilities look at, even the acquirers, as
25 challenges to their business. But I think

1 in their view, the overwhelming desire is to
2 grow and add shareholder value. And so they
3 have continued to highly value utilities in
4 spite of some of the challenges that we all
5 know of.

6 CHAIRMAN BOYLAN: Thank you,
7 Mr. Mace.

8 I'm going to move on here to my left
9 side. We're going to come around this way.
10 I promise the next set of questions you guys
11 will get to go first.

12 Mr. Hazouri.

13 COUNCIL MEMBER HAZOURI: Thank you.
14 I'll try to be quick. And, by the way, Mr.
15 -- our president is out of town and is on
16 his way back, that's why he's not here
17 today.

18 First to Ms. Stewart, Kerri, do you --
19 in the five -- or four or five scenarios
20 that we have, and it probably alludes back
21 to the Long Island utility that's a hybrid,
22 you said, a while ago. Are we
23 considering -- and I don't know how you
24 describe this hybrid if it is a hybrid -- a
25 private utility in this ITN as you

1 negotiate -- and I don't know if it's part
2 of the 16 or not -- a private enterprise
3 managing the JEA, but we still own it as a
4 city and they give us X number of dollars,
5 whatever, however that would work? Is that
6 part of that scenario of the five categories
7 that you have?

8 MS. STEWART: Through to Chair to
9 Council Member Hazouri. I'm not privy to
10 any of the responses from the nine remaining
11 responders so that --

12 COUNCIL MEMBER HAZOURI: No. I'm not
13 asking about the responders -- I know I
14 brought it up -- as much as asking about is
15 that one of the categories or is it included
16 in one of the categories of our options that
17 we have?

18 MS. STEWART: The three categories as
19 laid out are co-op or community owned; IPO,
20 which is investor owned; and/or an entity
21 making an offer through the ITN process for
22 a new business model.

23 So what I'm -- I'm saying there may be
24 an offer like that within the ITN responses
25 from one of the companies, but that's not

1 what we set out looking for.

2 CHAIRMAN BOYLAN: We'll be addressing
3 down the road here, but if we can stay on
4 the history now, I'd appreciate it.

5 COUNCIL MEMBER HAZOURI: To Mr. Mace,
6 thank you. You're here under friendlier
7 circumstances than you were last year.
8 There is a big -- as Mr. Salem said, you
9 still got some fill-in-the-blanks, since
10 you've been doing this for 17 years, you
11 said, with the JEA --

12 MR. MACE: Yes.

13 COUNCIL MEMBER HAZOURI: -- as advising.
14 I would ask that you go back and try to
15 update as best you can. I don't want to
16 leave any stones unturned where we get
17 reports back either in March or whenever
18 that they forgot to include Plant Vogtle as
19 part of the debt, even though I know you
20 cited it here, or that anything is left
21 over, whether it's the employee benefits,
22 whether it's the senior management,
23 whatever, all these dollars are going to be
24 included so we don't have to come back and
25 say, Oh, we left out the pensions or we left

1 out this. I think it needs to be updated
2 the next time we get together as you
3 proceed.

4 And my last question is you come from
5 Orlando? I mean, yourself.

6 MR. MACE: No. We have an office in
7 Orlando. I work in Charlotte.

8 COUNCIL MEMBER HAZOURI: In Charlotte.
9 Do y'all have -- have y'all done -- Orlando
10 utility is a public utility, it's about half
11 our size. Have y'all advised them in any
12 circumstances, do you know of any
13 circumstances they sought to sell their
14 utility?

15 MR. MACE: We are the financial advisor
16 to Orlando's utility service.

17 COUNCIL MEMBER HAZOURI: Then that
18 question would go to you directly.

19 MR. MACE: We have not performed any
20 analysis related to the possible sale.

21 COUNCIL MEMBER HAZOURI: They haven't
22 asked for a review to sell the Orlando
23 public utility?

24 MR. MACE: That is correct.

25 COUNCIL MEMBER HAZOURI: Thank you.

1 CHAIRMAN BOYLAN: Thank you.

2 Ms. Priestly Jackson.

3 COUNCIL MEMBER PRIESTLY JACKSON: Thank
4 you, Mr. Chair. I just have a couple
5 questions.

6 The first is you stated that the
7 historically -- historical tax benefits from
8 municipally owned tax utilities like JEA and
9 independently owned leveled out. What year
10 was that, that they're not as significant a
11 difference now? In what year would that
12 have been?

13 MR. MACE: That was in reference to the
14 borrowing cost differential. So
15 governmental utilities can sell tax exempt
16 bonds, so the interest rate they pay on
17 their bonds when they borrow money has long
18 been less than what a public or for-profit
19 entity would pay in interest. Because when
20 FPL goes and sells bonds, the interest on
21 those bonds is taxed; so they borrow at a
22 higher cost than JEA. They also have
23 equity, which is at a higher cost.

24 I would say, over the last five years,
25 is when that differential between a tax

1 exempt borrowing cost and a taxable
2 borrowing cost has really started to
3 compress.

4 COUNCIL MEMBER PRIESTLY JACKSON: Okay.
5 So could we get specific dollar valuations
6 on that? Because I would like to know what
7 that actually looks like, because to me
8 that -- I took it as a broad swath that
9 there were not significant differences
10 between municipally owned and their ability
11 to borrow and privately owned. I think we
12 need to know what those actual dollars are
13 and when that change came into effect. So
14 if you could give us that.

15 The other question that I have is I
16 don't understand if -- you have been working
17 with JEA since 2001; correct?

18 MR. MACE: Correct.

19 COUNCIL MEMBER PRIESTLY JACKSON: Okay.
20 So there is, in your report, starting on
21 page 20 and going straight through to page
22 23, there are a list of other considerations
23 and impacts to the city and customers.
24 Those considerations, by definition, are the
25 variables that make a municipally owned

1 utility attractive.

2 I am concerned that the valuation that
3 came out did not include those. So it did
4 not talk about pension benefits, did not
5 talk about specific cost of FEMA
6 reimbursement benefits. It did not talk
7 about other policies like renewable energy
8 and other things that JEA has been engaged
9 in actively because, by its nature, it is
10 municipally owned. So the bottom line for
11 it was not a return on investment for
12 shareholders, but a return in reasonable
13 energy rates for the residents of Duval
14 County and making certain we explore the
15 most innovative energy options available.

16 So I'm a little challenged with a
17 valuation that's based on kind of the
18 private market when we, by definition, are
19 a -- are not in the private market; we're
20 municipally owned.

21 So, Mr. Chair, I need valuations
22 attached to those, because other -- you
23 know, anybody who understands the return on
24 investment for shareholders for a
25 corporation gets -- their mission is bottom

1 line return on investment in dollars.

2 COUNCIL MEMBER HAZOURI: They come
3 first.

4 COUNCIL MEMBER PRIESTLY JACKSON: To me,
5 that's not the appropriate comparison for
6 municipally owned utilities whose bottom
7 line is not. So you outlined the variables
8 very good, but there is no valuation
9 attached to this. So I'm somewhat
10 hamstrung. So I think that information is
11 readily available for that time period, and
12 I would like to see that as well.

13 CHAIRMAN BOYLAN: Thank you,
14 Ms. Priestly Jackson.

15 Ms. Pittman.

16 COUNCIL MEMBER PITTMAN: (Indicating.)

17 CHAIRMAN BOYLAN: Mr. Becton.

18 COUNCIL MEMBER BECTON: Thank you.

19 What is the current status of PFM's
20 business with JEA?

21 MR. MACE: We're their financial advisor
22 primarily when they do bond transactions.
23 The last bond transaction we did was two
24 years ago. And we were then asked to
25 provide this report. We've assisted JEA in

1 the bidding of some of its debt retirement
2 activity. When it goes out and buys
3 securities to pay off debt, we bid that out
4 competitively for them. But we have had no
5 involvement in the overall evaluation
6 process that's going on.

7 COUNCIL MEMBER BECTON: All right.
8 Thanks. Do you have any information, as far
9 as the outlook across the country, of how
10 utilities -- I'm thinking like a pie chart
11 of private versus co-ops versus government
12 owned -- of what that percentage of each one
13 looks like?

14 MR. MACE: So in the electric utility
15 industry, there are probably about 2,000
16 municipally owned utilities. And they
17 provide electric service to about 15 percent
18 of the public. On the investor owned
19 utility side, that number of regulated
20 holding companies is about 40 or so, and
21 they provide electric service to about 75
22 percent of the public. And we can provide
23 graphics that describe that.

24 And the gap in between, the 10 or 11
25 percent, are electric cooperatives. On the

1 water and sewer side, that's probably
2 flip-flopped, such that the predominant
3 provider would either be local governmental
4 utilities, small private companies with a
5 limited number of large public companies.

6 COUNCIL MEMBER BECTON: So that was 10
7 percent left of the co-op type of
8 organizations?

9 MR. MACE: Yes.

10 COUNCIL MEMBER BECTON: Do you have any
11 coverage in terms of -- you said 2,000 for
12 government owned? And what was that number
13 on private?

14 MR. MACE: Roughly 40. There is about
15 1,000 electric cooperatives, again, serving
16 small rural areas.

17 COUNCIL MEMBER BECTON: Okay. And my
18 last question is: So do you have any
19 comparable example of any utility that's
20 gone from government to privatization or
21 co-op, I guess, but mostly privatization
22 that we could use to kind of benchmark over
23 a period of time how it's worked out?

24 MR. MACE: Well, there is not a direct
25 comparable to a utility of this scale that

1 has gone from governmental to private hands.
2 There is Vero Beach in Florida that was sold
3 to FP&L recently, but much smaller and
4 different set of circumstances.

5 There is the Long Island Power Authority
6 model where they went to this hybrid model.
7 That's over a million customers, over 3
8 million population on Long Island.

9 COUNCIL MEMBER BECTON: Just last
10 follow-up question: So why do you think
11 that is? Why is this such a rare commodity
12 with so many government owned utilities out
13 there that this is unique or rare?

14 MR. MACE: Well, I think one of the key
15 reasons is what I touched on earlier. We've
16 had this question raised to us and my
17 company very many times over the last
18 20-plus years. When it was 10 or 15 years
19 ago, it was the simple math that said, Well,
20 JEA can borrow in the tax exempt market at
21 four percent. FPL goes out into the taxable
22 market and might borrow at six, they might
23 have equity that costs 10.

24 So when the utility industry was very
25 capital intensive and public power utilities

1 had a tremendous advantage on the capital
2 cost side and that they didn't pay taxes, it
3 was simple math to say that public power is
4 a lower cost model.

5 Now we've had a lot of changes in the
6 industry. We haven't had many sales of
7 assets, but I would expect this kind of
8 evaluation, the interest that the large
9 utilities have in public power systems, I
10 would expect that to continue, but we're
11 more on the front end of that wave would be
12 my --

13 COUNCIL MEMBER BECTON: So would you
14 agree that our political climate and
15 certainly our federal debt and all those
16 things that go into how interest rates are
17 set, is certainly always tomorrow it could
18 be different?

19 MR. MACE: Correct.

20 COUNCIL MEMBER BECTON: Absolutely.

21 CHAIRMAN BOYLAN: Thank you.

22 Mr. Carlucci, saved the best for last.

23 COUNCIL MEMBER CARLUCCI: I'm not sure I
24 have better questions than my smart
25 colleagues up here.

1 But I just want to clear up one thing
2 that you said, and this gets said all the
3 time, this is not to be contentious. But
4 said if we have -- I'm talking about FEMA
5 and storms. You said, If we have a big
6 event. You might want to change that to,
7 When we have a big event. Because the
8 insurance industry, which is where I come
9 from, predicts more frequent and more severe
10 hurricanes now and going forward into the
11 future. So those FEMA funds are going to
12 play a big role in mitigating higher rates
13 to the ratepayer in order to satisfy the
14 shareholder. That's just a statement.

15 I guess my big question -- I've called
16 some public utilities here in Florida,
17 around the country -- Why aren't y'all
18 selling because of all these headwinds?
19 Because there are headwinds. My industry
20 faces headwinds, everybody's industry is
21 facing headwinds. You either take them on
22 and you invest in solving those. I have no
23 idea how much money has been spent from the
24 point when this thing started to here, but I
25 would imagine that's a lot of capital that

1 could have gone into finding solutions to a
2 larger market share.

3 Has anybody thought about that? Why the
4 trend is that most municipalities are going
5 back to the utility -- public utilities and
6 even buying private utilities back at a
7 higher price, and they're willing to do that
8 for the local control, and how much money
9 has been spent to this date that could have
10 been used towards capitalization of
11 solutions for the headwinds that the JEA is
12 facing?

13 MR. MACE: Well, we haven't been charged
14 to evaluate monies spent to date on this
15 process. We haven't been a part of the
16 process. But the question as to why isn't
17 everybody else considering a sale of their
18 governmental assets is certainly a good
19 question.

20 We see across the country various local
21 governments look to privatize, look for more
22 efficiency, potentially, and going to the
23 private markets for some of their services.
24 But there hasn't been a sweeping movement,
25 by any stretch of the imagination, to go

1 toward privatization.

2 I think, as I said before, you have some
3 unique more recent circumstances on the part
4 of some of the utility companies where there
5 is strong demand and there are attractive
6 candidates and there are -- there is less of
7 a cost headwind than we saw in the past. So
8 I can't say why other -- some people or some
9 governments do consider it and some don't.

10 COUNCIL MEMBER CARLUCCI: Okay. So I'll
11 take your answer at that.

12 This is a city-owned utility. This is a
13 city-owned asset, the JEA. Did the JEA --
14 because I wasn't here with the previous
15 Council when all this started. Who gave the
16 charge? And was there any conversation with
17 the City Council about, We'd like to explore
18 this idea; what do you think? Or did the
19 JEA just kind of take off with it? Because
20 I haven't been able to find anywhere where
21 the Council was included in this decision to
22 go down this path.

23 MR. MACE: Well, I don't know what may
24 have gone on with the Council. Our
25 involvement came via what I saw was the

1 board chair directing to JEA management to
2 evaluate this, and then JEA management
3 contacting myself and my firm. I have no
4 knowledge of --

5 CHAIRMAN BOYLAN: Perhaps Mr.
6 Crescimbeni can address that question when
7 he comes up here. Thank you. Appreciate
8 that.

9 COUNCIL MEMBER CARLUCCI: One last
10 question: Did I understand this right? I
11 may have missed this, but it sounded like
12 you mentioned that fewer private companies
13 were serving more people.

14 MR. MACE: That's correct.

15 COUNCIL MEMBER CARLUCCI: Okay. That
16 might be why the JEA and those consider our
17 service to our customers after catastrophic
18 events so much better, because we're not
19 spread out as big. I think that is one of
20 the biggest issues to me. And I don't know
21 if you have taken that into consideration.

22 And I'll leave my questions at that,
23 Mr. Chairman. Thank you.

24 CHAIRMAN BOYLAN: Appreciate it very
25 much, the time, Mr. Mace. Thank you for

1 your time today. And I will offer a
2 calendar, but I do appreciate your time and
3 knowing this is only a bite of your apple
4 and today is it. Thank you for taking the
5 time.

6 Mr. Billy, I'm going to invite you up at
7 this point in time. Give us about 15
8 minutes, abbreviate just a bit, and we'll
9 leave our questions hopefully brief. What
10 I'm suggesting of Mr. Billy is to really
11 talk about the value of the utility to us as
12 a city, not necessarily market value to a
13 private investor.

14 So, Mr. Billy, I was very much intrigued
15 by your report from last year. I know it
16 was an impetus in support of the special
17 committee that worked on the future of JEA.
18 So, again, we'll give you 15 minutes here to
19 speak to your findings.

20 MR. BILLY: All right. Can you hear me
21 okay?

22 COUNCIL MEMBER DEFOOR: Yes.

23 MR. BILLY: Okay. So the first thing I
24 did point out in the report is JEA's
25 contribution to the city general fund. And

1 I state although JEA does not make property
2 taxes, JEA has contributed to the city
3 general fund every year since consolidation.
4 Initially, the way it was written is JEA --
5 the City was allowed to take up to 30
6 percent of JEA's gross revenues. And at
7 some point in the '70s, they established the
8 contribution. What that did was give JEA
9 certainty before the start of the budget
10 year as to how much they would have to pay
11 the City, and give the City certainty as to
12 how much they would receive from the JEA.

13 So the current formula is in effect
14 through September 30th of 2023. In the
15 current fiscal year, JEA will pay \$118.8
16 million to the City and the contribution as
17 a floor, or a minimum bump, where it will go
18 up one percent each year.

19 And one thing I pointed out in the
20 report was that, when you're putting the
21 budget together, the budget office, and when
22 we're reviewing it, you're estimating
23 revenues. And revenues can come in, maybe
24 they come in a little bit more, little bit
25 less than you budgeted, but for JEA you

1 always know the exact amount you're going to
2 get.

3 And then we point out that, if JEA was
4 sold, that the City would no longer receive
5 that contribution and that would create a
6 hole in the city budget. However, a private
7 utility would pay ad valorem taxes. So what
8 we did was try to figure out how much ad
9 valorem tax a private utility would pay.
10 The answer is you really don't know.

11 But at the time we took JEA's tangible
12 personal property, which they report to the
13 property appraiser, and we took the property
14 appraiser's market value that they had for
15 JEA's real estate and computed that perhaps
16 a private utility would pay \$60 million in
17 ad valorem taxes. So that 60 million would
18 go toward filling the \$118 million hole in
19 the budget.

20 When we did that, we took out, we did
21 not include the property for the St. Johns
22 River Power Park, because we knew that was
23 going to be dismantled. And this report is
24 from a year and a half ago. And we did not
25 include the downtown headquarters tower

1 because at that time we thought that was
2 going away.

3 So how would you fill the hole between
4 the contribution and the sale proceeds. One
5 option -- or you've got options to pay
6 things off. You could pay off the city
7 general fund supported debt. If we did
8 that, that might save \$90 million a year in
9 debt service; so that's one way to fill that
10 hole.

11 Another option was to pay down -- use
12 proceeds toward the city pension, and that
13 would lower the amount that the City has to
14 contribute to the pension; and so that would
15 be a way to fill that hole.

16 A third option we mentioned was that a
17 portion of the sales proceeds could be set
18 aside permanently to generate a revenue
19 stream. And we just used an example, \$2
20 billion invested in a 30-year treasury bonds
21 at 3 percent would generate \$60 million
22 annually.

23 So those were just some ways we looked
24 at, Well, if you didn't have JEA making a
25 contribution, how would you fill the hole

1 from not receiving the city contribution.

2 One thing we did point out was that you
3 will never use proceeds from the sale to
4 directly fill the hole. And that just comes
5 back to what we always say is, You don't use
6 one-time money for reoccurring expenditures;
7 because when it's gone, it's gone.

8 But, really, the bulk of our report was
9 about additional contributions that JEA has
10 made to the City. So we went back and
11 researched many decades of what types of
12 additional factors should the City consider
13 besides the monetary factors of the
14 contribution or how much money you would get
15 from selling JEA.

16 We noted that in 1996 the Environmental
17 Protection Agency issued an administrative
18 order to the City of Jacksonville because of
19 sanitary sewer overflows due to poor sewer
20 infrastructure. So understand that at that
21 time the City had a public utilities
22 department that ran the water and sewer
23 utility for the City. And so that's what
24 was happening. We were under an EPA
25 administrative order.

1 What happened, though, on June 1st,
2 1997, the City gave the water and sewer
3 utility to JEA, JEA took over. And in 1998
4 JEA started its groundworks program to
5 dedicate resources to the water and sewer
6 system. It improved things so much that the
7 EPA lifted the administrative order that
8 same year, in 1998.

9 And at the time we put this report
10 together a year and a half ago, JEA had
11 invested \$3.6 billion in capital
12 improvements to the water and sewer system.
13 That's 3.6 billion.

14 Next we noted that prior to JEA taking
15 over the water and sewer utility, the City
16 never got a contribution from that water and
17 sewer utility. But once JEA took it over,
18 they started making a contribution to the
19 city general fund each and every year.

20 So when you hear JEA contribution, it's
21 made up of two parts: the electric part and
22 the water sewer. And the water sewer part
23 is about 25 million of that 118 million that
24 I mentioned.

25 Third, at the time the City financed the

1 River City Renaissance Project in the '90s,
2 the City always used fixed rate bonds. JEA,
3 though, was a big believer in variable rate
4 debt, because it was less expensive, it
5 saved them a lot of money. The City was
6 reluctant to use that because, of course, if
7 the rates rise, all of a sudden, you could
8 be in a quandary having to pay a lot more
9 interest.

10 So what JEA did was, to guarantee the
11 maximum amount of interest that the City
12 would pay on variable rate debt, on \$242
13 million worth of variable rate debt, so
14 that's what the City did to issue the River
15 City Renaissance Project with JEA
16 guaranteeing that we would pay no more than
17 that. They managed the program for us.

18 In 2001 we noted JEA that expanded its
19 water and sewer territory significantly with
20 the full support of City Council. All 19
21 council members sponsored ordinance
22 2001-880, which approved the financing and
23 appropriated funds for JEA to purchase
24 United Water, a private water and sewer
25 utility. This increased JEA's service

1 territory, adding approximately 36,000
2 customers. It lowered water and sewer rates
3 for almost all of those former United Water
4 customers. And as JEA expanded, it
5 increased the contribution to the city
6 general fund.

7 We also noted, as was mentioned earlier
8 today, that JEA partnered with the City for
9 a joint projects agreement so that utility
10 and drainage projects can be accomplished at
11 the same time, thereby avoiding overlapping
12 construction costs and multiple traffic
13 disruptions. This coordination was
14 especially helpful during the Better
15 Jacksonville Plan.

16 Also, during the Better Jacksonville
17 Plan, JEA performed the project management
18 function for the \$75 million septic tank
19 remediation project.

20 We've noted that JEA has an economic
21 development program writer with two rate
22 programs to attract new business to
23 Jacksonville. When we put this report
24 together, Sysco International Food Group,
25 Dresser Equipment Group, and Hans Mill

1 Corporation were all utilizing the program,
2 which gives them a special elected rate.

3 When the City received Cecil --
4 essentially, Cecil Field, from the United
5 States Navy, and wanted to turn it into
6 Cecil Commerce Center, JEA spent
7 approximately \$53 million on electric, water
8 and sewer infrastructure at Cecil Field to
9 assist the City in creating a commerce
10 center.

11 That is -- that's something they did not
12 have to do. Normally JEA -- a utility is
13 going to want the developer to put it in and
14 deed it over. You're sure not going to do
15 it when there are no customers out there.
16 But JEA spent approximately \$53 million to
17 do that. The infrastructure out there was
18 just really either nonexistent or the way
19 the Navy did things was much different than
20 the way we do things --

21 CHAIRMAN BOYLAN: Mr. Billy, because of
22 time constraints, I'm going to ask, it might
23 be more useful of our time, if we went ahead
24 directly to questions. I think you have
25 given us a good sampling of what tangible

1 return on investment is. Are there any
2 particular intangible investment
3 opportunities?

4 MR. BILLY: How about I just hit a few
5 high points before we do that. I know
6 you're pressed for time.

7 JEA spent approximately \$20 million to
8 purchase over 5,000 acres of preservation
9 land to compliment the City's preservation
10 project. JEA constructed the chilled water
11 plants for Better Jacksonville. Let me
12 explain why that's important. That was a
13 \$2,250,000,000 budget, and each building had
14 its own budget. And what they did was help
15 the City stick to the budget.

16 At your house you've got an inside air
17 conditioning unit, the air handler, you've
18 got the outside unit, which is the condenser
19 and compressor. What JEA did by building
20 those chilled water plants is to build all
21 the outside parts so the City could make
22 budget on the ballpark, the arena, the
23 courthouse, the library. So they've done
24 that. And then we pay them back through the
25 rate. They financed our radio system for

1 us.

2 I know you're pressed for time. I will
3 point out that this report is on our website
4 if anyone does not have a copy of it and
5 wants to see it.

6 As part of their contribution, I know it
7 was mentioned that they gave \$15 million to
8 the City for septic tank phaseout. They've
9 given an additional 15 million since that
10 time. So 30 million toward septic tank
11 phaseout.

12 And, also, they give us nitrogen
13 credits, which help us meet our requirements
14 of the Florida Department of Environmental
15 Protection. They give a discounted rate on
16 the leachate from the landfill, which is
17 very important for the landfill budget. The
18 leachate is when it rains and the water goes
19 through all that garbage and comes out the
20 bottom. They put it in tanker trucks and
21 they take it to the Buckman Sewage Plant.

22 It's very expensive. The City is
23 currently trying to build an evaporator to
24 deal with it. But right now JEA gives the
25 City quite a break on the rate to treat

1 that.

2 And I'll point out FEMA funds were
3 mentioned. And what we found -- and we've
4 not updated this for Matthew and for Irma.
5 But, again, when there is a hurricane, JEA
6 is eligible and receives FEMA reimbursement
7 just like the City does.

8 What the private utilities do is they
9 put an assessment on the customers' bills.
10 And we give numerous examples of that here
11 in our report.

12 And we also noted where JEA's
13 contribution is a pledged revenue for the
14 City's bonds, for Jacksonville Port
15 Authority's bonds. And we mentioned
16 JEA's -- lots of their involvement with the
17 City, all their employees, their downtown
18 headquarters.

19 We also point out the private utilities
20 may not pay as much as one would think in
21 ad valorem taxes. And in our report on page
22 6, we give examples of where private
23 utilities challenge their assessments. And
24 so that happens quite a bit so that they
25 won't have to pay as much in property taxes.

1 And we point out that just the local
2 control, the factor that the headquarters is
3 essentially right across the street from the
4 City Hall and that their emergency operation
5 center is also very close to the City's
6 emergency operation center.

7 CHAIRMAN BOYLAN: As I recall too, one
8 thing most dramatic for me, was the overall
9 economic impact through procurement,
10 et cetera, as well. That's another big
11 piece of the puzzle.

12 MR. BILLY: Also, we pointed out that,
13 if the City sells JEA and then later gets
14 seller's remorse, you can't necessarily get
15 it back. And we give an example of where
16 the Port Authority at one time owned all of
17 Blount Island, but sold half of it.

18 And, again, the report is on our
19 website. And I'm happy to answer questions.
20 I think I've hit the high points.

21 CHAIRMAN BOYLAN: It's only an
22 eight-page report. I do encourage -- it is
23 available online to review.

24 MR. BILLY: One other thing I just have
25 to mention is, after a hurricane or storm,

1 JEA makes it a priority to restore electric
2 service to JEA's sewer infrastructure. And
3 what I've said is that thereby reduces the
4 potential ripple effects of the storm.
5 Because it's bad enough if your refrigerator
6 doesn't work and your air conditioning, but
7 if the sewer lift stations stop working and
8 your sewer backs up, you've got a host more
9 of problems.

10 I'm happy to answer any questions.

11 CHAIRMAN BOYLAN: I apologize for the
12 brevity of your report.

13 MR. BILLY: I'm sorry. There is so much
14 in this report. I'm trying to help you with
15 time.

16 CHAIRMAN BOYLAN: There is a great deal.

17 MR. BILLY: But I also have to mention
18 we have a whole chart here in attachment one
19 at the back, where the Duval County School
20 Board would not receive as much in taxes as
21 people think on the operating side. The way
22 the formula works is that the -- if they
23 receive more money from the required local
24 effort or the discretionary local effort,
25 that would likely be offset by a decrease in

1 state funds so they would receive -- we
2 figured out they'd receive an additional
3 8 million a year on the capital side, but
4 they would not necessarily receive any
5 additional ad valorem tax funds on the
6 operating side.

7 With that, I'll take questions.

8 CHAIRMAN BOYLAN: Thank you.

9 I'm going to start with Mr. Carlucci
10 this time.

11 COUNCIL MEMBER CARLUCCI: I think he hit
12 all the points I have been waiting to hear
13 for a long time.

14 And I'm going to tell you, I'm going to
15 make this commentary: Mr. Billy is of the
16 greatest integrity and he is one of the
17 greatest resources in the City of
18 Jacksonville government. And what he says,
19 you can take it to the bank.

20 And I appreciate the effort you put into
21 this. And I appreciate the Council Auditor
22 and his office and what they do for us.
23 That's all I have, sir.

24 CHAIRMAN BOYLAN: Thank you.

25 Mr. Becton.

1 COUNCIL MEMBER BECTON: Thank you.

2 Just one question: So on page 2 you
3 referred to option three where a portion of
4 the sales proceeds could be permanently set
5 aside. I've often heard this referred to as
6 a lockbox. Can a council actually
7 permanently set aside funds against future
8 Councils to guarantee a revenue source?

9 MR. BILLY: Through the Chair to Council
10 Member Becton. I guess I would say that is
11 a legal question. But we give an example
12 here: One of our concerns about that option
13 was a house bill that was filed. And it
14 died in the government accountability
15 committee. But it would have prohibited
16 local governments from increasing taxes if
17 the government had excess fund balances.

18 And so I don't know that anything is
19 permanent or if something would not come up
20 that would interfere or --

21 COUNCIL MEMBER BECTON: I guess I've
22 always heard 10 votes everything. So I
23 would assume if we have money set aside,
24 then 10 votes could redirect those dollars
25 into anything they want on a year-by-year,

1 budget-by-budget basis.

2 CHAIRMAN BOYLAN: We'll save that
3 question for Ms. Sidman to address at the
4 future meeting: Is a lockbox possible and
5 what would it take to maintain it?

6 Ms. Pittman.

7 COUNCIL MEMBER PITTMAN: I'm just
8 floored right now.

9 CHAIRMAN BOYLAN: Ms. Priestly Jackson.

10 COUNCIL MEMBER PRIESTLY JACKSON: Thank
11 you, Mr. Chairman.

12 And thank you, Mr. Billy, for your
13 report. You kind of articulated the very
14 concerns I raised with others in terms of
15 the advantages of a municipally owned
16 utility. I think, for me, since I'm not an
17 accountant, I would like to get a valuation
18 of all of those that you've highlighted for
19 us in your report.

20 But I do have one question -- which I
21 view the presentation prior to yours from
22 PFM as kind of the JEA perspective in the
23 push for privatization. And I view your
24 sharing of information as the Council
25 Auditor with the advantages of a municipally

1 owned utility of the factors we have to
2 consider. And so I think, when you take
3 those two in tandem and you're able to merge
4 facets of the report, you have a
5 comprehensive report. And that, I
6 appreciate.

7 My challenge is, according to Florida --
8 according to our Charter Article 2104 -- and
9 this came up last meeting -- 2104(p), in
10 light of PFM sharing valuation for
11 privatization, and in light of your giving
12 us the advantages of a municipally owned
13 utility and factors we could consider, and
14 our ability to include that information,
15 were you, at any point in time, consulted in
16 reference to 2104(p)?

17 The language states that the provided --
18 if you look down halfway to P, there is
19 language in there that we mentioned last
20 time that provided, however, that JEA will
21 not enter any activity pursuant to this
22 section in addition to those activities
23 listed herein without first providing
24 written notice of such activities to the
25 Council Auditor no less than 30 days before

1 the commencement of such activity.

2 So before the JEA Board took the actions
3 on July 23rd, I believe, to decide to pursue
4 an ITN or anything else, had 30 days prior
5 to that your office ever been contacted to
6 say that they were pursuing any activities
7 relative to other options of capitalizing
8 JEA?

9 MR. BILLY: Through the Chair. Council
10 Member, I do not -- sitting here, I do not
11 know the answer. I would want to go and see
12 did I receive an email or did I have any --
13 I know that we received their board packets,
14 and so it could be construed, Well, the
15 board packet, if it has that information in
16 it, that could be possibly construed as
17 notification. That would be a legal
18 question.

19 I do not recall receiving anything, but
20 I would have to look and see if I've got an
21 email or a letter to answer your question
22 about 2104(p).

23 COUNCIL MEMBER PRIESTLY JACKSON:
24 2104(p), okay. So when you said you
25 sometimes receive their board packets, that

1 usually comes out when to you, to the
2 Council Auditor's office, before they have a
3 board meeting?

4 MR. BILLY: Usually, I guess, the
5 week -- a few days before --

6 COUNCIL MEMBER PRIESTLY JACKSON: But
7 not 30 days before, surely?

8 MR. BILLY: Not normally.

9 COUNCIL MEMBER PRIESTLY JACKSON: Okay.
10 And I think that's important. Because, to
11 me, that's the due process, the notice and
12 opportunity to be heard. So that would have
13 required -- you know, which makes sense.
14 How can you determine what 10 percent or
15 anything is unless you have a full valuation
16 of what the actual asset is worth? So, of
17 course, they have PFM, but you and your
18 office would be crucial in those factors
19 unique to a municipally owned utility
20 because you are the Council Auditor.

21 So, Mr. Chairman, I'm troubled by that.
22 I'm deeply troubled by that. And so I am of
23 the opinion that the actions taken by the
24 JEA Board on the 23rd of July did not
25 conform to the Charter and then, thereby,

1 should be voided. That is my position when
2 I'm looking into it, because I would
3 assume -- and I don't know, since this was
4 an addition to 2104(p), I would assume that,
5 when it was put in at the same time that
6 this 10 percent, greater than 10 percent has
7 to go to voters, that the way to determine
8 the value and to provide notice was embedded
9 therein.

10 If the Council Auditor did not see that
11 information pursuant to the ordinance 30
12 days before, I would take the position that
13 the actions taken by the JEA Board on the
14 23rd were void and not permissible under our
15 Charter. And so that's my concern.

16 MR. BILLY: If I --

17 CHAIRMAN BOYLAN: (Inaudible.)

18 MR. BILLY: Again, I'm not sure --

19 COUNCIL MEMBER PRIESTLY JACKSON: When
20 you get us back --

21 CHAIRMAN BOYLAN: Please check your
22 records and make sure. And, certainly, we
23 will provide Kerri Stewart and JEA, in the
24 next meeting, an opportunity to speak
25 directly to that concern.

1 Mr. Freeman.

2 COUNCIL MEMBER FREEMAN: I want to thank
3 you for this opportunity. Many of my
4 questions have been asked by my colleagues.
5 But I feel imperative just to go on the
6 record to say that I am happy that we're
7 having this discussion in a public space.
8 Too many times we're, as council members,
9 out in the street and folks ask us these
10 questions. So to finally get some of these
11 things out, I'm really appreciating it. I
12 just want to thank you all for the
13 opportunity.

14 CHAIRMAN BOYLAN: Thank you.

15 Mr. Hazouri.

16 COUNCIL MEMBER HAZOURI: Thank you,
17 Mr. Chairman.

18 I am a little bit troubled from what
19 Ms. Priestly Jackson mentioned. I hope that
20 OGC can give us an opinion, not just the
21 JEA, that we'll know where we stand. I
22 didn't know that was an issue. I mean, I
23 heard about it years -- months ago, but I
24 thought it had been resolved.

25 Kyle, can you make sure -- and I know

1 there's public record -- that what you've
2 given us today and what we have and JEA has,
3 y'all are in negotiations -- when they're in
4 negotiations and the other nine entities
5 that are negotiating, that they see some of
6 the things and if they don't know already
7 what the current JEA is doing as a result.
8 I know we can't guarantee that they're going
9 to do the same thing in their benevolence.
10 But I think that it's important that they
11 see what we're faced with versus whatever
12 they may come forward with. I think it's
13 important that they see the givens that
14 we're getting right now.

15 And if you can send that to them and ask
16 them to have them, each of the entities,
17 consider the utility companies that are --
18 have bit to let them know what they're
19 currently doing with the JEA now and if they
20 can fit in in any way with whatever the
21 proposals are going to be. I think its
22 important.

23 You know, they've done a lot of things
24 outside of their contribution in lieu of a
25 franchise fee or taxes. It's a lot more

1 than \$120-some-odd million. So if you can
2 ask that or send it to them on our request,
3 on the part of the Council, say, Please -- I
4 know it would make it easier to say, On the
5 part of the Council, instead of just coming
6 from the Council Auditor's Office, but based
7 on what you've given us. Thank you.

8 Is that all right, Mr. Chairman?

9 CHAIRMAN BOYLAN: That's great. I think
10 the whole point of this conversation today
11 is to get, as you said, the ying and yang to
12 this process, and that's why we're having
13 this conversation. I do appreciate that.

14 Ms. Cumber.

15 COUNCIL MEMBER CUMBER: Thank you.

16 Through the Chair.

17 So I just want to talk about the
18 contribution formula. Who sets that
19 formula?

20 MR. BILLY: Through the Chair. That is
21 the City Council.

22 COUNCIL MEMBER CUMBER: City Council,
23 okay. So you make a point that that number
24 is always static with the one percent
25 increase. And I see the formula will be

1 reset in 2021.

2 MR. BILLY: And, actually, ma'am, I'm
3 sorry, it's 2023 now. It was 2021 when we
4 wrote this report, but the City Council has
5 extended it two years.

6 COUNCIL MEMBER CUMBER: 2023, okay.
7 Great. So what I want to understand, it's
8 static, but money has to come from
9 somewhere. So if JEA loses customers,
10 whether people find different ways to go off
11 the grid or what have you, and as everything
12 we're doing becomes more efficient, what
13 point -- at what point when you look at it
14 will JEA either have to raise rates or that
15 contribution will have to be decreased,
16 because if there is fewer people putting
17 into the pot, then someone is going to have
18 to pay more. So I'm just trying to
19 understand will it be 2023 that we'll have
20 to tackle that or when will that be?

21 MR. BILLY: Through the Chair. And I'm
22 not sure as to when that would be. I know
23 somewhere in my report I mentioned how JEA
24 paid down \$400 million of debt on top of
25 their normal debt in a certain number of

1 years, essentially pointing it out that they
2 had additional cash flow. And so I don't
3 know that the contribution certainly by
4 itself is that big a factor in the whole
5 scheme of things. Fuel is a huge cost to
6 them.

7 And so I really don't -- I don't know.
8 But I know, again, we pointed out where they
9 do have extra cash flow. They've been
10 paying down considerable amounts of debt
11 recently.

12 COUNCIL MEMBER CUMBER: So you think
13 they can continue with the contribution
14 increasing one percent every year and not
15 have to account for any reduction in money
16 that they're getting from customers or from
17 usage?

18 MR. BILLY: Through the Chair. I
19 believe they can continue the contribution
20 and increase it at one percent a year and
21 that would not be -- the contribution would
22 not be the reason that they had to raise
23 rates. It's 118.8 million a year, that's a
24 large amount of money. But if you look at
25 their total budget, again, their debt

1 service is a large number, but fuel is
2 probably their biggest number. Even when we
3 look at salaries and things, and I'm
4 thinking the salaries are maybe 200 --
5 between 2- and 300 million, the contribution
6 is down on the lower end. There's a lot of
7 things that cost more.

8 COUNCIL MEMBER CUMBER: Thank you.

9 CHAIRMAN BOYLAN: Ms. Morgan.

10 COUNCILWOMAN MORGAN: Yes. Thank you so
11 much.

12 Mr. Billy, thank you. We're aware that
13 many private companies are really good
14 community partners, but I would have to say
15 that JEA is well above that. They're an
16 invaluable resource here in our community.

17 So as companies look at getting ready to
18 buy an entity like JEA, where would they
19 really get the money? And I say that
20 because I'm looking at how you follow the
21 money. So my thought is, if a city gets a
22 huge windfall, which we would, but all of us
23 are the ratepayers anyway, I mean every last
24 one of us, you know, pays JEA. So,
25 ultimately, when a new company comes in,

1 aren't we going to be paying for our own
2 sale? I mean, they're going to raise rates
3 at some point. They can keep it static
4 based on the ITN for a little while, but at
5 some point, we're going to pay.

6 MR. BILLY: Through the Chair to --
7 through the Chair. I would say, as Mr. Mace
8 indicated earlier, they can borrow funds and
9 they have to pay the interest on the
10 borrowed funds or they have -- public -- or
11 the private companies pay dividends to their
12 stockholders, and so they've got to pay for
13 that.

14 And so, yes, if a private company is
15 going to come up with billions of dollars to
16 buy JEA, they will expect, over a long
17 period of time, to be repaid and to pay
18 dividends on that.

19 COUNCILWOMAN MORGAN: And that's us.
20 Just a thought.

21 CHAIRMAN BOYLAN: Thank you.

22 I am going to apologize to everybody. I
23 have grossly mismanaged our time today. And
24 I apologize for that.

25 I'm going to ask the indulgence of the

1 group, if we can defer Mr. Crescimbeni until
2 the next session so that we can have his
3 presentation. And Mr. Crescimbeni, is he
4 shaking his head yes or no? I can't see
5 him.

6 I think it does reflect -- and I hope
7 for the folks in the room and people maybe
8 watching or listening to this -- my
9 colleagues and I are taking very, very
10 seriously this process. So the opportunity
11 for us to ask these difficult questions and
12 get these answers is important. So please
13 interpret this as we care and it matters to
14 us. And we know it's our responsibility,
15 and we're not going to rush our decision in
16 this process. So please bear with us as we
17 continue to wade through it.

18 With that, Mr. Ferraro.

19 COUNCIL MEMBER FERRARO: Thank you.

20 Most of my questions have already been
21 answered, but I wanted to ask you something
22 on the contributions. We keep hearing that
23 the JEA would not be able to continue the
24 contributions to the City. It sounds to me
25 like what you're saying is that they can do

1 that, but they could even do more without
2 putting themselves in a problem.

3 MR. BILLY: Through the Chair. I think
4 they can continue to make their
5 contribution. And, again, the contribution
6 by itself would not be a reason they would
7 have to raise rates.

8 And so I'll stick by -- I know that when
9 Mr. Zahn interviewed for the permanent
10 position, and it was about a year ago now,
11 in his interview he was asked what success
12 would look like 10 years down the road. And
13 his answer to that included a statement
14 about he thought success would include
15 doubling the contribution to the City.

16 Now, the current contribution is one
17 percent a year. So at the end of 10 years,
18 you know, you're up 10 percent roughly, a
19 little bit more.

20 But, anyway, I think, yes, the City can
21 definitely -- the JEA can make that
22 contribution, that is not the thing that is
23 going to be the, Oh, because of the
24 contribution, we have to raise rates.

25 JEA can raise rates, and I'll point that

1 out. JEA is a monopoly, they can raise
2 rates. The board across the street sets the
3 rates; whereas, with private utilities, it's
4 done over in Tallahassee with the Public
5 Service Commission.

6 And what else do you buy should JEA
7 raise rates at times, I don't think it's the
8 end of the world. What else do you go and
9 buy that doesn't go up almost every year? I
10 mean, every time you go buy something, it's
11 more expensive than it was previously. So I
12 don't think that raising rates is a terrible
13 thing should that occur. You want to look
14 at where do you stand with your peers, and
15 I --

16 COUNCIL MEMBER FERRARO: From where
17 you're looking, though, could they do that
18 without raising rates?

19 MR. BILLY: JEA has charts. And we can
20 get you a chart that shows where they stand
21 in relation to their peers on the electric
22 side and the water side.

23 COUNCIL MEMBER FERRARO: Do you think
24 they could do a more contribution without
25 raising rates through what you've looked at?

1 MR. BILLY: I know I pointed out --
2 because I rushed through this report due to
3 lack of time, I'm not sure where it was.
4 But we were pointing out, if they're paying
5 so much additional debt down, on top of
6 their debt that they're required to pay,
7 then, essentially, we say, yeah, they could
8 have donated more.

9 COUNCIL MEMBER FERRARO: Thank you.

10 CHAIRMAN BOYLAN: As we move forward, I
11 think part of the concern we're going to
12 hear Plant Vogtle plays into this mix. So
13 the debt associated with that may severely
14 impact the ability.

15 MR. BILLY: Plant Vogtle is about 11
16 percent, I think, of their electric needs,
17 11 percent. So 89 percent is something
18 else.

19 CHAIRMAN BOYLAN: Mr. Bowman.

20 COUNCIL MEMBER BOWMAN: Thank you,
21 Mr. Chair.

22 Mr. Billy, thank you for all the great
23 support you've given the Finance Committee
24 and myself in the course of the last year.

25 I should know this, but what is the

1 auditor's involvement with JEA as far as
2 independent audits? As far as reviewing
3 financials? I guess one of the reasons I'm
4 asking that is I really feel like we're
5 having to pull information right now. And
6 the PUP last week was a great example of
7 that, took me completely by surprise. I
8 guess it was on board minutes and that's how
9 you found it. But I'm really trying to
10 understand your day-to-day involvement with
11 JEA. And are we just at the mercy of
12 whatever they decide to let us know, or how
13 does that work?

14 MR. BILLY: Through the Chair to
15 Councilman Bowman. The Council Auditor's
16 Office, we are the internal auditors for the
17 City of Jacksonville and its independent
18 agencies. So we have audit rights where we
19 can go over and audit. And we do. They
20 also have an external auditor that they
21 hired, who is Ernst & Young.

22 Now, when we -- we do receive their
23 board packets. And when we have questions,
24 we generally call them or email them, and
25 they provide information.

1 In terms of how can I know something, if
2 they did not tell us, I mean, that's a tough
3 thing. When you go in and audit, you can
4 find things out. But audits take a lot of
5 time. And, of course, JEA is a very large
6 organization.

7 So as with that PUP's plan you
8 mentioned, if it had not been on the board
9 packet, then we would not have known about
10 it. We would have all found out about it
11 when it got paid out, perhaps.

12 CHAIRMAN BOYLAN: Ms. DeFoor.

13 COUNCIL MEMBER DEFOOR: Thank you,
14 Chairman. Through the Chair.

15 It's interesting about that PUP package,
16 isn't it? If there was a return of \$6
17 billion, that PUP would have been equated
18 to, what, \$1 billion package; is that right?
19 Talk about giving money back to the City, \$1
20 billion.

21 So along those lines, could you tell
22 me -- do you know what the current debt is
23 of the JEA today?

24 MR. BILLY: Through the Chair. I don't
25 have it with me right here. They have

1 audited financials where we can look up that
2 number.

3 COUNCIL MEMBER DEFOOR: When we started
4 this process, there was cash of \$1 billion,
5 and then I understood there has been some
6 drawing down of that cash. Do you know
7 anything about that?

8 MR. BILLY: Through the Chair. I know
9 that they've been paying down debt. So they
10 have reserve accounts and have paid --
11 possibly used some reserved to pay down
12 debt.

13 COUNCIL MEMBER DEFOOR: I want to make
14 sure everybody realizes that this concern
15 about paying the annual fee of -- what is
16 it? 130 million? What is the amount they
17 pay to us?

18 MR. BILLY: Their contribution is
19 currently at 118.8 million.

20 COUNCIL MEMBER DEFOOR: They had a
21 billion dollars in cash. So I don't think
22 that should be a problem.

23 You may not know this, the answer to
24 this question, but can we freeze rates in
25 the state of Florida? Do you know?

1 MR. BILLY: Through the Chair. Are you
2 asking if JEA or --

3 COUNCIL MEMBER DEFOOR: Yes, JEA.

4 MR. BILLY: -- a private utility?

5 COUNCIL MEMBER DEFOOR: Or a private
6 utility, can they --

7 MR. BILLY: At JEA the Board of
8 Directors sets the rates. And with private
9 utilities the rates are -- they have to go
10 to the Public Service Commission and they
11 have to make a rate case. I'm not very
12 familiar with that process. I just know
13 that's who they have to go to.

14 COUNCIL MEMBER DEFOOR: That's all I
15 have. Thank you.

16 CHAIRMAN BOYLAN: Mr. Newby.

17 COUNCIL MEMBER NEWBY: No questions.

18 CHAIRMAN BOYLAN: Mr. Salem.

19 COUNCIL MEMBER SALEM: Thank you,
20 Mr. Chair. Through the Chair to Mr. Billy.

21 One of the items in his report that was
22 not mentioned that was of great interest to
23 me was the interlocal agreement between
24 Nassau and St. Johns Counties, that they
25 have the right of first refusal if the JEA

1 sold. Are you aware: Has anyone had any
2 discussions with Nassau and St. Johns
3 County, what would be their intent? And how
4 would that impact the valuation of JEA?

5 MR. BILLY: Through the Chair to
6 Councilman Salem. I know there has been
7 contact through this process with those two
8 counties. But JEA can give you an update.
9 And, again, I'm sorry for the things I
10 missed. We were --

11 COUNCIL MEMBER SALEM: No --

12 MR. BILLY: -- time challenged.

13 COUNCIL MEMBER SALEM: I just see that
14 as a very important issue. If there have
15 been discussions with our sister counties, I
16 would like to know what those discussions
17 were and what their intent would be if JEA
18 is sold, if you could add that to your
19 agenda, Mr. Chair.

20 CHAIRMAN BOYLAN: Be glad to do so.

21 Mr. Billy, I appreciate your time today,
22 and thank you. And I apologize for the
23 brevity. It is an eight-page report. We
24 can read it. It is chocked full of great
25 information. So thank you so much for all

1 of that.

2 We do have five public comment cards.
3 We're going to attempt to get to all five of
4 those -- in fact, we will get to all five of
5 those.

6 The Mayor has asked for a few minutes of
7 time, so I'm going to invite Mayor Curry to
8 come up and share his thoughts.

9 MAYOR CURRY: Thank you, Chairman.

10 Good afternoon. I want to thank all of
11 you for giving me this opportunity to speak
12 with you today on such an important topic
13 for the future of our City. And thank you
14 for the important work you're doing in these
15 workshops.

16 The work being done here is critical to
17 understanding where our City has come from
18 in the last 125 years of JEA and where we
19 are going. Make no mistake, we are at a
20 crossroads in the lifecycle of JEA. We are
21 in the midst of fundamental change and
22 disruption in the utility industry. We face
23 enormous legacy costs in a limited business
24 model that once served us well, but now
25 holds us back.

1 This creates an uncertain future as it
2 relates to growing and investing in new
3 technologies of today and innovations for
4 the marketplace of tomorrow.

5 For context, consider that fundamentally
6 the business model and regulatory framework
7 of JEA is unchanged since consolidation 50
8 years ago. In the time since consolidation,
9 telephones have gone from wires, land lines
10 managed by a monopoly Bell company to a
11 diverse marketplace guided by innovation and
12 responsive to consumer demand. Today most
13 of us carry smart phones that have the
14 technological capacity of the computers that
15 NASA used to get man to the moon.

16 The process of exploring alternatives to
17 the status quo of JEA, a government-run
18 monopoly, is not only good business, it's
19 vital to protecting the future of this
20 community, because the future of increasing
21 rates and a shrinking employee base does not
22 serve our community well. Declining
23 revenues with increasing customers is not a
24 sustainable business model.

25 If you question the challenge faced by a

1 status quo JEA, there is a simple example
2 here in Jacksonville. Just a few months ago
3 a consumer in a typical single-family home
4 installed a battery array and renewable
5 production on their house that enables them
6 to completely leave our JEA grid. There is
7 every indication that the future of a status
8 quo JEA will continue to see dramatic
9 reductions in revenue attributed to this
10 type of activity.

11 I philosophically believe that less
12 government is better for the people, and the
13 limitations of a government-run utility
14 monopoly does not serve the best interest of
15 our community over the long term.

16 Though strategic planning process is a
17 difficult one for any business to go
18 through, and is a difficult discussion to
19 have, it's all out on the table for people
20 to see. The good, the bad, and sometimes
21 ugly truth.

22 But it is vital that we follow the
23 process and arrive at a well-informed end so
24 we are equipped with the facts for the
25 community. The planning process JEA has

1 launched has been rocky and frustrating at
2 times. But that doesn't mean we should
3 abandon it and stick our heads in the sand
4 as it relates to protecting our value in the
5 asset and planning for the brightest future
6 for our community.

7 Despite the occasional turbulence, I
8 have full confidence in the JEA Board to see
9 their planning process through and to get
10 all the facts out so we can evaluate them
11 together and decide on the future we want.
12 This is a talented board of community
13 volunteers with diverse backgrounds in a
14 singular focus on doing right for the people
15 of our city.

16 I have all the trust in this Council to
17 carry on an evaluation process free from
18 theatrics, infighting, and political stunts
19 that don't do anything to further a
20 meaningful discussion or to protect
21 taxpayers and ratepayers.

22 Most of all, I trust the voters of this
23 community to direct us at the ballot box
24 should any decision reach the ballot.

25 The process underway is this: JEA

1 finishes its planning and would forward any
2 recommendations on recapitalization to you,
3 of City Council, and me for review.

4 As the elected representatives of our
5 City, we will review the plan in full,
6 consider the appropriate use of any revenue
7 to the City. If a plan considered and
8 approved by you and me is in the best
9 interest of this community, we submit it to
10 the voters for a referendum.

11 The JEA Board, City Council, my
12 administration and the people will weigh in
13 with their approval or their disapproval.
14 There are no shortcuts or secret pathways
15 that cut any voices out. This is a
16 community conversation that requires maximum
17 community input.

18 I will oppose any effort to stop the
19 planning process because of baseless
20 conspiracy theories and unprecedented
21 negative onslaught from a small segment of
22 the media and because the conversation is
23 simply difficult to have. We were elected
24 on a bold agenda of reform and to tackle the
25 big challenges that face our community.

1 The future of JEA evokes many emotions,
2 imposes challenges, but we must rise to meet
3 our duty to be good stewards of this
4 community and not simply play games and put
5 our heads in the sand.

6 Thank you again for this time. My staff
7 and administration remain available to
8 assist you with these workshops as you
9 progress on this important discussion.

10 CHAIRMAN BOYLAN: Thank you,
11 Mr. Mayor. Appreciate it very much.

12 MAYOR CURRY: Thank you, Chairman.

13 CHAIRMAN BOYLAN: We are -- we've got
14 some time, few minutes left. I want to try
15 and carry just a bit past the 1 o'clock
16 hour. I recognize we do have a 2 o'clock 5G
17 meeting. So hopefully Council Members will
18 have a chance to grab a quick bite between
19 the sessions.

20 I have nine cards. I want to give each
21 of our respondents three minutes. I'm going
22 to try to hold you to that time as best I
23 possibly can.

24 First off is Michael Ward.

25 MR. WARD: Thank you for the opportunity

1 to speak. I will be less than three
2 minutes.

3 I'm here as a private citizen today, not
4 as a representative of the Civic Council.
5 When I read the City Auditor Kyle Billy's
6 report about this performance program in the
7 Times Union last week, I felt compelled to
8 address you. I was shocked, outraged and
9 disappointed to hear about the JEA
10 performance plan.

11 JEA is our city's most valuable asset,
12 and it appears to me it's being hijacked for
13 personal gain. The magnitude of the
14 potential payoffs of over \$600 million is
15 staggering. Five times the annual payment
16 to the City to go to individuals in this
17 process.

18 It's my personal opinion, based on my
19 experience as a CEO of a fortune 200
20 company, that this is outrageous breach of
21 public trust and possible breach of the
22 fiduciary responsibility of the Board of
23 Directors of JEA and the manager.

24 I applaud the City Council for calling
25 for a definite and immediate end to this

1 flawed performance plan. Thank you for
2 that.

3 I would respectfully ask your
4 consideration that you take whatever action
5 you can to call for a replacement of the
6 board and the management to devise this
7 plan. Thank you.

8 CHAIRMAN BOYLAN: Thank you.

9 Next we have Mr. James Tilley.

10 Mayor Godbold wants to go first, if you
11 don't mind. Don't forget the microphone.

12 MR. GODBOLD: Mr. Chairman, if I had
13 known this was going to be this long, I
14 wouldn't have taken that water pill last
15 night.

16 CHAIRMAN BOYLAN: In three minutes you
17 can take a break, all right.

18 MR. GODBOLD: Tommy, I want to tell you
19 and this Board that I want -- the main
20 reason I stayed as long as I did, it gave me
21 an opportunity to have you together and
22 apologize for a letter I wrote you. And you
23 were hurt. And you called me. And you
24 said, Why didn't you call me? And I should
25 have. But that was on another issue, that

1 was on a school issue. And it was too
2 strong of a letter. That, I apologize for.

3 Now, the issue we're here today for -- I
4 don't know just when you're going to cut me
5 off, but you cut me off when you get ready.

6 But I want to tell you a story. In 1980
7 Jacksonville had an election. And I and
8 Brantley, Senator Brantley, ran. There was
9 only one issue, it was the highest rates --
10 the second highest rates in the country that
11 JEA had. Wasn't JEA's fault; it was we were
12 buying oil on the spot market through
13 Venezuela, and that was the cheapest thing
14 to do. And they were doing a good job.

15 But the public wasn't convinced of that.
16 It was all about JEA. And you had to run
17 against JEA. And I did. And I won. And my
18 first commitment was to get those rates
19 down. And that was -- we had to do that. I
20 sent Royce Lyles, the best financial man I
21 had on my team, over there to run the JEA.
22 And he did a hell of a job.

23 I went -- the first thing we had to do
24 was to get off of oil. And we didn't even
25 have the plants built in a way that we could

1 retrofit the plant.

2 So we traveled all over this country
3 together, Royce and I did, trying to find
4 which way we could go: nuclear, oil, gas,
5 what way we could go. At the time I went to
6 82 different plants in the country with
7 Royce.

8 I know my heart is with the JEA. That
9 is a great utility, always will be. But I
10 will tell you this thing started a long time
11 ago. There is no sense in going through
12 what we're doing. We all know the game.

13 Right after I was elected -- I've read
14 the book. Right after I was elected, a
15 young man came -- a business man came in to
16 my office -- you'll throw me out. And they
17 offered to -- and he brought a Ms. Stevens
18 in. We looked at him. He wanted to buy the
19 JEA. He came back and made me an offer that
20 I would be willing to go under oath -- and
21 I'm not scared of that; I've been there
22 before -- but they -- the reason they wanted
23 to sell the JEA, they said, Listen, Mayor,
24 here is what you got. You can sell the JEA
25 and look at all the money you'll have -- I

1 read the book -- you can take this money and
2 spread it out and spend it, and you'll be
3 the best mayor in America, spending all of
4 this money.

5 I got Gert Schmidt (ph) who was the
6 chairman of -- who had retired as Chairman
7 of Channel 4, to set up a committee of 35
8 people, like this wonderful man leading here
9 today, and I'm so proud of him. He, Gert,
10 had this meeting, and these meetings, 30 or
11 40 of them all over town. And the
12 recommendation was not to sell it. It was
13 good a recommendation then. And it's a good
14 recommendation today.

15 CHAIRMAN BOYLAN: Mr. Mayor --

16 MR. GODBOLD: Mr. Chairman, I sat here
17 on my ass a long time to say this. And I'm
18 not coming back again.

19 But I was in your district with a new
20 group of people, and I've never seen a more
21 upset people in any meeting I went to. I
22 was out there at 9:30 at night. A guy 87
23 years old, Why do I have to be out there at
24 night? I don't like being so frank. I
25 don't like being against the mayor. I was

1 with Delaney. I was with Hazouri. I was
2 with Peyton. I enjoyed being with you, and
3 I want to be with you. And I want to make
4 this team and this city the greatest city
5 there is, but this is -- this has come
6 before.

7 The one good thing -- and I'll end with
8 this, Mr. Chairman. This one good thing
9 that's happened to us, it's uniting this
10 community like nothing else has united us,
11 except one other time: behind the football
12 team. And if you thought that was a big
13 crowd, you wait until the next crowd we get
14 out against this thing. And you're going to
15 have a riot on your hands, because this will
16 be the biggest crowd. The Gator Bowl will
17 not hold these people that we're going to
18 invite to tell you for one last time let's
19 call this thing to an end.

20 Now, anybody that can sit here today
21 after what we've been through and say they
22 have confidence in this board, I don't know
23 where they have been. Now, we know that
24 there is three -- maybe three people on this
25 Board that whatever the Mayor asks them to

1 do, give it away, they'll vote for that.

2 But the rest of you know what's best.

3 I was raised with you (indicating). I
4 was raised with you (indicating). I've
5 supported you all my life (indicating).
6 I've supported your daddy all your life
7 (indicating).

8 Do your duty and let's put a good
9 manager over there. Not to tear it apart,
10 but to build it and grow it and keep it. I
11 wish all of you and me were loved as much as
12 our JEA.

13 Thank you, Mr. Chairman. I know you
14 gave me a break.

15 CHAIRMAN BOYLAN: Appreciate it.

16 MR. GODBOLD: Tommy, thank you.

17 COUNCIL MEMBER HAZOURI: Are you going
18 to come in on a helicopter when that
19 happens? Thank you, Jake.

20 MR. GODBOLD: I can't hear you. I have
21 a blown-out ear.

22 CHAIRMAN BOYLAN: And for the record, he
23 did return my call.

24 All right. Mr. Tilley, since you're not
25 a former mayor, I'm going to have to

1 restrict you to three minutes.

2 COUNCIL MEMBER HAZOURI: And no curse
3 words.

4 MR. TILLEY: Good afternoon. My name is
5 James Tilley, District 5. I'm here to,
6 first of all, oppose the sale of JEA and
7 also to support resolution 2019-863, which
8 pertains to the incentive plan that we all
9 learned about last week.

10 I guess I'm going to just skim over what
11 I've got and basically said we were stunned
12 to hear about the restructuring that was
13 going to start last July. I don't think any
14 of us expected it.

15 And then in September we learned that
16 the unfunded pension obligation is going to
17 be transferred to the City. In October we
18 learned about the pension bonuses and
19 consulting contracts. And subsequent to
20 that we find out that the former Chair of
21 JEA has gotten a consulting contract to
22 facilitate the sale.

23 And then the ethics director gets
24 involved to investigate conflicts of
25 interest during restructuring. And,

1 finally, as I mentioned before, we learned
2 about incentive complex, which to paraphrase
3 someone else's mind boggle, the numbers are
4 staggering.

5 It appears to me as a taxpayer that what
6 is intended here by the JEA leadership is to
7 shift responsibility for one of the most
8 significant financial obligations to the
9 taxpaying public since the unfunded pension
10 liability and then create a framework to
11 facilitate a series of significant cash
12 flows to the outgoing management. And
13 they're very possibly conflicted as the
14 parties to benefit for the sale of the ones
15 who actually negotiated the sale.

16 And now we're getting mailings from JEA
17 supporting the concept of restructuring.
18 We've seen advertisements on TV to direct us
19 to a website that supports restructuring.
20 And then JEA's credibility has been further
21 eroded by statements of fact -- and I put
22 that in quotes -- that do not necessarily
23 align with the truth, as certainly I know
24 it.

25 A couple of other points: self-dealing,

1 conflicts of interest, misrepresented facts.
2 Where is the accountability here? From my
3 perspective, I see a corrupt process and
4 ethical morass. Not only should the
5 resolution be passed when it's voted on, but
6 the restructuring process ought to be
7 killed, the sale. Whatever is going to
8 happen, JEA should stay in the public
9 domain. I appreciate your time.

10 CHAIRMAN BOYLAN: Thank you, sir. Thank
11 you, Mr. Tilley.

12 Mr. Bruderly.

13 MR. BRUDERLY: Thank you, Mr. Chairman.

14 I've been trying to resign for 50 years
15 of work in the energy environmental
16 alternative fuels industry for the past six
17 years. And about six years ago, I went to a
18 meeting when I heard the JEA was going to be
19 sold by one of the council members proposed
20 that. And for the past six years or so,
21 I've been advocating that we keep JEA as a
22 public utility, but we do something that
23 has -- that should be actually option six on
24 this list of options; and that is, change
25 the assumptions that are driving this whole

1 process.

2 I didn't realize I was going to give a
3 political speech here, but I ran for
4 congress in 2002 because I didn't like the
5 fact we were going to war to fight a war for
6 oil in Saudi Arabia.

7 I ran in 2016 for an open seat. And one
8 of my platforms was, Let's get the Florida
9 Delegation together to change federal law
10 and state law so that the municipal
11 utilities in the state of Florida can revise
12 their business plans to become 21st century
13 energy and water -- wastewater utilities.

14 Municipal utilities, I focused on that
15 because you as a Council are the
16 policymaking branch for this utility. You
17 don't defer to the Public Service Commission
18 in Tallahassee. You still have to comply
19 with federal emission laws. And all that
20 stuff is up in tremendous change right now.
21 You've got a global consensus.

22 I'm a scientist. I'm an engineer. I
23 believe in facts. And the scientific
24 community is telling us on the long term, we
25 have to reduce our carbon footprint for the

1 whole planet. We should be leading by
2 example. Lead by example. Think globally,
3 act locally.

4 The thing that has been left off the
5 table in this whole discussion is you're
6 assuming that this sale is going to take
7 place based on short-term economic
8 conditions, three-year return on investment.
9 You're totally ignoring the fact the
10 scientific global community says we have to
11 reduce carbon emissions by 80 percent over
12 the next -- by 2050. That's what, 30 years?

13 I have been in business 50 years. I've
14 been pushing clean energy since 1990, first
15 as an entrepreneur scientist, trying to do a
16 small business thing. And I gradually
17 evolved in understanding what -- apparently
18 the Mayor doesn't understand is that policy
19 drives economics, policy drives business.

20 Government policy, according to Adam
21 Smith, the role of the sovereign is to write
22 laws, rules and regulations so that all of
23 us can work in our own self-interest to
24 protect the common. So the decisions we
25 make also protect the commons from

1 exploitation by the mercantilists. Go back
2 and read Adam Smith. It's a horrible read,
3 but you have to understand the fundamental
4 concept of capitalism. I'm not a socialist.
5 I'm a capitalist. You have to look at the
6 big picture.

7 You guys, I supported Aaron Zahn to be
8 hired because I thought he was going to use
9 environmental metrics. I'm disappointed.
10 You have to get the policy right. And he's
11 got the cart before the horse. He should
12 not be coming to you with a recommendation
13 and then asking you to change policy. You
14 should be setting policy and then telling --
15 and then JEA can decide how they're going to
16 rebuild this company. And it is a business.

17 CHAIRMAN BOYLAN: Thank you very much.

18 MR. BRUDERLY: And I would like to have
19 a lot more time, but I'll be back.

20 CHAIRMAN BOYLAN: Thank you. Come back
21 again.

22 Bruce Fouraker, Bruce, do you want to
23 speak?

24 MR. FOURAKER: Yes, I will speak today.
25 Thank you, Mr. Chairman.

1 Mr. Chairman, ladies and gentlemen, what
2 I would like to address is that there were a
3 couple of --

4 CHAIRMAN BOYLAN: Can you sit down so
5 they can see you on television? We don't
6 want to lose you.

7 MR. FOURAKER: There were a couple of
8 editorials in the Times Union last week.
9 One of them was by Bruce Doueck, who used to
10 be the energy auditor for JEA. I think you
11 had him on Channel 7 several times. And
12 another one was by former past presidents of
13 the Council. And they stated that with
14 JEA's bond rates, that JEA could refund
15 their bonds and can save considerable money.

16 Now, in looking at the September 30th,
17 2019, report from JEA, which basically
18 covers the fiscal year ending then --
19 however, it is unaudited at this point --
20 JEA spent about \$366 million approximately
21 on debt service between paying principal and
22 interest. And if JEA refunded their water
23 using current AAA rates and refunded their
24 electric using current AA rates, JEA would
25 be able to issue 30-year bonds covering all

1 that debt for about 189 million a year in
2 debt service. So that's 167 million a year
3 in savings by refunding their debt and
4 paying it over a longer time. And, again,
5 it would not pay off as quickly, obviously.
6 But it would be for a lower debt amount.

7 Now, taking Vogtle into consideration
8 with that, Vogtle -- JEA's portion of Vogtle
9 is 206 megawatt hours. And that is
10 approximately 9.32 percent of Plant Vogtle
11 as far as what the cost is for construction.

12 And so that would be \$2.581 billion that
13 JEA's share of plant Vogtle would be paid in
14 to me. So if JEA decided to make a cash
15 payment to me and to fund that using
16 municipal bonds, JEA could, over 30 years,
17 pay 117 million toward Vogtle, which is
18 considerably less than some of the
19 outrageous numbers we have been hearing
20 recently toward Plant Vogtle, and basically
21 offsetting the electric portion of the 167
22 million in savings I heard, JEA could
23 actually come out even on Plant Vogtle
24 without having to raise rates doing that
25 particular item.

1 A second thing that I want to address
2 is -- and this specifically through the
3 Chair to --

4 CHAIRMAN BOYLAN: You have 30 seconds
5 right now.

6 MR. FOURAKER: Yes. Is that for
7 501(c)(12), which is a cooperative, you can
8 issue municipal bonds.

9 And the third thing I just wanted to
10 address real quickly is that, as far as
11 payment of JEA -- as far as purchasing JEA
12 by private company, a private company that
13 has accumulated retained earnings and has
14 accumulated enough can pay cash for JEA, and
15 that wouldn't impact the rates. Thank you.

16 CHAIRMAN BOYLAN: I'm not sure if you've
17 had a conversation with the CFO, but you two
18 need to sit down and talk about some of
19 these ideas. Mr. Fouraker and I have had
20 these conversations. I would flunk the test
21 miserably based upon all the information you
22 shared, but it sounds like it has some
23 validity to it. I would appreciate a
24 conversation between the two of you.

25 MR. FOURAKER: I would be glad to speak

1 with him, if he would like to talk with me.

2 Thank you.

3 CHAIRMAN BOYLAN: Mr. Nooney, still in
4 the room?

5 He did ask me that I read this question,
6 if I could: JEA franchise fees, Chairman
7 Boylan, at a recent CRC, Charter Review
8 Commission, meeting -- subcommittee meeting,
9 Chris Hand mentioned the doubling of the JEA
10 franchise fee as a possible funding source
11 option. Has the committee discussed this?
12 And we have not at this point in time.

13 And last but not least, we have Connie
14 Benham.

15 COUNCIL MEMBER HAZOURI: From one side
16 of the river to the next.

17 MS. BENHAM: Hello, friends, old and
18 new.

19 Ms. Jackson, Tony Banks would be very
20 proud.

21 I am a mentor of Tony Banks. And,
22 ladies and gentlemen, I'll tell you what,
23 Tony would be rolling in his grave if he
24 sees what's going on.

25 I'm going to tell you that Chanter 21

1 really is your best friend. Did you know
2 that you have veto power against all of the
3 independent agencies? I just thought I
4 would let you know that. It was used once
5 that I know.

6 Now, I have been listening to this. And
7 there is no theatrics, right, there is no
8 theatrics, we're not going to stomp in here,
9 say our peace and then walk out, right. But
10 that's obviously what happened. But I
11 wasn't impressed.

12 I am impressed with Ms. Jackson, because
13 we think along the same lines.

14 Something that you said too, we had to
15 pull information to try to get it from them.

16 Now, there have been many times when I
17 would be reading City Council legislation
18 and I can hear, I remember Mr. Gulliford
19 saying, Don't you think we should read our
20 own laws before somebody comes up here and
21 tells us? Because I have caught quite a few
22 errors for the people. I have done great
23 things for this community.

24 Now, one thing that was mentioned today
25 about gross transaction value, and what I'll

1 tell you there, there is some gross things
2 going on. And I can tell you taking
3 information from somebody that did
4 financial -- you know, getting information,
5 financial information, to a company right
6 now where the sky is falling, we have to get
7 rid of this, we need the money. This is
8 somebody who actually led our JEA 17 years
9 in financial, and this is the same person
10 that we're going to take our information
11 from?

12 I, for one, don't trust a whole lot of
13 government. I don't want to sit back. I
14 have never sat back and just been on the
15 defense. And I'm not going to start now.

16 So many of you know that I haven't been
17 here for a very long time, just kind of
18 sitting low, but I always watch. And here I
19 have. I'm here now and I'm going to ask you
20 all to be on the offense.

21 Do as Mr. Godbold said, take your vote
22 of no confidence in any of this. No more
23 meetings, none; December 9, none; January,
24 none. Vote now. Put it on legislation.
25 Let's not take this any further. The

1 community has already told you what we want.
2 Put it on the November ballot, if we have to
3 wait that long.

4 So let's see, I just don't have a lot
5 of -- ladies and gentlemen, thank you. I
6 enjoyed your time. Concerned taxpayers are
7 back.

8 CHAIRMAN BOYLAN: Thank you, ma'am.

9 That concludes today's workshop. Again,
10 I apologize for all concerned.

11 Mr. Crescimbeni, I understand it is his
12 birthday today. We wish him well.

13 And we will pick up on the 9th. Thank
14 you.

15 (Meeting concluded at 1:15 a.m.)

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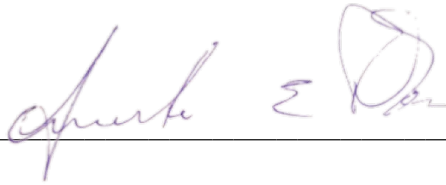
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CERTIFICATE OF REPORTER

STATE OF FLORIDA
COUNTY OF DUVAL

I, Amanda E. Robinson, Registered Professional Reporter, do hereby certify that I was authorized to and did report the foregoing proceedings; and that the transcript, pages 1 through 131, is a true record of my stenographic notes.

DATED this 6th day of December, 2019.



Amanda E. Robinson,
Registered Professional Reporter