

**JEA BOARD MINUTES**  
**July 23, 2019**

The JEA Board met in regular session on Tuesday, July 23, 2019, on the 19<sup>th</sup> Floor, 21 W. Church Street, Jacksonville, Florida. Present were April Green, Camille Lee-Johnson, Alan Howard, Reverend Fredrick Newbill, Kelly Flanagan, and Andy Allen. John Campion was absent and excused.

**Agenda Item I – Welcome**

- A. The meeting was called to order at 9:00 AM by Chair April Green.
- B. A Moment of Reflection was observed by all.
- C. The Pledge of Allegiance was led by Chair Green.
- D. Adoption of Agenda – The agenda was approved on motion by Vice Chair Newbill and second by Mr. Howard.
- E. Introductions were made by board members present, Aaron Zahn, and Lynne Rhode.
- F. The Safety Briefing was given by Aaron Zahn, Managing Director/Chief Executive Officer.
- G. Sunshine Law/Public Records Statement – Lynne Rhode, Office of General Counsel (OGC), stated this Board Meeting is being held in compliance with Florida's Government in the Sunshine Law, §286.011. The complete statement can be found in section I. F. of the Board package.

**Agenda Item II – Comments / Presentations**

- A. Comments from the Public – All information for speakers on file.
  - Jennifer Stokes: JEA employee and PEA vice chair. Comments on Strategic Planning. Asked that Staff keeps the employees in mind during decision making.
  - Cathleen Crowe: JEA employee and President of AFSCME. Comments on Strategic Planning. Invited the SLT and Board of Directors to a union meeting to discuss their union's contribution to JEA.
  - Ronnie Burris: Business Manager of LIUNA Local 630 and JEA retiree. Comments on Strategic Planning. Asked that thought is put into decisions that are made and do whatever it takes to protect the employees.
  - Jesse Ferraccio: Vice President of IBEW Local 2358 and JEA employee. Comments on Strategic Planning. Asked that decisions made about the future of JEA's detriment of the employee and stated that they are more than willing to work with the SLT to protect the employees.
  - Randy Hilton: President of PEA and JEA employee. Comments on Strategic Planning.
- B. Comments from Council Liaison – Councilman Danny Becton stated that he is glad to be the liaison for the board. He also stated that JEA is a crossroad and it is unacceptable to ignore the facts that we must innovate. He is looking forward to this opportunity.

**Agenda Item III – Operations (Discussion/Action)**

- A. **Consent Agenda** – used for items that require no explanation, discussion or presentation and are approved by one motion and vote. On motion by Secretary Johnson and second by Mr. Howard, Appendix A and Appendix B were approved.

**Appendix A: Board Meeting Minutes May 28, 2019** – approved

**Appendix B: Approval of Bond Counsel** - approved

- B. **Monthly Reports and Updates** – The following monthly reports and updates are submitted to the Board as information only. These items require no explanation, discussion, presentation or action.

**Appendix C: Monthly Financial Statements** – received for information

**Appendix D: Monthly FY19 Communications & Engagement Calendar and Plan Update** – received for information

**Appendix E: Sole Source & Emergency Procurement/Procurement Appeals Board Report** – received for information

**Appendix F: Corporate Campus Update** – received for information

- C. **Monthly Financials and Operations Dashboard** – Melissa Dykes, President/COO discussed the details of financial dashboards, highlighting some of the metrics. JEA is in the first quartile of residential customer satisfaction in the JD Power Residential Index; improved to 28 of 142 metrics for residential customer satisfaction amongst National utilities. JEA is in the second quartile of business customer satisfaction index, therefore JEA will not meet that goal. The water pressure metric is not likely to be met as well. In addition, capital spending is on track. Also nitrogen into the river is doing well; the last 12 months have been the lowest in the history of JEA.

- D. **Strategic Planning** – Aaron Zahn, Managing Director/CEO introduced the presentation and the flow of presenters. Melissa Dykes, President/COO recapped the past presentations and Lynne Rhode, Chief Legal Officer read the disclaimer. Ms. Dykes stated that Scenario 2A shifts responsibility back to JEA but at the cost of operations. Ms. Dykes explained the sensitivity analysis and outlined the process and timeline of Scenario 2A. Highlighted the implementation plan located in the appendix.

Mr. Zahn stated that he went out to speak to customers and they are actively investing in alternative energy distribution.

Herschel Vinyard, Chief Administrative Officer presented Scenario 2B, the analysis on the constraints and the significant legal barriers. Mr. Vinyard explained what Public Policy is and the difficulties of competing in the private sector. Mr. Vinyard highlighted several laws that make it difficult for JEA to compete. Mr. Vinyard asked that the Board of Directors allow Staff to pursue the removal of legal barriers and allow Staff to come back with a granular strategy in a few months.

Ryan Wannemacher, Chief Financial Officer, presented Scenario 3. Mr. Wannemacher stated that Scenario 2A and 2B puts JEA on a controlled declined shrinkage. Mr. Wannemacher highlighted the options in Scenario 3. Scenario 3A would give ownerships to the customers, Scenario 3B would consider an IPO, and Scenario 3C would be private placement, Scenario 3D technology conversion, 3E oil and gas conversion, and Scenario 3F would be utility conversion. Mr. Wannemacher stated the first priority is the employee. Mr. Wannemacher provided a timeline and flow of a non-government structure. Mr. Wannemacher asked that the Board of Directors approve a minimum set of requirements that must be achieved by any investor for recapitalization. Kevin Hyde of Foley & Lardner joined the presentation to further explain the pension protection and provided two

examples, but stated that employees will be provided specific details on their situations.

Mr. Zahn, stated should the board approve Scenario 3 there would be a recommendation for retention payments and accelerated service, base rate freeze approval, an open and competitive process, and a commitment from the Board of Directors and management team to investors.

Lynne Rhode, Chief Legal Officer read Resolution 2019-06 and solicited a motion to pursue Scenario 2A and 2B and motion to adopt Resolution 2019-06. Ms. Rhode then read Resolutions 2019-07, 2019-08, and Resolution 2019-09 and solicited a motion to adopt 2019-07, 2019-08, and Resolution 2019-09.

Chair Green stated that the Board has reviewed the documents extensively. Scenarios felt very corporate, specifically Scenario 3 and felt the importance of the employees and the community. The board had an open discussion on all of the presentation. Mr. Zahn stated that the minimum requirements were deliberated by staff and business partners.

Motion was made and passed to amend Resolution 2019-07 number 4. On motion by Secretary Johnson and second by Vice Chair Newbill amended Resolution 2019-07 was approved unanimously.

#### **RESOLUTION 2019-07**

#### **A RESOLUTION AUTHORIZING THE CEO TO TAKE ANY AND ALL ACTION TO INVESTIGATE AND PURSUE SCENARIO 3: THE NON-TRADITIONAL UTILITY RESPONSE**

Resolution 2019-08 on motion by Vice Chair Newbill and second by Alan Howard was approved unanimously.

#### **RESOLUTION 2019-08**

#### **A RESOLUTION APPROVING THE REQUEST FOR INTRODUCTION OF PENSION REVISION LEGISLATION TO THE CITY COUNCIL UNDER SCENARIO 3 (THE NON-TRADITIONAL UTILITY RESPONSE) AND AUTHORIZING THE CEO TO TAKE ANY AND ALL ACTION TO PURSUE THE INTRODUCTION OF THE LEGISLATION**

Resolution 2019-09 on motion by Vice Chair Newbill and second by Secretary Johnson was approved unanimously.

#### **RESOLUTION 2019-09**

#### **A RESOLUTION APPROVING EMPLOYEE PROTECTION AND RETENTION PROGRAM AND APPROVING CEO AND NON-CEO EXECUTIVE EMPLOYMENT AGREEMENTS UNDER SCENARIO 3 (THE NON-TRADITIONAL UTILITY RESPONSE) AND AUTHORIZING ACTION TO PURSUE IMPLEMENTATION OF SUCH PROGRAM AND EXECUTION OF SUCH AGREEMENTS**

#### **Agenda Item VI – Committee Report**

- A. **Total Compensation and Employee Benefits** – Jon Kendrick, Chief Human Resource Officer, presented the Total Compensation Strategy. The goal is to elevate the entire team by ensuring the compensation philosophy align with the guiding principles, encourage long-term culture value, establish a formal compensation policy to align behavior to the four corporate measures of value, and ensure policy promotes collaboration to drive

vision and mission. Ryan Wannemacher, Chief Financial Officer presented the Long-Term Performance Units Program and how they will be beneficial to both the employees and JEA.

Lynne Rhode, Chief Legal Officer read Resolution 2019-10. On motion by Alan Howard and second by Vice Chair Newbill Resolution 2019-10 was approved unanimously.

**RESOLUTION 2019-10**

**A RESOLUTION APPROVING LONG-TERM PERFORMANCE UNIT PLAN AND RELATED DOCUMENTATION AND AUTHORIZING THE CEO TO TAKE ANY AND ALL ACTION TO PURSUE THE IMPLEMENTATION OF SUCH PLAN AND RELATED DOCUMENTATION**

**Agenda Item VII – Other Business**

- A. **Old Business** – N/A
- B. **Other New Business** – Alan Howard thanked everyone for their time and the opportunity
- C. **Open Discussion** – None
- D. **Managing Director/CEO’s Report** – Mr. Zahn extended gratitude to Lynne Rhode and the entire Executive Team for their efforts to get the material and presentations together. Mr. Zahn thanked the Board of Directors for their work as well.
- E. **Chair’s Report** – Chair Green reiterated Mr. Zahn’s message and also reiterated that there was no vote to sell JEA. The board gave leadership the direction to go back and pursue an unconstrained non-traditional response to make JEA better for the employees, customers, and community as a whole.

**Agenda Item VIII – Closing Considerations**

- A. **Announcements** – Next Board Meeting – August 27, 2019
- B. **Adjournment**

*With no further business claiming the attention of the Board, Chair Green adjourned the meeting at 12:00.*

APPROVED BY:

\_\_\_\_\_  
SECRETARY

DATE: \_\_\_\_\_

Board Meeting recorded by:

\_\_\_\_\_  
Madricka L. Jones, Executive Staff Assistant



## Long-Term Incentive Plan Design Market Practices Summary

Design Aspect	Public Power Utilities	Investor Owned Utility (IOU) Peer Group	Broader Utility Industry
Prevalence	LTI plans are used selectively	All 13 IOU peers have an LTI plan	LTI plans are very prevalent with almost all IOUs using an LTI plan
Eligibility	For those Public Power Utilities with an LTI plan, eligibility typically limited to select executives	Typically executives down to director level positions	Typically executives down to director level positions
Target Opportunity (% of Base Salary)	Varies widely based on the organization, but targets will be lower than IOU levels	Median for CEOs: 230% Median for NEOs*: 110% Median for Directors: NA	Median for CEOs: 240% Median for NEOs*: 75% Median for Directors: 15-25%
Award Frequency	Annual awards with overlapping cycles are most common	All 13 peers grant annual awards with overlapping cycles	98.1% of organizations grant annual awards and overlapping cycles are the most common

NEOs\* = Named Executive Officers, as disclosed in the IOU's proxy statement.

# Long-Term Incentive Plan Design

## Proposed Design Details: Performance Unit

### Performance Unit

Plan Design Element	Plan Design Details
Award Vehicle	<ul style="list-style-type: none"> <li>Performance Unit: value of unit tied to JEA Net Book Value; unit valuation formula to be determined</li> </ul>
Eligibility	<ul style="list-style-type: none"> <li>All employees would be eligible in order to drive collective focus on JEA long-term performance</li> </ul>
Target Award Opportunity (as % of base salary)	<ul style="list-style-type: none"> <li>Award opportunities vary based on level in the organization (see page 31 for proposed targets); Management and Board's intent is to close competitive gap to market for LTI in first year of grant and ensure JEA compensation is competitive with market 50<sup>th</sup> percentile</li> </ul>
Award Frequency	<ul style="list-style-type: none"> <li>Annual</li> </ul>
Circuit Breaker	<ul style="list-style-type: none"> <li>Defined level of contribution to the City will be established for each award cycle; intent is for contribution level to ensure LTI plan is self funded</li> </ul>
Performance Measures	<ul style="list-style-type: none"> <li>Net Book Value: used to determine Performance Unit value</li> <li>Customer Rates: performance measure used to modify the number of Performance Units earned; performance goal to be determined</li> </ul>
Performance Period	<ul style="list-style-type: none"> <li>3-year performance cycle with overlapping cycles due to annual grant frequency</li> </ul>
Payout Range	<p>Target Established</p> <p>Award Payout</p>
Estimated Cost	<ul style="list-style-type: none"> <li>Threshold: 50% of Target</li> <li>Maximum: 150% of Target</li> <li>Estimated cost of annual Performance Unit awards to all employees based on current incumbent base salaries* is \$3.4M</li> </ul>

\*Bargaining Unit costs calculated based on step structure data if incumbent data are not available.

*Recommendation to opt by Willis, Tower, Watson.*