

FUTURE OF JEA WORKSHOP

SESSION #5

DATE: Monday, February 24, 2020
TIME: 11:25 a.m. - 1:16 p.m.
PLACE: Council Chambers
First Floor
City Hall at St. James Building
117 West Duval Street
Jacksonville, Florida 32202

COUNCIL MEMBERS PRESENT:

Scott Wilson, Council President, District 4
Michael Boylan, Chairman, District 6
Joyce Morgan, District 1
Al Ferraro, District 2
Aaron Bowman, District 3
LeAnna Cumber, District 5
Reggie Gaffney, District 7
Ju'Coby Pittman, District 8
Garrett Dennis, District 9
Brenda Priestly Jackson, District 10
Danny Becton, District 11
Randy White, District 12
Rory Diamond, District 13
Randy DeFoor, District 14
Terrance Freeman, Group 1
Ronald Salem, Group 2
Tommy Hazouri, Group 3
Sam Newby, Group 5

ALSO PRESENT:

Dr. Cheryl Brown, City Council Director
Jessica Matthews, Chief of Legislative
Services
Vonya Balogh, Legislative Services
Steve Cassada, IT Administrator
Melanie Wilkes, Information Systems
Administrator
Jeff Clements, Chief of Research
Peggy Sidman, Office of General Counsel
Steve Busey, Smith, Hulsey & Busey

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

2 CHAIRMAN BOYLAN: If I can encourage my
3 colleagues to join us in the dais, we'll get
4 started. I'll use this little vamping time
5 to just sort of set up today's meeting,
6 first of all, to comment and commend the
7 work of the Investigative Committee this
8 morning; it was very insightful. The Nelson
9 Mullins' presentation, I think, was helpful
10 in setting some perspective in today's
11 conversation.

12 For the benefit of those in the room and
13 those watching, I want to again, commend
14 President Wilson for his foresight in
15 recognizing, while we need to take a look at
16 the past, we also need to stay focused on
17 the future, because the importance of JEA
18 and its future success is something that's
19 very important to all of us.

20 So we are going to continue with some of
21 these workshops until such time that we have
22 a JEA board in place and their process of
23 identifying a CEO. And I suspect we'll
24 resume an earnest following once there is a
25 determination made as to options that the

1 JEA will be exploring in the future, knowing
2 full well, obviously, that the prospect of
3 anything other than continuing as a public
4 utility is all but decided as it relates to
5 that.

6 So really, the focus of the next couple
7 of meetings is going to be as much a benefit
8 for the audience, and those watching, as my
9 colleagues, as the thought process really is
10 twofold: Number one, to bring in subject
11 matter experts who can speak to the success
12 of the public utility industry not only
13 throughout the state of Florida, but also
14 across the nation. There are great
15 opportunities out there, and we'll continue
16 to pursue those. That's number one, getting
17 ourselves educated so that we are at a point
18 in time that we are going to be involved in
19 making decisions in collaboration with the
20 JEA Board that we can do it from an informed
21 position.

22 Secondly, our focus today is beginning
23 the journey of creating a documentation that
24 allows us to assure the kind of
25 collaboration, transparency we'd like to see

1 as it relates to the continued operation of
2 our JEA. And don't want this to be a
3 knee-jerk in that sense, so it's going to be
4 very thoughtful. Many of my colleagues, and
5 myself included, had ideas of things that
6 needed to be addressed as part of this
7 process. It just seemed to make sense for
8 us to do that in a coordinated fashion. So
9 we came up with the idea of taking a look at
10 Article 21. And part of our conversation
11 today will be taking a look at what changes
12 we think need to be made in Article 21 in
13 order for us to assure we don't have the
14 kind of experience we've had over the course
15 of the past year, year and a half, perhaps
16 even longer. So that's going to be our time
17 today.

18 The first two folks who are going to be
19 speaking with us this morning is a gentleman
20 by the name of Jerry Hartman and Tom Cloud.
21 Jerry is here and, thankfully, I do
22 appreciate that. I want to give you a
23 little preamble to both Tom's and Jerry's
24 position -- involvement in this process.
25 We've actually had a number of conversations

1 over the course of the last four or five
2 months. I was introduced to them by Gene
3 Miller. They were both retained by the City
4 Council at one point in time to help them
5 understand the prospect of the ITN and how
6 valid that process that JEA was exploring.

7 When I met with Mr. Hartman on a couple
8 times on the phone, he sent me his original
9 presentation he had made to the City
10 Council. I've asked him since to update
11 that.

12 And once I received what he sent me, it
13 seemed to make sense to go ahead and let him
14 tell that perspective. Although we had a
15 great presentation this morning, I think it
16 gives us a second level from someone within
17 the industry who can speak to his
18 perspective as to the process that JEA was
19 walking themselves through in that process.

20 Mr. Cloud, in our conversations, was
21 talking about he was lecturing all the way
22 back to the beginning that we as a council
23 have a responsibility to own this. And so
24 when we shared with him that we were going
25 to be taking the process of revisiting our

1 Charter and Article 21 in particular, he
2 said, You're well within your right to do
3 so. And he was anxious to come down on his
4 own dime to share his time with us and talk
5 about some suggestions that we may want to
6 consider as we take a look at our Article 21
7 and changes to the Charter.

8 I'll talk about that in a little more
9 detail once we get into that part of the
10 conversation, but I want to start now with
11 Mr. Hartman.

12 If you wouldn't mind coming forward to
13 the dais here, introduce yourself, and then
14 we will have a PowerPoint, I hope, that will
15 go up so you can see his presentation and
16 follow along. And we'll try and leave time
17 for questions.

18 I do want to make sure we give ourselves
19 ample time to begin the process of
20 revisiting the Article 21 later on in the
21 document. And rest assured today is not
22 going to be a complete process. I envision
23 it's going to take two or three meetings for
24 us to finally coalesce what we need to do as
25 it relates to changes to Article 21 and

1 beyond.

2 So, Mr. Hartman, I'm going to turn the
3 floor over to you to introduce yourself and
4 walk us through the presentation, which
5 hopefully we'll have a chance to see, which
6 right now it doesn't look like we have.

7 MR. HARTMAN: (Indicating.)

8 CHAIRMAN BOYLAN: Yes, we know what it
9 is. We just don't see it on our screens
10 yet. And they're working on it.

11 Please go ahead and get started with the
12 introductions and we'll catch up with you.

13 MR. HARTMAN: Thank you very much.

14 I'm Jerry Hartman. I'm an engineer and
15 appraiser for public utilities here in the
16 United States. I've worked in 35 different
17 states and do a lot of the mergers and
18 acquisitions, and purchase and sales, and
19 help utilities actually start many utilities
20 here in the state of Florida I assisted in
21 working with them to create. I've worked on
22 over 600 projects in this arena.

23 And with me today is, of course, Tom
24 Cloud. Tom Cloud has worked on three of the
25 four utility -- electric utility

1 municipalizations in the state. The only
2 one that he did not work on was Sebring.
3 And I did the appraisal of Vero Beach in the
4 Vero Beach situation, as well as Bushnell
5 and others.

6 So we're just updating the JCC
7 presentation and talking about the other
8 criteria and considerations. The goals and
9 objectives were delineated, and that's --
10 the goals and objectives delineated by JEA
11 and their staff, management staff, are
12 actually pretty good goals and objectives,
13 just how they're applied. And so there -- I
14 just want to talk about that a little bit.
15 Where we are, of course, you know where that
16 is, you do have interested and qualified
17 bidders to look at it.

18 I was going through this process many
19 years ago with the City of Lakeland, you
20 know, we looked at bringing in outside
21 vendors and having them look at our utility
22 to make recommendations relative to
23 optimizations associated with the utility.

24 COUNCIL MEMBER BECTON: Mr. Chair.

25 CHAIRMAN BOYLAN: They are having --

1 COUNCIL MEMBER BECTON: Can I ask, do we
2 have a copy of his presentation?

3 CHAIRMAN BOYLAN: Yeah. We sent it to
4 you, I believe, in a PDF. Last week I sent
5 it to you. Unfortunately, they're not
6 able to get it up on the screen.

7 COUNCIL MEMBER BECTON: Is it in our
8 binder?

9 CHAIRMAN BOYLAN: It is not in the
10 binder, per se, no.

11 COUNCIL MEMBER BECTON: But it's
12 available in PDF?

13 CHAIRMAN BOYLAN: Yeah. I sent it via
14 email last, I believe, Wednesday or
15 Thursday, if my memory serves me correctly.

16 COUNCIL MEMBER BECTON: Thanks. I'll
17 look for it.

18 CHAIRMAN BOYLAN: I apologize for those
19 in the audience and my colleagues that we're
20 having some technical difficulties in
21 getting to his PowerPoint, but we will
22 forage ahead for the sake of time.

23 Please, Mr. Hartman, continue.

24 MR. HARTMAN: Thank you.

25 And, of course, there are all kinds of

1 improvements that you can get back from the
2 private sector looking as a third party
3 looking at your system. And there in
4 Lakeland, American basically said -- which
5 is one of your bidders here -- basically
6 said, you know, We really can't do any
7 better than what you guys have done. And
8 they wrote a letter that said that. And
9 they also said, Here is a few optimizations
10 to look at.

11 Now, when you talk about the industry
12 standard, the industry standard is
13 continuing to evolve and continuing to
14 optimize your existing operations. There
15 are all kinds of opportunities. There is
16 decisions made, but then you can make other
17 decisions to correct or improve the previous
18 decisions. And that's what we can do now.

19 It's the -- the other improvement, now
20 is the time to look at other improvements in
21 your utility system. Now is the time to
22 look at the optimizations that your fine
23 staff can bring to you. Now is the time to
24 look at -- if you look at the outside
25 market, look at the market's insights into

1 your system. And that's a good thing. And
2 without talking about equity, equity is like
3 a transaction of some sort. Let's talk
4 about let's work together and use what other
5 cities in the state of Florida have done and
6 continue to do improving various aspects of
7 the utility. One is, of course, using your
8 utility to bring in additional customers,
9 capacity sales that you can do, the
10 contracting, the agreements with other
11 customer bases.

12 You know, you have tremendous
13 opportunities with FP&L right here, they've
14 got the lowest rates in the state. And
15 they're a great company. And you can work
16 with them with contracting for the future
17 together sort of like a great trade
18 agreement, if you will, something like that,
19 bringing the opportunities together and
20 applying it to your own customer base.

21 Of course, I was asked to look at the
22 various scenarios; you had a little
23 presentation on that earlier. Scenario one
24 just did not include all the things that you
25 can do. It can be mixed with scenario two.

1 And really, one and two are one scenario,
2 making it a better JEA. And that's what you
3 should be focused on going forward, seeing
4 the opportunities that you have. You are
5 the biggest utility in the state of Florida.
6 You have the economies of scale. But can
7 you be better? Can you work with others?
8 Can you integrate with others to make
9 yourself even better? And you can. That's
10 what others are doing in the state of
11 Florida.

12 Scenarios three and four, I did the
13 evaluations before we had them here.
14 They're not really an option. I've never
15 seen in my practice in 44 years,
16 specifically in utilities, any municipality
17 doing an IPO relative to their system. And
18 failure is not an option when you have this
19 type of utility, this size utility. Equity,
20 infusion and capital is something different.

21 What the stock market does and how they
22 look at stocks and stock trades and trades
23 to rate base and all those kinds of things,
24 that's not really how the market moves
25 forward on many of these utility sales.

1 I've been involved in many billions of
2 dollars of transactions throughout the
3 United States. So really, there is -- from
4 JEA there is really only two scenarios,
5 optimize what we have now and move forward
6 or look at a potential disposition. And
7 that's really -- those are really the only
8 two.

9 And it's the first one that has the
10 greatest opportunities right now. The first
11 one allows us -- okay. This is not quite on
12 the screen. Can I move that over?

13 CHAIRMAN BOYLAN: We don't have access,
14 control to it, unfortunately.

15 MR. HARTMAN: Okay. Anyway, moving
16 right along, the scenario one, I just want
17 to give you some aspects. That's the next
18 page after this that's shown on the
19 overhead. You can look at --

20 CHAIRMAN BOYLAN: I'm sorry. They're
21 asking me to tell everyone to hit your
22 presentation button.

23 MR. HARTMAN: Presentation. And then
24 how do I move forward?

25 CHAIRMAN BOYLAN: And I apologize. What

1 page are we on, Mr. Harman?

2 COUNCIL MEMBER BECTON: Page 8.

3 MR. HARTMAN: Page 8.

4 CHAIRMAN BOYLAN: Now, we sent out an
5 email on Friday that has the PDF on it, if
6 you can take a peek at it. I believe it was
7 Friday we sent it.

8 MR. HARTMAN: There you go.

9 CHAIRMAN BOYLAN: We're in the ballpark.
10 Can you move the camera, zoom it out a
11 little bit?

12 MR. HARTMAN: The status quo plan, you
13 know, I listed eight aspects associated with
14 the status quo plan.

15 There you go. There we go.

16 And, you know, plenty of possibilities,
17 we could have more definition associated
18 with that, that anticipate the challenges
19 out in the future. If you look at some of
20 the other utilities in the state of Florida,
21 you can see those things done very well.
22 The financial optimizations, I mentioned to
23 you capacity sales agreements for power
24 agreements, for water and wastewater
25 agreements, for economic growth in your

1 community. These are all things that you
2 can do to make JEA bigger and better, but
3 it's also better for your community, because
4 economic development and economic growth.

5 Your operational optimizations, I happen
6 to have known many of the -- over my career,
7 many of the staff members, in staff
8 management and below positions, who have
9 great ideas, very smart people, very
10 dedicated people. Your staff at JEA is an
11 excellent staff of people that I've known
12 and worked with. So, you know, there's a
13 lot of people there that can help out, and
14 you get these hands-on optimization
15 suggestions from those people. And that
16 hasn't been done to the level that I've
17 seen, because certain things haven't been
18 done here yet and the opportunities are
19 available.

20 The capital program value engineering,
21 one is just doing capital projects, another
22 is doing capital projects with the best
23 economic impact and best community impact.
24 And when you look at capital projects, Byron
25 Rosenberg from MIT had this great, you know,

1 trade-off thing; it's called the
2 transformation curve. Look at the capital
3 investment, the economic benefit from it,
4 and the community benefit. And everything
5 on that curve was good to go forward with.
6 If you don't integrate your community
7 benefit, capital costs and efficiencies all
8 together in those decisions, you don't get
9 the best decisions on various management
10 opportunities.

11 COUNCIL MEMBER BOWMAN: Mr. Hartman, if
12 I might interrupt -- we need to pick up the
13 pace just a little bit -- from my
14 understanding of what you're saying, your
15 assessment of the ability of JEA to
16 be transformational probably already exists
17 within the organization. Is that what I'm
18 hearing you say?

19 MR. HARTMAN: I think there is a lot of
20 ideas and a lot of people there that are
21 very capable. And, yes, they can be
22 transformational just inside the
23 organization. Getting outside insights is
24 fine too, but who really knows the system?

25 CHAIRMAN BOYLAN: Sure.

1 MR. HARTMAN: Who knows the customers?
2 Who knows the customers? It's the people
3 within the corporation, if you call it that,
4 or within the utility. They know that.
5 It's amazing, I can talk about 10, 15, 20
6 utilities that we just talked about, Hey,
7 let's bring in some people and connect
8 people who are not connected to the utility.
9 Well, that's a simple concept, where our
10 lines are, in front of them. Even in your
11 system, you have, you know, thousands, tens
12 of thousands of individuals or companies
13 that your lines are right in front of. And
14 it's sign-up-and-save programs. Englewood
15 did it, other places like that throughout
16 the state of Florida. But the
17 sign-up-and-save things make a huge
18 difference.

19 Little North Port was a small, little
20 city that didn't do too well. Right now
21 it's quadrupled in size because of these
22 simple, simple things that came from the
23 utility.

24 CHAIRMAN BOYLAN: You can move on to the
25 next slide there.

1 MR. HARTMAN: I'm going to skip over the
2 traditional utility response because, you
3 know, the rate increases, you know, 18
4 percent -- or 12 percent over 18 years is
5 great. Some of the other community
6 ownerships, three and four, you already know
7 about. And they're really not options. And
8 five, of course, has been halted.

9 The fair market value, legislation would
10 be required, and that's one of the things I
11 mentioned to JCC, to have a really fair
12 market value transaction. It was premature
13 because there was no rate base determination
14 for your electric water and wastewater
15 facilities.

16 The bidders you already know about. I
17 can move forward pretty quickly here.

18 And when we look at management decisions
19 reviews, you know, of course, you're
20 investigating these things. But what's in
21 front of the Florida legislature today?
22 There is an aspect to look at of fair market
23 value versus rate base in sale of utilities.
24 And it's gone through a couple committees,
25 has one more committee to go through. Well,

1 that will change the whole equity situation
2 in the state of Florida, because right now
3 the state of Florida is a rate base. And
4 what is rate base? Original cost less
5 depreciation is your book value, if you
6 will, for the accounting people, type of,
7 close to it, not exactly, type of valuation.
8 So what's in front of the Florida
9 legislature is something totally different.

10 CHAIRMAN BOYLAN: Can you speak to that
11 in a little more detail?

12 MR. HARTMAN: Surely. Rate base is what
13 the Florida Public Service Commission uses
14 to set rates for investor-owned utilities.
15 In that you have various components. One is
16 the operation maintenance costs, which you
17 get full recovery of. You have the
18 investment in, you get the return on the
19 investment that you put in, and you get the
20 return of the investment, that's called rate
21 base. And rate base is the original cost of
22 what you put in, you personally invest into
23 the utility, not what the -- a customer
24 developer gives to the utility. It's what
25 you invest in the utility. That's rate

1 base.

2 In this state, utilities allow -- are
3 allowed to earn on rate base. Most of the
4 states in the United States, that's the way
5 it is. You don't get fair market value if
6 you're based on rate base, okay.

7 CHAIRMAN BOYLAN: Make sense? Thank
8 you.

9 MR. HARTMAN: And so that's a huge
10 change.

11 I just threw out that it would be a very
12 good opportunity to use some very capable
13 people. I mentioned Fred Haddad who used to
14 head up the OUC purchasing and power
15 movements for OUC. He's a consultant now,
16 very capable guy. Somebody you can bring in
17 to assist in this transformation that you've
18 got. Not me, I'm not talking about myself,
19 I'm talking about somebody else. Lots of
20 capability. And the major problems that you
21 have with your energy procurement, he's an
22 expert, one of the top experts in the state
23 of Florida relative to that.

24 Of course, a management rebuilding
25 program, that's going to take some time, you

1 all know this.

2 I threw out that you may look at how you
3 create the JEA Board a little bit
4 differently. Throughout the state of
5 Florida, the utility boards are created
6 differently than here. And Tom Cloud is
7 going to talk to you about that. In other
8 words, how do they get elected to the board
9 and how does that work.

10 And then, of course, the next slide
11 basically looks at my opinions back at the
12 time relative to a consulting situation. I
13 was in the \$8 billion level with 2 to \$3
14 billion spread. And this goes back a few
15 years before -- and this was before the
16 University of Florida and others got
17 involved in this process.

18 Publicly decide on your goals and
19 objectives. If you need to take money
20 and -- or transfer money for capital
21 projects, what are they and how can they
22 best be packaged? So that's the next goals
23 and objectives.

24 Defining the sources and uses should --

25 CHAIRMAN BOYLAN: Next slide, sorry.

1 MR. HARTMAN: And the flow chart is a
2 typical flow chart for an acquisition, which
3 wasn't followed in this case, which we have
4 water and energy.

5 If you are going to do a full analysis
6 of a utility, and really understand a
7 utility, you should have described in what
8 every aspect of that utility is. In other
9 words, what is the condition, what is the
10 cost, what is the function, functionality,
11 and are they good or not. And here are the
12 five aspects and legal descriptions,
13 engineering descriptions, your insurance
14 companies do a due diligence report on all
15 your assets, that's something to look at.
16 And I mentioned before your optimizations.

17 So I think you've already talked about
18 things that have not been done because you
19 were doing your investigation earlier and
20 why should you do a few things. If you look
21 at potential insurance, leveraging, debt to
22 asset ratios, credit worthiness, those types
23 of things for your utility, it's always good
24 to have a USPAP, a uniform special appraisal
25 practice compliant utility appraisal. To my

1 knowledge, at this juncture you still don't
2 have an appraisal. And so it's sort of
3 interesting, there is many uses for an
4 appraisal.

5 At Vero Beach -- now, the Vero Beach did
6 finally decide to sell to FP&L, but the
7 initial offer was around \$80 million. I'm
8 the guy that did the appraisal there in
9 Vero, so it was closer to \$200 million, a
10 little less. And when all was said and
11 done, we were within two and a half percent.
12 So huge difference of doing things.

13 Appraisals do a lot of things for you,
14 things that you don't -- there's unintended
15 optimizations out of an appraisal. So
16 that's something I want to mention to you.

17 So basically, other than optimizing,
18 transforming your utility that you can do
19 with your existing staff, and a few
20 consultants assisting you, that's where you
21 should go, go forward. Contract with
22 others, optimize your customer base,
23 optimize your capacity, sell all the power,
24 all types of power, not just base load
25 power, peaking power, and other types of

1 power relative to seasonal power. You can
2 use underutilization of your base power and
3 getting higher prices for that in our
4 peaking basis.

5 CHAIRMAN BOYLAN: We have Mr. Mason
6 coming to speak with us in a couple
7 workshops down the road here, but you
8 mentioned comments to me -- focused -- a lot
9 of this is obviously on the electric
10 utility, but let's talk a little bit about
11 water for a second. You made some
12 observations about where we stand as
13 compared to some of our peers in our
14 management of the water systems and cost
15 effectiveness.

16 MR. HARTMAN: Your water and wastewater
17 systems are quite good. They ran for a long
18 time, done a very good job. Your
19 projections for rate and increases are
20 lower, much lower than the rest of the state
21 of Florida, most of the other people in the
22 state of Florida with utilities. Just think
23 about that for a while. For the next
24 decade, your projections for rate increases
25 are lower than in water and wastewater than

1 projections if you look at the state of
2 Florida in aggregate. So it's really sort
3 of interesting that you're doing a better
4 job in that area.

5 CHAIRMAN BOYLAN: Thank you.

6 Mr. Becton.

7 COUNCIL MEMBER BECTON: Thank you.

8 Through the Chair.

9 Mr. Hartman, one of the things I would
10 like to hear your thoughts on is against an
11 observation in reality that many of the
12 utility companies between here and the
13 panhandle are coops. And while I learned
14 that we, in and of ourselves, can't turn
15 into a coop because we're not that rule
16 footprint and don't meet the statute's
17 definition of that, what opportunity is
18 there to have a conversation perhaps
19 expanding JEA's footprint through these
20 coops?

21 I mean, is there anything that these
22 coops -- and I have to assume some are small
23 and could utilize the vast resources of a
24 public utility that cares about the
25 customer, more perceived, than a profit

1 oriented one, is there -- in your opinion,
2 is there anything there that kind of works
3 to JEA's advantage and the coops might be
4 looking for that surround us?

5 MR. HARTMAN: Absolutely, that's a great
6 question. One of the optimizations in
7 Seminole County on the water, wastewater
8 side that we did is called inhouse
9 outsourcing, national recognition of that 20
10 years ago, 20 years ago. What is inhouse
11 outsourcing? That's what City of Lakeland
12 is doing right now with their electric
13 systems, inhouse outsourcing; in other
14 words, contracting with the coops, having a
15 conversation with those coops and seeing
16 what needs they could work with you.

17 The buying power of JEA is fantastic.
18 So probably much better than the coop's
19 buying power. What you buy -- to give you
20 some feel, make it real simple, something
21 you can see and touch, a hydrant, the
22 massive hydrant purchases that you get from
23 large hydrant purchasers, around 900 bucks a
24 hydrant. A small community goes out and
25 buys a hydrant for 3,500 bucks, big

1 difference.

2 You can do inhouse outsourcing, working
3 with and helping other communities, making
4 your community even better, getting a higher
5 utilization and more revenues through your
6 system just by being cooperative with the
7 coops.

8 COUNCIL MEMBER BECTON: Just one
9 follow-up question.

10 CHAIRMAN BOYLAN: Sure.

11 COUNCIL MEMBER BECTON: So are you
12 working with any coops out there, haven't
13 had any conversations of their struggles
14 that you might say, Hey, you know, I have
15 had conversations and there is -- you know,
16 there could be a two-way conversation that
17 you might perceive to be some opportunities
18 out there that, if we would just kind of put
19 it out there, that we might could find there
20 is some interest?

21 MR. HARTMAN: I'm pretty sure there
22 would be interest, but I have not done the
23 work relative to purchasing. I always --
24 I've always found everywhere I've looked
25 that the purchasing power makes a huge

1 difference alone. How power helped -- you
2 know, for water, wastewater, and electric,
3 all three.

4 But how power is traded and how you can
5 assist them is another issue that you can
6 work with them on. You know, AAD8 is open
7 transmission. So you can have open
8 transmission.

9 CHAIRMAN BOYLAN: Thank you.

10 Council Member Hazouri.

11 COUNCIL MEMBER HAZOURI: Thank you,
12 Mr. Chairman.

13 Mr. Hartman, thank you. You want to
14 apply for CEO?

15 I have two or three questions. One of
16 them really pertains to the investigation
17 and partly what you said. A couple things,
18 when you mentioned the water a while ago and
19 our rates are low. Is that due to the fact
20 that we have water and South Florida
21 doesn't? Is that too simple?

22 MR. HARTMAN: I think it may be that you
23 do have very good resources, but also you
24 have an economy of scale, a well-looped
25 system, many inputs to the system. So you

1 haven't had to build huge transmission
2 facilities. There are internal
3 transmissions in your service areas.

4 Basically, you have enough plants
5 located throughout that you don't have to
6 have, you know, 84-inch transmission pipes.
7 You have big ones, I don't mean to say
8 they're small, but your transmission -- you
9 know, burden of care -- the carry on that is
10 low, pipe lasts a long time. And because
11 you've done it in this fashion, you've got
12 an inherent advantage. Secondly, your
13 water quality is really good.

14 COUNCIL MEMBER HAZOURI: The water
15 quality, yeah.

16 MR. HARTMAN: Yeah, your water quality
17 is. And down in South Florida, take North
18 Miami Beach, which I did their \$100 million
19 expansion in North Miami Beach on their
20 water system, take North Miami Beach, you
21 know, it's low pressure versus osmosis, lime
22 softening combined, and membrane softening
23 combined, those three techniques, you don't
24 have to do that.

25 COUNCIL MEMBER HAZOURI: I appreciate

1 that. The other -- great answers too.
2 That's a big issue for us, I know, for some
3 of the members here.

4 One of the questions -- well, two of
5 them, one has to do with the status quo,
6 basically you were saying -- I don't have it
7 in front of me, but they paid lip service to
8 it, but not really, you know, they just
9 summarized it, but not really delved into
10 what we can do to improve it. It sounds
11 like we have a common denominator that we
12 can build on that we didn't take advantage
13 of. Is that something that you're thinking
14 that we didn't go far enough before we
15 jumped the hurdle and went straight to
16 trying to privatize?

17 MR. HARTMAN: The quick answer is yes.
18 Continuing that answer is that I find that,
19 when a bunch of management people go out and
20 talk to high-price consultants such as
21 myself, you get a different perspective than
22 working directly with your staff and looking
23 at commonsense solutions for a lot of
24 different things. There are so many things
25 that your staff is so good at that, if you

1 allowed that to -- you incentivize that in
2 your own operation, you will have a massive
3 effect on the overall utility.

4 COUNCIL MEMBER HAZOURI: I appreciate
5 that. The last question, Mr. Chairman,
6 through the Chair, really has to do with the
7 investigation, but also process that the JEA
8 does like every other utility.

9 When they go to PSC, is it different
10 about their rates, I suppose, is it
11 different than what they have to give to the
12 PSC than a private utility; and, semicolon,
13 if they gave the right information and I'm
14 giving them the benefit of the doubt, if
15 they gave the right information to the PSC,
16 but gave false information to their board
17 and to us, are there penalties?

18 Has any other utility experienced or any
19 city experienced that kind of situation,
20 where they gave the right information or
21 some different information to the PSC than
22 they would to their own board? This is
23 really important, because I just -- it
24 really bothers me that that happened.

25 MR. HARTMAN: That's -- I hate to say

1 this, you guys are unique, to my knowledge,
2 in Florida. And I've served many, many
3 utilities in the state of Florida. You
4 know, I, I guess, touched maybe 700
5 different utilities here in Florida. So
6 it's -- I have not known that to happen
7 before.

8 The private communities -- the private
9 entities, private companies, they also have
10 member filing requirements, that's a little
11 bit different. But the stuff that's
12 normally given to the PSC from a utility, I
13 think, if you look at all the rest of them,
14 it's the same stuff as they gave to their
15 board.

16 COUNCIL MEMBER HAZOURI: Did you see
17 what they gave the PSC, the JEA?

18 MR. HARTMAN: I didn't get into that,
19 because that was a different thing. I'm
20 going forward and building it better, that's
21 what I'm all about. And I'm not about, you
22 know, any bad things that other people do.

23 COUNCIL MEMBER HAZOURI: I'm not asking
24 you to do that. It's a little bit
25 disconcerting that they would send the

1 correct thing, if that's what it was, to the
2 PSC and give misinformation to us or to our
3 electrical board.

4 MR. HARTMAN: That is unfortunate.

5 CHAIRMAN BOYLAN: Thank you, Council
6 Member Hazouri.

7 Council Member Morgan.

8 COUNCIL MEMBER MORGAN: Thank you so
9 much, Mr. Chair.

10 Through the Chair to Mr. Hartman.
11 Mr. Hartman, thank you for your presentation
12 and sharing with us. When you talked about
13 the water and the wastewater -- and, to me,
14 our strength -- do you think that the rate
15 projections are too low since you're saying
16 they're pretty much the lowest all around?
17 Should we be a little higher for stability
18 purposes or is being low okay?

19 MR. HARTMAN: Well, since you are a
20 non-for-profit entity, it's the cost of
21 service. Now, really where your question
22 goes is has management funded all ten --
23 there's ten buckets in a proper utility
24 funding. Has management properly funded the
25 extent and magnitude for those ten buckets?

1 And if they have depleted some of those
2 buckets and are not funding them fully --
3 bless you -- there would be a need to raise
4 revenue requirements or potentially rates or
5 getting more customers. There is other ways
6 of doing it, or structure, things like that
7 to make it better, to fix that situation.
8 That's really how well has your management
9 looked at all the future costs.

10 Now, if they haven't projected those
11 costs and documented them well and covered
12 all the proper buckets and, you know, you
13 have the buckets that you have in your debt
14 instruments, your bond issues, you know, all
15 the various reserves that you want to have,
16 and then you have the American Water Works
17 Association, WEF buckets that you want to
18 have those filled. And then you want to
19 have a proper renewal and replacement and
20 major maintenance program, such that you
21 keep high quality and efficient facilities.

22 So if you have those buckets funded
23 appropriately and you have the lowest rates
24 or some of the lowest rates in the state,
25 that's great. That's good management.

1 That's great. But if you haven't, if you're
2 robbing Peter to pay Paul, that's bad.

3 COUNCIL MEMBER MORGAN: Thank you.

4 CHAIRMAN BOYLAN: Council Member DeFoor.

5 COUNCIL MEMBER DeFOOR: Thank you,
6 Mr. Chair.

7 And through the Chair to Mr. Hartman.
8 My understanding is that you've been looking
9 at the JEA for a couple years now. Did I
10 hear you correctly?

11 MR. HARTMAN: Yes.

12 COUNCIL MEMBER DeFOOR: Okay. Did you
13 look at the St. Johns River Power Plant in
14 that process at all.

15 MR. HARTMAN: I don't want to get too
16 deep into that. That decision was
17 difficult, yes.

18 COUNCIL MEMBER DeFOOR: The reason why
19 I'm asking is going forward you have to --
20 because there is some question in some of
21 the information that I've been reviewing
22 that the north side plant is maybe older and
23 less efficient than the St. Johns River
24 Power Plant had been. I just wanted to
25 know, in your assessment, if you did an

1 assessment, what your thoughts were on that.

2 MR. HARTMAN: I didn't do a detailed
3 assessment on that decision.

4 CHAIRMAN BOYLAN: Let's continue to look
5 forward then. One last question, if I may,
6 Plant Vogtle and the calculation of our
7 process, did you have any perspective on
8 that?

9 MR. HARTMAN: At the time, the first
10 time I looked at it, I was looking at it as
11 around a \$2 billion liability. And the next
12 time I looked at it, it was in the same
13 ballpark.

14 CHAIRMAN BOYLAN: So it is quantifiable,
15 we hope; correct?

16 MR. HARTMAN: It's not the greatest
17 thing since sliced bread, but who knows what
18 happens in the future.

19 CHAIRMAN BOYLAN: Thank you very much,
20 Mr. Hartman, appreciate it.

21 MR. HARTMAN: Thank you.

22 CHAIRMAN BOYLAN: I did want to point
23 out, and as I said, I sent out his
24 PowerPoint presentation to a number of folks
25 on Thursday afternoon and did receive a

1 response from Kerri Stewart -- you can have
2 a seat.

3 MR. HARTMAN: Thank you.

4 CHAIRMAN BOYLAN: -- from the CCO, or
5 chief customer officer for JEA, and she did
6 provide these documents that, as we heard
7 from Mr. Hartman, they probably weren't
8 complete in terms of what they had, but
9 wanted to make sure. So that's why you have
10 those in hand, for you to take a look at
11 that at your convenience.

12 I'm going to sort of somewhat transition
13 now out into our next conversation.

14 Mr. Cloud, do you want to come forward?

15 You do have his presentation, a hard
16 copy, because he delivered those to us this
17 morning.

18 Vonya, do you have one down there you
19 can put on the screen?

20 If there is an extra one we can give to
21 Vonya so she can put it on the screen, that
22 would be great.

23 MR. CLOUD: There is an early rule we
24 learned called Murphy's Law: If it can go
25 wrong, it will. So I learned a long time

1 ago to bring printed materials.

2 My name is Tom Cloud. I'm a native of
3 Lakeland, fifth generation Floridian. Love
4 coming to Jacksonville. Had a great aunt
5 and uncle who lived up here in the Riverside
6 area. Saw a lot of interesting
7 Florida-Georgia games as I was growing up.

8 And what I wanted to talk with you about
9 today, and try and be focused and brief, are
10 municipal charter utility provisions
11 specifically related to sales. If you were
12 to take a time trip back to Florida shortly
13 after the war between the states, what you'd
14 find is a number of cities that are about to
15 explode. What they're missing are
16 utilities, water systems, sewer systems,
17 electric systems. And these systems develop
18 over a 40-or-50-year time period. And it's
19 during that time period when Jacksonville
20 first gets a water system, an electric
21 system, the 1880s, '90s, into the 1900s.
22 And it's during that time that a concept
23 arises known as the Municipal Prerogative to
24 Serve.

25 It's hard to imagine modern cities

1 without electric, water, and sewer, because
2 you can't get the size of, you know,
3 population without those basic services, so
4 they're massively important to local
5 government. They're massively important to
6 your populations. And they, quite rightly,
7 deserve your attention at this scale.

8 So what I looked at today and wanted to
9 share with you is how municipal prerogative
10 developed. Actually came from Jacksonville,
11 from the JEA, they originally articulated
12 the argument in the 1990s. There was a
13 historical general law that was put in place
14 that required referendum before local
15 governments could buy electric and gas
16 systems, which was a direct offshoot of a
17 Jacksonville case. And then you had these
18 provisions and charters that have been
19 around for about a hundred years that
20 required referendum before you sold a
21 utility system.

22 Then I wanted to visit just a moment
23 about the context we're in today in
24 Jacksonville, you know, what happened; and
25 then what would happen if you used your

1 current Charter in going forward; and
2 finally some remaining questions I think you
3 might want to look at.

4 And so in Florida we have something
5 known as the Municipal Prerogative to Serve,
6 and that's been around since the 19th
7 Century. This prerogative is based on the
8 power to grant franchises. Franchises are
9 the right to operate a business within the
10 city limits that uses rights of way. The
11 original franchising law was actually
12 drafted by Henry Flagler and was adopted by
13 the Florida legislature in 1899. It
14 contained a mandatory purchase option
15 provision in that law because Flagler got
16 gypped out of a streetcar line franchise in
17 St. Augustine when he was developing the
18 hotel chain that we have all come to know
19 over the years. And it's held in trust sort
20 of like the public trust doctrine for
21 sovereignty lands, these franchising rights
22 are held in trust for the public. They're
23 very important rights.

24 And under your Charter now, you hold the
25 exclusive right to provide utilities within

1 the city. And when consolidation occurred
2 in 1967, August 8th, to be precise, then
3 they created the JEA.

4 It's clear in there that that power
5 emanated from the City Council. And the
6 Charter delegates the City's power to JEA.
7 You have a conversation about what that
8 looks like. And in a number of Florida
9 cities, that's been handled different ways.
10 And we'll look at that in just a minute.

11 Under the Charter they actually pay you
12 franchise fees, those transfer payments are
13 actually described in 27.07(1) as a basis of
14 a franchise. So it's clear, an extrinsic
15 review of your Charter indicates clearly
16 that this power emanates from you on behalf
17 of the people of the city of Jacksonville
18 and your service area.

19 And JEA actually argued they first
20 articulated the notion of Municipal
21 Prerogative to Serve in a case from the
22 1990s that went all the way to the Supreme
23 Court. And that became sort of the
24 restatement of the law, it actually comes
25 from JEA.

1 So originally, Jacksonville got in the
2 business, there was a local electric light
3 company that was providing light, they
4 didn't have radios and phonographs and the
5 like in the 1890s, most of the early systems
6 are all set up for, like, an insane asylum
7 in Chattahoochee, or an ice plant in
8 Lakeland, or streetlights in Jacksonville.
9 The Jacksonville City Council decided that
10 they wanted to provide lights to the private
11 inhabitants of the city of Jacksonville and
12 they hired General Electric to build them a
13 generating plant in 1893.

14 It was challenged by the incumbent
15 electric utility. And the Supreme Court
16 ruled that, in fact, the very limited
17 language of the Jacksonville Charter that
18 allowed you to build a plant necessarily
19 implied that you could serve customers.

20 That was back when Florida was
21 controlled by something called Dillon's Law.
22 You had the power that was expressly granted
23 and necessarily inferred. And so the
24 progeny of what became JEA was borne out of
25 that lawsuit.

1 At the very next legislative session,
2 the Florida legislature sitting over in
3 Tallahassee passed a law that said no city
4 could buy or construct or lease a power
5 plant unless they had a referendum.

6 Now, you know, I have not spent the time
7 doing the historical research to determine
8 cause and effect there, but it does seem,
9 you know, sort of an odd coincidence that
10 this happens in the very next legislative
11 session.

12 And so from 1897 to 1973, before a city
13 could build or buy an electric plant, they
14 had to hold a referendum, okay. In Orlando,
15 when Orlando purchased Judge Cheney's
16 Orlando Water and Light Company, they had to
17 hold a referendum, 1922. It was the first
18 time women could vote, okay, after the
19 presidential election of 1920. And people
20 of Orlando voted overwhelmingly to buy the
21 plant under a purchase option. But that was
22 the application of that law requiring
23 referendum.

24 When home rule powers --

25 CHAIRMAN BOYLAN: Mr. Cloud, can we fast

1 forward just a little bit on the history
2 lesson?

3 MR. CLOUD: Of course. When home rule
4 power is passed in 1973, they do away with
5 the law, what's left. Charter provisions
6 regulate the sale, which you have in your
7 Charter, and which your current draft
8 proposes to keep. And I think that's a very
9 important thing, because without it, we
10 probably wouldn't be having this
11 conversation today.

12 The next slide is the big takeaway.
13 It's a comparison of all of the entities
14 that are similar to JEA and how they handle
15 this kind of provision.

16 Bushnell, small city, Sumter County, has
17 a charter that says, before you can sell the
18 electric water and sewer system, you have to
19 have a referendum. And they do not have a
20 separate entity. But this is a modern case
21 because an electric cooperative tried to
22 force the sale by holding a referendum. And
23 the court threw it out, said, you tried to
24 hide the terms and conditions of the sale.

25 This would have applied here. Any

1 attempt to try and hide the terms and
2 conditions of the sale in a referendum could
3 have been shot down in court. So all the
4 efforts to mask and hide would have been
5 useless if you applied the law from the
6 Bushnell case, which dates from 2016, fairly
7 recent.

8 Fort Pierce Utility Authority has a
9 separate entity. There the mayor is on the
10 authority, but the city commission picks the
11 remaining four. They have a referendum
12 prior to sale.

13 Gainesville Regional does not have a
14 separate membership, they are headed up by
15 the city commission. They have a referendum
16 on sale.

17 JEA, the Mayor picks and then you okay
18 it. But under your new provision, four
19 would be picked by City Council, three by
20 the Mayor. I mean, there is a lot of
21 different ways to do this, but I think there
22 is something to be said for a balancing of
23 power there, because it is who you put, it
24 is the people you put in position that make
25 the difference. It absolutely is the

1 people. Good people can make good things
2 happen.

3 And I'm hopeful, you know, you've got
4 some interesting business people who have
5 stepped forward to serve. And, you know, we
6 had a similar experience, Jerry and I, in
7 New Smyrna where some really good people
8 came in to serve on the utility's
9 commission, made a tremendous difference in
10 the operation of that utility. But in New
11 Smyrna they're all selected by the city
12 commission, every one of them is selected by
13 the city commission.

14 And OUC in Orlando, which is the only
15 one of these major ones that does not have
16 the referendum protection for the customers,
17 they're throwing off \$87 million a year to
18 the City of Orlando. The mayor serves on
19 the commission, but the rest of the
20 utility's commission is selected by the city
21 council.

22 CHAIRMAN BOYLAN: To your point then,
23 everywhere you have got NA, or not
24 applicable, I assume that means the
25 executive director or the managing director

1 reports directly to the council?

2 MR. CLOUD: Well, the people who serve
3 on the management board of the
4 semiautonomous political subdivision that is
5 the utility authority, or the utility
6 commission, yeah, they are selected by the
7 city council or the city commission.

8 And believe me, that makes a big
9 difference, first advice I gave to the
10 utility's commission was there had been a
11 little bit of history of friction. I said,
12 you have got to get along with the city
13 commission. That is absolutely essential,
14 it is existential.

15 CHAIRMAN BOYLAN: All right. If we
16 could move on, we're running very quickly
17 out of time here. I apologize for that.

18 MR. CLOUD: Not a problem.

19 So the next poster you can say, since
20 the end of World War II, there aren't many
21 electric system sales in Florida, there just
22 aren't. Sebring sells in '93 and the going
23 concern value that was recognized out of
24 that sale was revisited upon the customers
25 in something called the Sebring writer,

1 which was a surcharge placed on their
2 electric bills.

3 If you sell a system, the price is
4 inflated by the contributed assets that were
5 contributed by the customers originally.
6 Yeah, you might get a higher sales price,
7 but guess who is going to pay that in higher
8 rates down the road? It's going to be the
9 customers.

10 So when Jerry and I were on a conference
11 call with Mr. Zahn in early October and
12 Jerry asked him the question, What is the
13 level of contributed assets, the answer was,
14 I'm not answering that question. Jerry is
15 pretty good, he asked him that question
16 about five or six different ways, could not
17 get an answer. And it's interesting because
18 four days after that conference call, there
19 is an acceleration in the process of trying
20 to get the sale done.

21 There is now a bill, by the way, pending
22 in Florida legislature, Senate Bill 658, I
23 think is the number, House Bill 207 that
24 would seek to change Florida into a fair
25 market value state, which means the public

1 service commission would have the discretion
2 to include contributed assets in the rate
3 base for private utilities, okay. That
4 means the people who contributed the
5 contributed assets are the customers, would
6 then have to pay rates again when the system
7 is sold.

8 CHAIRMAN BOYLAN: If we could jump down
9 to your slide if JEA had completed the ITN.
10 Do you want to kind of speak to that one
11 quickly?

12 MR. CLOUD: Sure. Your Charter
13 controls. So you had a requirement of ten
14 percent is going to be sold, right, that
15 you're going to be -- you know, there is
16 going to have to be a review. And the way I
17 read it, you have a statute that says, if
18 you sell a water and sewer system, that has
19 to go before a public hearing. And there
20 are like ten issues. Well, one of those is,
21 what's the impact to the customers of the
22 system being sold going to be? So all of
23 those issues would have been visited as a
24 part of that process and for the electric
25 system, because it's in the Charter.

1 A similar requirement from the Bushnell
2 case, I think, would have applied that would
3 have required the same kind of information
4 that not only had to be disclosed to this
5 Council, but would have had to have been
6 disclosed to the public at large. So I
7 think that there was a process in place.
8 And of course, we know that the disclosure
9 of the PUP plan had sort of a, you know,
10 apply-the-brakes effect to this.

11 Now, there have been a couple of what we
12 call executive compensation plans that have
13 occurred in Florida. One that Jerry and I
14 are familiar with was when General
15 Development Corporation, which is a large
16 development corporation back in the '80s,
17 went belly up. To keep their utility
18 executives onboard, this is a private
19 corporation, implemented something called
20 the Executive Compensation Plan, which
21 obviously had an impact on their testimony
22 regarding what the value of the system was,
23 because they got a higher bonus if the value
24 was higher. And we had a lot of fun
25 pointing that out in the depositions.

1 But it is unprecedented in Florida for
2 public corporations to have something like
3 an executive compensation plan. That's all
4 I'll say on that. We haven't seen it in
5 public entities and sales, just -- and we've
6 been doing this now for the better part of
7 40 years. So --

8 CHAIRMAN BOYLAN: Mr. Bowman, did you
9 want to interject or question now?

10 COUNCIL MEMBER BOWMAN: No.

11 CHAIRMAN BOYLAN: At the end, okay.
12 Continue. I'm sorry.

13 MR. CLOUD: I'll just take you to the
14 last poster, because we've talked about the
15 two cases, the Miami case, which was a
16 charter case involving a convention center,
17 and they tried to take a referendum without
18 disclosing the terms and conditions. The
19 court said, no way. That case is later
20 applied in Bushnell.

21 So you have some remaining questions.
22 And the first one is why aren't other cities
23 trying to sell their electric systems if
24 there is this death spiral, as, what is it,
25 Chicken Little, the sky is falling? And the

1 answer is, I think you've had a lot of
2 public testimony to date that says there is
3 no death spiral. If there was a death
4 spiral, then why did every investor and
5 utility in Florida make a bid on -- or I
6 know you -- the public can't see the number
7 now, okay. But why did they make a bid if
8 the business is in a death spiral, inquiring
9 minds want to know.

10 So if there is a premium value when they
11 sell these systems, from whom will the
12 premium be collected? And as happened in
13 Sebring, that premium was collected from the
14 customers, who know that Sebring writer is
15 not the name of a song from the mid-'60s
16 from Detroit, but is rather a surcharge on
17 their electric bills.

18 And then there is a couple of bills that
19 are sitting out there. One, which was filed
20 right before session, House Bill 653, which
21 seeks to prohibit the use of electric
22 revenues by cities for municipal general
23 fund purposes. Probably not going anywhere
24 today. Can you imagine what would happen to
25 Tallahassee -- which has very little taxable

1 property downtown, it's all state
2 property -- if they could no longer use
3 electric funds as transfer funds for the
4 city of Tallahassee? But it is interesting
5 to see this gets filed around the time when
6 all this is going on. I'm just wondering
7 what a strange coincidence that is.

8 And then, of course, this bill that's
9 sitting in front of the legislature dealing
10 with giving the PSC the discretion to
11 include contributed assets in the sale,
12 which they've never done before. There is a
13 little bit of a trend allowing that around
14 the country. And wherever the bill passes,
15 there are a number of sales that then take
16 place with inflated sales prices and of
17 course, we all know where that inflation is
18 going to be extracted from on the back end.
19 So maybe the bill is not such a good idea in
20 this context, just a thought.

21 And then, of course, you are looking at
22 amendments to the City Charter, and it is
23 good. I notice during the development of
24 the process that in the beginning, in late
25 2017, someone points out, Well, there is no

1 referendum requirement, which was true. I
2 mean, that's the best kind of advice, tell
3 the truth. And so within a year, the
4 referendum requirement was put in the
5 Charter. And just looking at it from a
6 distance, I think that one change had a
7 tremendous impact on your ability to have
8 input into the process.

9 So whatever you do, hang on to that
10 requirement, because it's the only way the
11 public gets a view of what's going on.

12 And I'd be happy to answer any questions
13 you may have.

14 CHAIRMAN BOYLAN: We'll start with
15 Council Member Bowman.

16 COUNCIL MEMBER BOWMAN: I'll use
17 Mr. Freeman's. Thank you, Mr. Freeman.

18 Thank you. Through the Chair. And for
19 both of you, thank you for coming today.

20 I may be asking something that's outside
21 of your expertise, but I'll ask it anyway
22 and give you a chance to opine. We took
23 some hittings from the bond rating agencies
24 last week. And certainly, my feeling is
25 that's a shot across the bow and could

1 continue to happen unless we stabilize. And
2 we'll ask of our financial officers to see
3 if they can assess. I think it's going to
4 be in the tens of millions of dollars
5 potentially over time.

6 So my question is, from what I
7 understood from the rating agencies, the
8 things they didn't like was the fact that we
9 don't really have a board now, we don't have
10 leadership, and they want the authority to
11 maintain their independence. So my question
12 looking forward to both of you are, with all
13 your work with all those utilities, what
14 would you recommend to us to try to stop the
15 pain from potentially really getting hit
16 from our rating agencies?

17 MR. CLOUD: Well, solidify the
18 membership of the board and put an all-point
19 search on for the best utilities
20 manager/director you can find.

21 It's -- we went through a similar
22 process in 2018 for utilities commission in
23 New Smyrna Beach. You can't have Joe Bunch.
24 He's really good, he came from Exelon, but
25 they opened it up, used a search firm and

1 looked at a lot of different possibilities.
2 Ended up with a guy who had been in the
3 private sector, but he's had a remarkably
4 positive impact.

5 Because, you know, the staffs of these
6 utilities are some of the best people in the
7 world to work with, because they -- their
8 whole mantra is make sure service gets
9 delivered at a reasonable price,
10 environmentally acceptable. The people that
11 are out in the field, that is what they
12 aspire to. And that kind of inspiration
13 deserves inspirational leadership.

14 So that would be my advice to you, is
15 looking forward nail that down and find the
16 best director you can find.

17 COUNCIL MEMBER BOWMAN: Thank you.

18 CHAIRMAN BOYLAN: So in the context of
19 that question, if a -- a five-star managing
20 director, executive director, would be very
21 helpful in expediting the concerns we just
22 heard about; correct?

23 MR. CLOUD: Yes, sir.

24 CHAIRMAN BOYLAN: Overcoming those?

25 MR. CLOUD: It's the identity of the

1 people who hold the position who step
2 forward to do the right thing, that is
3 always the most important thing when it
4 comes to resolving these issues.

5 CHAIRMAN BOYLAN: Appreciate that very
6 much.

7 Council Member Hazouri.

8 COUNCIL MEMBER HAZOURI: Thank you,
9 Mr. Chairman.

10 Just to follow up on that one quickly,
11 what Mr. Bowman didn't say is we have our
12 investigatory committee going and, of
13 course, we have this one in a positive way,
14 and then we have the FBI doing whatever.
15 Does it still behoove us -- we will get a
16 new board -- but to also seek out the CEO
17 and hopefully the expectations of what we're
18 doing here by the bond houses will see that
19 we're moving forward? Will that impact that
20 or will this investigation, both internally
21 and with the FBI, stymie it? I know you
22 probably can't answer that.

23 MR. CLOUD: I don't know that. I can
24 tell you that I represented a little city
25 that was about to dissolve. And they were

1 all upset because the former city manager
2 took a million dollars of city impact fees
3 that was supposed to go to the county and
4 used it to balance her budget. Not a good
5 thing. Probably could have ended her up in
6 jail, but didn't.

7 And I told them, I said, you are going
8 to lose the future if you waste more of your
9 time on the past.

10 Now, that does not mean you should end
11 your investigation. I'm not suggesting
12 that. I am saying that at some level you
13 have to focus on the future. Let the
14 investigation do whatever it is it's going
15 to do, but the future is so important here
16 because you have such a great place to start
17 from.

18 CHAIRMAN BOYLAN: Thank you.

19 COUNCIL MEMBER HAZOURI: Thank you. So
20 New Smyrna, y'all's board that you're very
21 proud of, are they business people or do
22 they meet categories, any of them engineers,
23 doctors, lawyers, beggars? I mean, do y'all
24 itemize --

25 MR. CLOUD: Business people.

1 COUNCIL MEMBER HAZOURI: Just general?

2 MR. CLOUD: That's right. We have a guy
3 who owns an automobile dealership, Jack
4 Holcomb; we have a guy who owns an insurance
5 company, Buddy Davenport; we have a lady --

6 COUNCIL MEMBER HAZOURI: I get it.

7 MR. CLOUD: -- who is a CPA. They're
8 business people and they really care about
9 their community.

10 COUNCIL MEMBER HAZOURI: I appreciate
11 that. The last question: The bill that was
12 introduced, I understand why that other one,
13 you have money come in, you can't spend it
14 on municipal government, and I think there
15 is some rhyme or reason in South Florida why
16 that's introduced. Why is this bill here,
17 what is the underlying reason for it being
18 introduced? I mean, it has to affect --
19 being in the legislature for 12 years, there
20 is always something that lies beneath. What
21 is the cause for this piece of legislation
22 coming forward, do you know?

23 MR. CLOUD: Well, I mean, specifically,
24 I don't know. But I do know I was riding in
25 a car about three weeks before the bill was

1 introduced and Mr. Hartman said, You know, I
2 bet you this bill is going to get
3 introduced. And sure enough, three weeks
4 later the bill appears. So I'm sure it's
5 just a huge coincidence. And none of us
6 followed, you know, Jethro's from NCIS Rule
7 37 about there are no coincidences.

8 COUNCIL MEMBER HAZOURI: Generally, it's
9 something that they experience in their own
10 particular county and they want to apply it
11 to the rest of the world. Thank you.

12 CHAIRMAN BOYLAN: We have two more
13 questioners.

14 Council Member Priestly Jackson.

15 COUNCIL MEMBER PRIESTLY JACKSON:

16 Through the Chair.

17 I just have one question: Because of
18 our unique nature of consolidation and home
19 rule, would our Charter preempt any language
20 in the Florida statutes or any proposed
21 legislation relative to JEA because of
22 consolidation and home rule? So, in
23 essence, does our Charter supersede the
24 language in the Florida statutes in this
25 case for us.

1 MR. CLOUD: Well, it's actually a very
2 difficult question to answer because there
3 are exceptions to what I'm going to tell
4 you. But the general rule is general law is
5 going to trump charters in about 99 percent
6 of the cases. There is one rule -- one
7 percent exception out there. But, yeah, if
8 they pass a general law that says you can
9 include contributed assets, yeah, that's
10 going to control.

11 CHAIRMAN BOYLAN: Council Member DeFoor.

12 COUNCIL MEMBER DeFOOR: Thank you,
13 Mr. Chair. And through the Chair.

14 Just following up on Councilman
15 Hazouri's question on the board and what the
16 board make-up looks like, were any of the
17 board requirements that they could not
18 receive public funding to be able to be a
19 board member of a utility?

20 MR. CLOUD: Well, I think that the
21 ethics code covers that, I think. I mean, I
22 know that it -- I'm being asked to provide
23 an -- the four-hour ethics lecture to the
24 utilities commission in New Smyrna Beach, so
25 I would imagine that those laws apply. I

1 noticed that they are reproduced to be
2 incorporated into the Charter. That can
3 hardly be a bad thing, because -- but I
4 think they apply anyway to someone that's on
5 political subdivision, at least that's my
6 reading of the ethics code.

7 COUNCIL MEMBER DeFOOR: Thank you.

8 CHAIRMAN BOYLAN: I want to thank you
9 both for your time today. I appreciate for
10 those out there, we're making sausage here
11 it kind of looks like, but I do appreciate
12 the fact we have to get to the nitty-gritty.
13 And the material you provided us today and
14 the perspective you gave us is invaluable.
15 So thank you very, very much for your time
16 and your contribution to today's
17 conversation.

18 I'm going to try and push this to 1:15
19 if I have the consensus of the group to keep
20 this moving forward, because we have a lot
21 of work to do still as it relates to the
22 Article 21. You've got a booklet in front
23 of you. I wanted to invite Ms. Sidman to
24 come up. What you have is a -- and we will
25 be putting it up on a screen. I spent -- we

1 spent a number of hours attempting to
2 aggregate the suggestions of any of our --
3 all of our colleagues have made, and a few
4 others, as it relates to items to go into
5 the Charter. And rather than generating a
6 whole bunch of ordinances, we thought it
7 best to start with the process of doing the
8 red-line version.

9 In your packet, so what you have is the
10 very first tab is the red-line version,
11 which we're going to try and go through in
12 some portion quickly today, more from the
13 perspective of doing a couple things.
14 Number one, introducing them to you.
15 Allowing you an opportunity to give some
16 feedback either today or at a future meeting
17 so we know exactly what you're looking for
18 in terms of expectations, some pending
19 legislation that's already in the queue as
20 far as this is concerned, other related
21 legislation that had been introduced in the
22 past and enacted that may be a matter of
23 consideration here.

24 Then, of course -- and I shouldn't say
25 of course, because most of us weren't even

1 aware they existed, there is, obviously, the
2 JEA bylaws you might expect, but there is
3 also a very detailed JEA policy manual which
4 was very, very helpful in understanding how
5 the board is expected to operate, as well as
6 the managing director in that process.

7 So I'm going to ask, Ms. Sidman, if you
8 would. Walk us through some of the items
9 that we talked about to give us an overview,
10 if you will. And I want to thank her and
11 Ms. Hodges, she's not here -- she is here,
12 there she is, and a few others from the OGC
13 who met -- I met with and gone over a number
14 of times the red-lined -- actually, it's
15 arguably a blue line as we look at it. But
16 I'll turn the floor over to you. Thank you.

17 MS. SIDMAN: Thank you. Peggy Sidman,
18 Office of General Counsel.

19 When we last met on January 27th, there
20 were a number of things that we identified
21 for the Committee. The first was generally
22 the five buckets of areas that the Council
23 had identified that they were interested in
24 charter changes. At that meeting, we were
25 requested two things. One of which I think

1 you have in front of you is the SOE
2 deadlines for when a referendum would have
3 to be given to SOE. And then we've backed
4 into that the last possible date with no
5 deferrals and no delays that a bill would
6 have to be introduced. So that's presented
7 to you for your consideration.

8 And then the second thing that was asked
9 of us, which I've handed out, it's in your
10 notebooks, but I've handed out separately
11 because I'm going to go through it in that
12 manner in your notebooks, is a list of
13 items, if you will, and where they're found
14 in Article 21. And so I hope that will be
15 helpful to you. You might want to make
16 notes on that, whatever your system is.

17 So as Council Member Boylan mentioned,
18 this was a very large, collaborative effort
19 between myself, Lawsikia Hodges, Ariel Cook,
20 and Julie Davis. And so I'm going to go
21 through and I'm going to do it in reverse
22 order, and there is a reason for that. I
23 think a lot of the meatier stuff that you're
24 going to have questions on are going to come
25 in the back. I'll work through to the

1 front, and just very quickly. And then for
2 deeper dives, if you have questions, I'll
3 call my colleagues up and we can address, in
4 turn, the sections that we each took.

5 Vonya, are you doing the overhead?

6 CHAIRMAN BOYLAN: Yes. We're looking at
7 page 22.

8 MS. SIDMAN: So I'm going to start on
9 your sheet here, it's 21.11. It's the very
10 last section. And we're going to start on
11 page 22. So this is the privatization. The
12 privatization something, obviously, a lot of
13 Council Members were interested in. What we
14 did there was we pulled out that 10 percent
15 section and put it in 21.11(a), so that's
16 where you'll see that no more than 10
17 percent can be sold. There is also
18 preliminary approval that you'll see in
19 21.11(b), the retention of consultants in
20 21.11(c), and then budget issues. You can
21 see at the bottom of the page there is other
22 discussion points depending on how the
23 Council wants to go through and address
24 that.

25 Okay. So I'm going to ask you now to

1 turn to --

2 CHAIRMAN BOYLAN: I'm sorry.

3 Mr. Becton.

4 COUNCIL MEMBER BECTON: Thank you.

5 Through the Chair.

6 Ms. Sidman, so going back to the old
7 conversation of what is ten percent, have we
8 clarified that?

9 MS. SIDMAN: Yes. We have a memo that I
10 circulated after that noticed meeting that
11 you had requested that. And I think I
12 circulated that to full city --

13 COUNCIL MEMBER BECTON: I'm talking
14 about putting it in the Charter some kind of
15 definition of what that is, rather than
16 having to refer to some memo which could be
17 changed based on legal counsel in the
18 future.

19 MS. SIDMAN: And that's an excellent
20 point. All of this that I have presented to
21 you is just a starting point. So as you
22 read this and give us your policy decisions
23 and the directions that you intend to take,
24 we'll modify this. There is no pride in
25 authorship here. And we're hoping we got

1 something right in there, but whatever we
2 didn't, we'll correct.

3 CHAIRMAN BOYLAN: And that's precisely
4 the kind of information we're trying to get
5 through in this process, is what do you
6 think, what's in it, what's out of it.

7 Mr. Dennis, you were in the queue. Did
8 I miss you from before? I apologize, but I
9 just opened up the slate.

10 COUNCIL MEMBER DENNIS: Yes. Through
11 the Chair. I was -- I had a question about
12 this particular sheet, the election sheet,
13 and I'm looking at the November general
14 election, the council introduction,
15 June 9th. Now, does this take into account
16 if it's a charter change how it has to sit
17 for 60 days, then an additional 90 days?
18 Because if that's the case, it doesn't
19 appear to be 60 days on here for council
20 approval if it's introduced on June 9th. So
21 can you clarify that, please.

22 MS. SIDMAN: Through the Chair to
23 Council Member Dennis. Great question. A
24 referendum, just the referendum, is the
25 simple majority, so it doesn't go through

1 the two-thirds vote of the charter change.
2 All the Council is doing is putting it on
3 the ballot. So it would be considered a
4 normal cycle. You don't have the 60, 90
5 days as is triggered when you have the
6 two-thirds vote changing by the City
7 Council.

8 COUNCIL MEMBER DENNIS: So question, so
9 right now I've introduced a bill that
10 changes the make-up of the board. And it's
11 sitting on now the 60 day, 90 day before we
12 vote on it. So it's a charter change. So
13 how is that different from what you're
14 telling us today?

15 MS. SIDMAN: Your referendum bill, which
16 is 2020-100, is a referendum change. And it
17 should have no 60 day, 90 days, but I'm
18 happy to get with you on that.

19 COUNCIL MEMBER DENNIS: All right.
20 Thank you.

21 CHAIRMAN BOYLAN: Just to be clear, in
22 the context of that, as we go through this,
23 the only thing we do see that is likely to
24 require a referendum is the appointment
25 bill. And, Council Member Dennis, in this

1 scenario, what's happening is your bill is
2 being introduced to say, let's put it on the
3 ballot. We're not making the change, per
4 se, in the Charter; we're just saying let's
5 put the appointment process on the ballot
6 for consideration.

7 Is that correct, Ms. Sidman?

8 MS. SIDMAN: Through the Chair, that's
9 correct.

10 CHAIRMAN BOYLAN: All right. Council
11 Member Hazouri.

12 COUNCIL MEMBER HAZOURI: Just to
13 clarify, and I hate to get into another
14 topic, but I want to make sure, when you say
15 referendum, when we put it on the ballot,
16 what is your drop-dead date? Isn't it 180
17 days before the November election? Tell me
18 when the -- the reason I'm saying this, I'm
19 thinking school board, I'm thinking
20 Mr. Garrett's bill. So I'm trying to figure
21 out is there one date that we're dealing
22 with.

23 MS. SIDMAN: Yes, sir. This material
24 that I sent out to you that was passed
25 around, this is for any referendum. These

1 are the drop-dead dates. The first dates
2 where it says SOE deadline, I got those from
3 the Supervisor of Elections and then we
4 backed into it the council introduction
5 date.

6 COUNCIL MEMBER HAZOURI: I just don't
7 want to get those confused. And I know we
8 have to go through the same process on the
9 Council, Mr. Chairman. And I don't want to
10 find ourselves all of a sudden that time ran
11 out. Thank you.

12 CHAIRMAN BOYLAN: This came from
13 Mr. Hogan's office, so we understand this is
14 practical.

15 I have Mr. Salem in the queue.

16 COUNCIL MEMBER SALEM: Mr. Chair, if I
17 could suggest that we allow Ms. Sidman to go
18 through this document without interruption,
19 I have questions as well, but I would like
20 to see her get through it and then we can
21 take turns asking questions, if that's okay.

22 CHAIRMAN BOYLAN: And likely, as I said,
23 this is sort of a work in process, this
24 gives you a chance to digest some of the
25 concerns and changes in here, and we may not

1 address them all today. We can do that one
2 on one at some point in time, Ms. Sidman.

3 I'm sorry, Ms. Sidman. If you would,
4 please proceed.

5 MS. SIDMAN: Sure. And so again, back
6 to your index, 21.09, Contracts, that's
7 going to be found on page 19. And much of
8 this provision has to do with procurement.
9 Right now the procurement code -- JEA has
10 their own procurement code. And the way
11 that this is drafted is it continues with
12 JEA having their own procurement code and
13 not pulling it under the City. But you can
14 see in 21.09(b) that there would have to be
15 some conversation if the Council decided to
16 have the procurement code be brought back
17 underneath the City.

18 21.09(c) has some minority business
19 enterprises, JSEB programs, and
20 clarification, we heard that from some of
21 the Council Members.

22 And then -- 29 -- sorry 21.09(d) is the
23 Professional Services and Other Services.
24 As you can imagine, there is a number of
25 professional services that JEA engages in,

1 not just the consultants and lawyers that
2 have been the topic recently.

3 I'm going to draw your attention to the
4 very top of that page. It's in the previous
5 section, 21.08, but it's (f), and that is
6 the Employee Bonus Or Incentive Programs.
7 This was an attempt to draft around the PUP.
8 So I draw your attention to that.

9 Next I'm going to move back to 21.08,
10 which is called Employees and Managing
11 Directors. That's found on page 16.

12 Are you with me, Vonya?

13 All right. So 21.08(a) is just general
14 contracts, and we have some provisions in
15 there, but 21.08(b) specifically talks to
16 the managing director and provisions that
17 the Council, we took, would maybe want to be
18 included in that.

19 Then we have other employees, which is
20 21.08(c). And there's 48 staff assistants
21 and managing directors who serve at the
22 pleasure of JEA. Those are usually your
23 department heads, your deputy directors,
24 they're just listed in that provision.

25 And then I know Council Member Salem and

1 others were interested in this section,
2 21.08(e), which is Employment Contracts.
3 That's very detailed, and it's drafted in
4 the alternative. If you switch the page to
5 page 18, in the middle of the page, you'll
6 see a big "or." So again, we are looking
7 for your guidance on what you want to see
8 there.

9 I'll draw out just a couple of things
10 generally before the "or," you know, there's
11 a five-year contract. There's no severance
12 pay. The contract shall not contain
13 mandatory consulting. There is no release,
14 no indemnity, no release. And then there is
15 a provision contained, termination without
16 cause provision and so on. So these are,
17 again, for your review and dialogue.

18 So then we turn back to 21.04(p), as in
19 Paul. This is where you currently find the
20 ten percent -- let me get the page for you,
21 page 8, it's where you currently find the
22 ten percent sale of JEA in the requirement
23 for the referendum. As you saw, we put that
24 in the back and had its own section so it
25 was clear. It is also the provision in

1 which you see notice to the auditors, that
2 was a dialogue that occurred, Council Woman
3 Priestly Jackson. And there is other --
4 there are other provisions that are coming
5 out that will address some of those things,
6 but I draw your attention to that.

7 One thing that I think has come to the
8 attention of the Office of General Counsel
9 that we wanted to bring your attention to is
10 also found in 21.04, it's 21.04(b), as in
11 boy, and it's found on page 4. This is a
12 provision about real estate. As you can
13 imagine, with easements and undergrounding
14 and water, there is a lot of real estate
15 that the JEA handles.

16 And it was drawn to my attention by Ms.
17 Hodges that the board doesn't presently have
18 control over real estate; it's done through
19 policies that tends to be, at present,
20 controlled by the CEO.

21 So the recommendation from our office
22 for you to consider is that the board shall
23 adopt real estate codes governing the sale,
24 lease, transfer, and sale of real property
25 pursuant to this subsection.

1 Now, I'm going to turn to 21.03, which
2 is found on page 2, and this is the Board
3 Establishment. The Council -- and you saw
4 through Council Member Dennis' bill that's
5 already been filed, as I mentioned,
6 2020-100, the change of the board to the
7 three appointed by the Mayor and four
8 appointed by the Council. We have included
9 that in here because our direction was to
10 put everything all together regardless of
11 whether it was referendum or it was going to
12 be a change by the Council by two-thirds
13 vote. We've modified it and structured it a
14 little bit differently, and we would, of
15 course, pull these things out based upon
16 whether they would need a referendum or be
17 by two-thirds vote of Council.

18 But I draw your attention there to the
19 Qualifications of the Board, which is
20 21.03(a); and then the Removal of the Board
21 Members, that was an issue that a number of
22 Council Members brought to our attention,
23 21.03(b).

24 CHAIRMAN BOYLAN: It's (c), actually.

25 MS. SIDMAN: I'm sorry, it's (c). Thank

1 you.

2 CHAIRMAN BOYLAN: Could you speak to (b)
3 briefly too?

4 MS. SIDMAN: So Council Member Boylan is
5 asking me to speak to 21.03(b). It talks
6 about no member of the JEA holding any other
7 public office or position. That's
8 underlined as if it's new; it's not new.
9 It's in current code, but it got a new
10 subsection, so that's why it's underlined.

11 CHAIRMAN BOYLAN: Because there had been
12 some conversation about one of the board
13 positions to be held by an employee of JEA.
14 And we're pretty much precluded from doing
15 that; correct?

16 MS. SIDMAN: That's right.

17 Do you want me to go on?

18 CHAIRMAN BOYLAN: Please.

19 MS. SIDMAN: Okay. The compensation
20 provision, there was a thought by one of the
21 Council Members that the board members would
22 be paid. So this is the provision in here
23 where they would be allowed to be paid for
24 their expenses.

25 I'm going to turn to page 3, Vonya.

1 I draw your attention to 21.03(g), this
2 has to do with the meetings. You may recall
3 that the meetings were less than -- they
4 could be less than every month. The
5 Council, as you're aware, takes a Christmas
6 break and a summer break. We put in eight
7 months. It's whatever the Council chooses.
8 This is just to start your dialogue.

9 And then I think of interest would be
10 21.03(h), which is the agenda. And this
11 goes to what many of you -- and I think
12 Council Member Priestly Jackson mentioned
13 about when the agenda is finalized, when
14 it's available to the public, when the
15 auditors would get the information. And so
16 this was being drafted to allow for those
17 materials -- to require for those materials
18 to be available two days prior to the JEA
19 meetings.

20 CHAIRMAN BOYLAN: And it's not just the
21 agendas, it's all the resource materials
22 that's going to be presented to the board at
23 that point in time.

24 MS. SIDMAN: Yes.

25 CHAIRMAN BOYLAN: And we limit ourselves

1 to two days prior, because the bylaws of the
2 JEA bylaws allow them to call for meetings
3 two days in advance of any special board
4 meetings. We tried to be consistent with
5 existing bylaws.

6 Go ahead.

7 MS. SIDMAN: Yes. And so again, this is
8 a beginning point. We've attempted to
9 draft -- not having met directly with, one
10 on one with all of you, but if you take
11 these sections and provide us guidance, I'm
12 not sure how the Chair wants us to handle
13 this, that this is for your review, for your
14 edits. And then as you all decide how is
15 this going to go, if there is a separation
16 of powers, which would be more than likely
17 in a referendum; and if not a separation of
18 powers, then it would be the two-thirds vote
19 with the 60, 90 days that Council Member
20 Dennis was reminding us of earlier.

21 So once we get the document correct as
22 you direct, then we'll be able to give you
23 guidance on whether it would be referendum
24 or the two-thirds vote of Council.

25 CHAIRMAN BOYLAN: And we pretty much

1 determined likely it will be three bills
2 that will come out: One is a bill for a
3 referendum; second one I have been
4 characterizing as sort of an omnibus
5 correction, JEA correction bill that speaks
6 to a lot of these issues --

7 MS. SIDMAN: To the Charter.

8 CHAIRMAN BOYLAN: Exactly, to the
9 Charter. And then third any kind of changes
10 to the ordinance code would be required in
11 some instances, but we'll make those
12 determinations once we finalize on the
13 language and your expectations with respect
14 to what's in -- what changes are going to be
15 made to the Charter; correct?

16 MS. SIDMAN: Correct.

17 CHAIRMAN BOYLAN: All right. We
18 didn't -- I missed it perhaps. Didn't we
19 talk about the ability or precluding the
20 ability of board members from personally
21 gaining from a role for a period of time?
22 Did I miss that? Was it one year, two years
23 we said they could not -- two years?

24 COUNCIL MEMBER FERRARO: Two years.

25 CHAIRMAN BOYLAN: I think it's in there.

1 I probably missed it. I know it's in there
2 somewhere.

3 MS. SIDMAN: Yes, there is a provision
4 on that. I'll have to find it.

5 CHAIRMAN BOYLAN: Okay. Thank you.

6 All right. I'm interested in getting
7 the feedback from the group in terms of the
8 approach, number one, and specifics.
9 Obviously, I do anticipate and Ms. Gogo (ph)
10 is in the audience today, that JEA obviously
11 might want to opine or weigh in on some of
12 these things as we move them forward because
13 some of those things are obviously very
14 relative to them.

15 The expediency, I appreciate it, Council
16 Member Bowman's comments before, of us
17 moving this forward really is twofold, so we
18 can get ourselves back on track. And also
19 as we bring onboard new board members and,
20 essentially, a managing director, we want to
21 know the rules they have to play by. So I'm
22 looking forward to us moving through this
23 process, but I want to make sure it's as
24 complete as possible.

25 With that, I'm going to open up the

1 floor.

2 Council Member Salem, I still have you
3 in the queue.

4 COUNCIL MEMBER SALEM: Thank you,
5 Mr. Chair. Through the Chair.

6 Just a few broad comments. Page 9, if
7 they enter in a new activity, should that be
8 approved by the Council -- just something to
9 think about -- or are we going to rely on
10 the board to do that?

11 I did want to get into, from my
12 perspective, on page -- getting into the
13 employment contracts, I feel very strongly,
14 from my perspective, there should be one
15 employee contract for the CEO only. It
16 is -- as I think most of us know, that is
17 pretty consistent within our authorities,
18 other than the JTA having two. And I've
19 spoken to Nat Ford, and I think he's in the
20 process of evaluating that second one.

21 But I think all -- and I've got a
22 resolution coming in the not-too-distant
23 future that basically says -- because it's
24 difficult for the Council to regulate the
25 other three authorities because of the state

1 appointments and everything. But I'm going
2 to put forward a resolution that says there
3 will be one person who has an employee
4 contract, and that is the CEO. And I think
5 that's where we should go with the JEA.

6 And I think five years is a little long
7 myself. I think it's -- well, shall not
8 exceed five years. I think it should be a
9 little less than that.

10 And the JEA also has a short-term
11 incentive plan, and I think that should be
12 addressed through this. It's been going on
13 for 20 years, and the union contract that we
14 just approved has that incentive plan in it
15 for the next three years. We're in the
16 middle of this physical year, but it is my
17 feeling that the short-term incentive plan
18 ought to be approved on a yearly basis by
19 the board and then come to the Council for
20 approval.

21 CHAIRMAN BOYLAN: In every instance --
22 and thank you for those comments. I'd ask
23 that you put them in writing and submit them
24 to Ms. Sidman so she can incorporate them
25 and so we have the language as you intend it

1 to be.

2 COUNCIL MEMBER SALEM: I'm not sure
3 everyone agrees with that.

4 CHAIRMAN BOYLAN: It doesn't matter
5 right now. Throw it all in the soup and
6 we'll see how it comes out the other end.

7 COUNCIL MEMBER SALEM: Okay. And those
8 are my big comments. Thank you, Mr. Chair.

9 CHAIRMAN BOYLAN: Council Member
10 Priestly Jackson.

11 COUNCIL MEMBER PRIESTLY JACKSON:
12 Through the Chair to Ms. Sidman. Thank you
13 for this information in giving us a starting
14 point. I think my concern with 21.11 is
15 privatization or reorganization of JEA, it
16 does not appear to mention the council
17 auditors. Let me be clear that, but for the
18 council auditors, the ITN nor the PUP would
19 have been stopped. I want to be real clear.

20 They did their watchdog function.
21 Anybody can act like it. They were the ones
22 that called both of those issues to our
23 attention.

24 So I don't see them mentioned in 21.11
25 at all, and that is troubling to me. So I

1 would definitely like some language included
2 regarding notice to them in 21.11.

3 Moving on to 21.09, the procurement
4 code, I don't know what the consultation has
5 been, but you can share it with us with the
6 council auditors or with the city
7 procurement department. I know that
8 individuals from those areas have shared
9 concerns with me. I would like to know what
10 concerns they had relative to the
11 classification of the recapitalization of
12 JEA as a procurement process to begin with.
13 And Mr. Gabriel and I had fun with the word
14 procurement, that they found that a bit
15 troubling. So I want to make sure their
16 concerns are included in any changes to the
17 section on the procurement code.

18 Now, moving on to 21.04, which is where
19 a lot of this got started for us. I am
20 concerned again with language in 21.04(p),
21 I'm pretty certain it's going to be, even
22 though we've pulled out recapitalization
23 from that in terms of we've stricken the
24 language in the beginning that says,
25 transfer, sale, finance, lease, or

1 otherwise, it now says services, or
2 products, by-products. We still don't have
3 a trigger language in there of when to
4 contact, when to notify the council
5 auditors.

6 And I don't want to be in a scenario
7 again where there was a debate about when
8 they should have been contacted, what
9 necessitated their being contacted. So it
10 needs to be spelled out, and it needs to
11 have a clear, definitive time frame, so if
12 it's when the board takes an action, you
13 know, I'm classifying that, but I don't want
14 to get back into a semantics conversation in
15 our discussions, which amounted to an
16 argument with General Counsel's
17 interpretation of when 30 days becomes 30
18 days and what applies to it.

19 And then the last area that -- I like
20 the 21.03 language as we talk about the
21 board. I would just ask that, if these are
22 the qualifications we're leaning towards,
23 then I'm not certain that I think we need
24 five years, but we definitely need a lot
25 more than six months for board members. So

1 I like the years requirement.

2 Have all of the proposed board members,
3 new board members by the Mayor, have all of
4 those met the new requirements, because I'd
5 hate to have to ask somebody to get off,
6 because I will in six months if they don't
7 meet that. So we probably want to check
8 those that are being recommended by the
9 Mayor to see if they fit within a time frame
10 of this kind of period, five years, four
11 years, or whatever that's going to be.

12 CHAIRMAN BOYLAN: If that happens, we
13 have one of those candidates in the room, by
14 invitation. He advised me he's not been in
15 this town for six months -- or six years.

16 COUNCIL MEMBER PRIESTLY JACKSON: I want
17 to be real clear, I think longevity matters,
18 I do. I think longevity fosters a
19 commitment to the City of Jacksonville, to
20 the residents and a better understanding of
21 the issues. I do think that needs to be
22 cross-referenced with those individuals that
23 the Mayor has recommended for appointment.

24 CHAIRMAN BOYLAN: Let me ask the
25 question in the context, Ms. Sidman, if

1 someone is appointed in advance of the
2 changes to the charter rules, does that
3 apply to them at that point in time or are
4 they somewhat grandfathered in, if you will?
5 It's a consideration, I agree, that we
6 should take a look at as a Rules Committee
7 Member to say, you know, Our plan is to make
8 it six years. Does it work for you?

9 MS. SIDMAN: Right. So through the
10 Chair. Yeah, the board members have to meet
11 the requirements in the law at the point in
12 time when they're being appointed. If the
13 law changes, then the new board members
14 would have to meet those requirements.

15 COUNCIL MEMBER PRIESTLY JACKSON: I want
16 to follow up on that, but I think we want to
17 talk about our intent. So I don't think you
18 would want to bring anybody on. We already
19 clearly know where we're going in some
20 direction. So whatever the settling point
21 becomes of the tenure, I think that's
22 incumbent to look at those being appointed
23 now to fulfill that. Other than that,
24 you're going to have these bifurcated boards
25 like we had before that we think was part of

1 the basis of the problem we have now.

2 And so I'm just saying it needs --
3 whatever the time frame we're contemplating,
4 it's easy to say, Well, this person has been
5 here a year, this person has been here two
6 years, this person has been here six months.
7 You follow me? And then the Council can
8 make an informed decision.

9 The last question I have, this whole
10 debate between referendum and charter
11 changes, my understanding -- and I really
12 like the referendum language, because it
13 seems cleaner to me, it seems like we can
14 present an entire slate of what we want to
15 do and let the voters go on it.

16 I was told early on that, if we were
17 talking about any change to the powers of an
18 independent authority, changes to the power
19 of the General Counsel's Office, changes to
20 the powers of the City Council, or Mayor, or
21 anybody else, that that required a charter
22 change.

23 And so my question is can that same
24 proposed change be done under referendum?
25 It's going to change the Charter, but can

1 you use just a referendum to make those
2 charter changes in one fell swoop that we
3 might want to make.

4 CHAIRMAN BOYLAN: You want to speak to
5 that?

6 MS. SIDMAN: Right. So the change
7 would -- depending on if it's a separation
8 of powers issues, would require a charter
9 referendum. And then that language would be
10 put on the referendum to make that change.

11 CHAIRMAN BOYLAN: We've got three more
12 Council Members in the queue and one public
13 comment card. So I'm going to try to limit
14 to that, if we can.

15 Council Member Hazouri.

16 COUNCIL MEMBER HAZOURI: I'm just
17 teetering on the questions from -- I guess
18 from -- I guess maybe just Ms. Priestly
19 Jackson. But the one question I have, so we
20 pass the referendum on changing four and
21 three to four and three. So what happens --
22 I got the other information, unless I missed
23 something, I'm trying to plug in this
24 answer. What happens if we pass this and
25 now we're four and three, Council and Mayor,

1 what happens to those seven? I mean, Mayor
2 can keep four of them, I guess, but what is
3 the process? I don't see it in here. And I
4 didn't know how we pick up on that.

5 MS. SIDMAN: It's a great question. So
6 if you approve seven people that have been
7 appointed by the Mayor, it would be
8 beneficial, I think, to identify the next
9 individuals that then would be appointed by
10 the Council, because if the individuals all
11 roll off in one year, then the Council would
12 get all their appointments in one year. And
13 it may be beneficial to put it into the
14 document that says something like, the Mayor
15 will have, you know, three years,
16 consecutive years, and the Council will have
17 four consecutive years of which three years
18 will overlap.

19 So in other words, there's two
20 appointees in '21, two appointees in '22,
21 two appointees in '23, and one appointee in
22 '24. Otherwise, the Council will be doing
23 their appointments, if it's first out, all
24 at one time and then not again for a period
25 of time. So it's something that we could

1 use some guidance on how you would like to
2 see that if you want us to draft that.

3 COUNCIL MEMBER HAZOURI: Thank you,
4 Peggy.

5 I don't want to write it. You know the
6 problem, and if we can do that, pursue it, I
7 think it's really important so we don't get
8 caught up with seven members for the next
9 four years.

10 CHAIRMAN BOYLAN: Absolutely. With all
11 due respect to our current Council
12 President, you don't want one Council
13 President appointing four board members at
14 the same time.

15 COUNCIL PRESIDENT WILSON: Oh, come on
16 now.

17 CHAIRMAN BOYLAN: As it relates to our
18 current situation, just to be clear, all of
19 the seven appointees that have been proposed
20 right now, they're going to be filling open
21 positions, which are staggered; correct?

22 MS. SIDMAN: Correct. The terms do not
23 change, so you'll have your staggered
24 appointments continuing. So some will have
25 shorter terms and some will have longer

1 terms.

2 CHAIRMAN BOYLAN: So that will help us
3 in sort of orchestrating this appointment
4 process.

5 We'll come back around to you if we have
6 time.

7 Council Member Morgan.

8 COUNCIL MEMBER MORGAN: Thank you so
9 much, Mr. Chair. I don't know if I'm
10 getting way, way too much into the weeds,
11 but one of the things that I was looking at
12 in Section 21.03 with the Board
13 Establishment is something like board
14 training. Are we -- is that off the charts
15 for --

16 CHAIRMAN BOYLAN: It's embedded already
17 in the board manual, of the JEA board
18 manual. And as you look through these, I
19 would take a look at the JEA bylaws and the
20 board manual as well to see the materials in
21 there. I don't want to micromanage too much
22 to your point, but let's see what's already
23 in place.

24 If you don't see something in there --
25 as a matter of fact, I even mentioned --

1 suggested, and it's not in our purview to do
2 so, but the change to JEA bylaws to say all
3 changes to the bylaws must be approved by
4 City Council. We can't make that happen.
5 We'd like to see it in the bylaws
6 themselves.

7 But to your point, I do appreciate --
8 let's take a look at that and see what that
9 means in the context of this process.

10 What I was trying to do is incorporate
11 to give you and I, as members of the Rules
12 Committee, some criteria to evaluate. So
13 what do you bring to the table? How do you
14 move JEA forward? What is your experience?
15 What is your background? What is your
16 knowledge that allows you to be qualified to
17 be a person, as we heard from Mr. Cloud, a
18 good business person who may be able to help
19 provide and understand the roles -- the
20 difference between governance and management
21 in this process.

22 COUNCIL MEMBER MORGAN: Thank you.

23 CHAIRMAN BOYLAN: And, Council Member
24 Diamond.

25 COUNCIL MEMBER DIAMOND: Thank you,

1 Mr. Chair. Just super briefly, because I
2 know we're short on time. Love the idea of
3 the three buckets; it makes perfect sense to
4 me. I have some nit-picks with different
5 things in there, but I think everybody does.

6 So what is going to be the mechanism to
7 kind of go through what we like and what we
8 don't like?

9 CHAIRMAN BOYLAN: Well, we're kind of
10 spit-balling a little bit here. The idea at
11 this point in time is for you all, first of
12 all, are you comfortable with the process as
13 to -- we've developed? You're all good
14 where we are in this process. So I would
15 certainly fine tune your points to get them
16 to Ms. Sidman. Particularly, if there is
17 language in there that isn't clear as to
18 what your intention was, to make sure that
19 information is provided to her as well.

20 And then we will, at the next iteration
21 of this meeting, we will have an opportunity
22 to begin to put a finer point on each and
23 every one of these items.

24 COUNCIL MEMBER DIAMOND: Okay. So thank
25 you for that. I really appreciate it. This

1 is a great process.

2 The second question I have for you is I
3 have a couple bills in mind that would
4 implicate JEA but are not JEA specific. So
5 they would hit all the other authorities, so
6 they might hit the executive branch or
7 whatever or even us. So are you comfortable
8 with going ahead and introducing those even
9 though they have kind of a bank shot on JEA,
10 but are not specifically about JEA?

11 CHAIRMAN BOYLAN: I think that would be
12 fine. We shouldn't preclude from that kind
13 of work being done. I fully expect, through
14 this experience, to maybe take a look at
15 some of the other authorities as well.
16 Maybe after 50 years it's time for us to
17 take a look at the Charter and see what we
18 need to do to tighten it up a little bit or
19 clean it up.

20 COUNCIL MEMBER DIAMOND: Great. Thank
21 you. Thanks for all the work.

22 CHAIRMAN BOYLAN: Council Member Salem.

23 COUNCIL MEMBER SALEM: Just a suggestion
24 on the four-three issue. As I recall,
25 Councilman Newby recommended Dr. Faison from

1 EWC, and Councilman Gaffney recommended
2 Dr. Haley from Shands, or UF Health. Maybe
3 we could finesse this in a way that we can
4 get a certain number that are Council
5 approval and not have to deal with this
6 issue of the four-three, assuming it goes to
7 a referendum.

8 CHAIRMAN BOYLAN: The challenge,
9 however, if my understanding is correct,
10 those two members are not six-year residents
11 of Jacksonville, nor is Mr. Vanosdol nor
12 is the gentleman here.

13 COUNCIL MEMBER SALEM: I personally
14 think -- this is my -- that's way over the
15 top of my opinion, six years. We have
16 executives that move into Jacksonville, CEOs
17 that are topnotch people --

18 CHAIRMAN BOYLAN: We can take a look at
19 that number then.

20 COUNCIL MEMBER SALEM: That's my
21 opinion.

22 COUNCIL PRESIDENT WILSON: We can also
23 waive it for certain individuals.

24 CHAIRMAN BOYLAN: Ms. Priestly Jackson.

25 COUNCIL MEMBER PRIESTLY JACKSON: Just a

1 quick thought, I want to be clear, we're
2 going to submit our concerns directly to
3 General Counsel, right, not through you,
4 because that would be a Sunshine, so we just
5 copy everybody else --

6 CHAIRMAN BOYLAN: Yeah.

7 Mr. Hazouri.

8 COUNCIL MEMBER HAZOURI: You mentioned
9 the six months, I get that. I have a
10 concern that's come up, and I like both of
11 them, but the same two gentlemen Mr. Salem
12 mentioned, you know, you're not supposed to
13 have business with the City of Jacksonville,
14 and certainly Shands does and certainly
15 Edward Waters with their 4 million or
16 whatever they're getting. I hate to say
17 that. In all respect, these are great
18 gentlemen. But, you know, the law is the
19 law. And the potential there is pretty
20 sketchy. Thank you.

21 CHAIRMAN BOYLAN: Unintended
22 consequences through this process. We have
23 to tread lightly as we move forward.

24 Anything else for Ms. Sidman?

25 Thank you -- I'm sorry.

1 MS. SIDMAN: Just quickly, I'd like some
2 direction if I get input from Council
3 Members that are in conflict with each
4 other.

5 CHAIRMAN BOYLAN: I think we'll annotate
6 that. We didn't do that purposely this time
7 to make, you know, the attributions in this
8 process. My suggestion is we see the next
9 red line, we see who has recommended what,
10 so we'll know where it's coming from, all
11 right. Does that help?

12 MS. SIDMAN: Sure.

13 CHAIRMAN BOYLAN: Thank you.

14 I have one public comment card. Aisha
15 Franklin. You still here? Please come
16 forward.

17 MS. COVINGTON: Good afternoon. I'm
18 Aisha Franklin Covington. And my address is
19 on file.

20 I wanted to thank you for taking
21 leadership and showing the City of
22 Jacksonville and the residents that we can
23 trust you. The JEA issue has been a serious
24 concern to us, to my seniors. They may not
25 get to come down here and express to you how

1 upsetting it is to think of selling our
2 utility, and they had to find out the
3 details about bonusing yourself.

4 I'd also ask for General Counsel's
5 Office to recuse themselves. They have
6 given advice on this. I've sat in those
7 meetings where they were advising. I don't
8 think they can police themselves any longer.

9 I think it's time for Jacksonville to
10 raise the bar. We've got to have a standard
11 in Jacksonville. I was reading -- my phone
12 went dead again -- very briefly about
13 St. Johns County and why they did the
14 neighborhood bill of rights. It was to
15 encourage public participation.

16 What I get from this body of elected
17 officials and the Mayor's Office is, the
18 meetings are always when people are at work.
19 They're very hostile to the public. They
20 don't want to hear what we have to say.

21 And we're not going away. That day of
22 you micromanaging our business and pushing
23 us out the backdoor, that day is gone.
24 That's why we're here today, because
25 throughout this process, I know I was

1 reaching out to my council person, and I was
2 told to wait until it hit the ballot? I
3 don't let anybody make decisions like that
4 for me. I'm in the process of redeveloping
5 my neighborhood, and there are important
6 decisions that we need you to be on top of.
7 I don't know who decided to give FIS 2
8 million of my dollars, but they didn't come
9 to my neighborhood and talk to me. Those
10 things need to change, because I'm sitting
11 in the middle of development and I'm dealing
12 with the fact that we was trying to sell
13 JEA, half of my money is going out to
14 private businesses without even consulting
15 with the neighborhood.

16 Let's change it. Let's raise the bar,
17 so I won't sell my property and move to
18 St. Johns County and be a community activist
19 out there. I'm sure you want residents like
20 me to continue to be in your tax base and to
21 continue to be a positive influence on
22 Jacksonville. Have a great day.

23 CHAIRMAN BOYLAN: Thank you very much,
24 Ms. Franklin.

25 A couple of items: We will be putting

1 these documents on the Future of JEA
2 Workshop website on the City under that
3 title. I want to remind my colleagues we
4 meet again on -- hopefully at 11 o'clock
5 next time since we're not butting up against
6 the Investigation Committee on March the
7 9th. We will have Amy Zubaly here who is
8 the head of the Florida Municipal Utility
9 Association and also Susan Kelly who is a
10 national expert on public utilities. And we
11 will continue our conversation with respect
12 to fine tuning the language of the Charter.
13 So with that we are adjourned. Thank you.

14 (Meeting adjourned at 1:16 p.m.)

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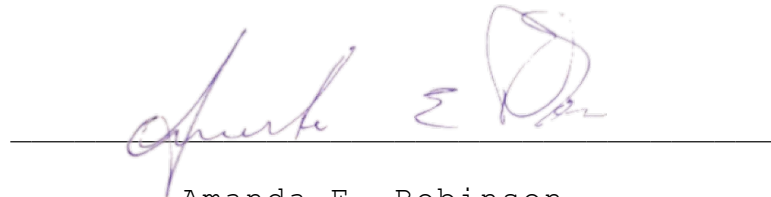
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CERTIFICATE OF REPORTER

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 102, is a true record of my stenographic
notes.

DATED this 3rd day of March, 2020.



Amanda E. Robinson,
Registered Professional Reporter