City of Jacksonville

117 W. Duval Street
Jacksonville, FL 32202

Meeting Minutes

Monday, July 27, 2026

10:00 AM

Council Chamber,
1st Floor, City Hall

FAO Select Committee

Council Member Ron Salem, Chair
Council Vice President Joe Carlucci, Vice Chair
Council Member Chris Miller

Meeting Convened: 10:00 am Meeting Adjourned: 10:37 am

Attendance: Committee Members Salem, J. Carlucci and Miller; Council President Howland

Also: Brian Parks and Phillip Peterson, Auditor's Office; Mary Staffopoulos, OGC; Brandon Russell, Council Research

I. Call to Order and Introductions - Chair Salem

Chair Salem called the meeting to order and for introductions.

II. Update on Capacity Fees - Council Auditors

Council President Howland provided an overview of the Financial Audit and Oversight (FAO) Select Committee. He explained that the DOGE Committee had completed its work and the Special Investigatory Committee had resolved its charge except for the unbilled water capacity fees, and that the FAO Select Committee would be a combination of those two prior committees. He explained that Select Committees are limited to a single charge and have a duration of 90 days, and that the FAO Committee's charge would be to review the unbilled capacity fees. He then provided a rationale for the Council Members he chose to comprise the Committee.

CM Salem clarified that the Committee's duration was 60 days rather than 90 days.

CM Salem gave Brian Parks, Council Auditor's Office, the opportunity to explain their findings regarding the unbilled capacity fees. He explained that their office was asked to determine the extent to which capacity fees may not have been collected in recent years and to identify any amounts owed to the City or JEA. Based on their analysis in conjunction with JEA, Mr. Parks said that the maximum amount not collected by JEA since 2003 was approximately $75 million on meters 3 inches or larger. Of that amount, roughly $21 million was associated with multi-family units. Mr. Parks added that many of the multi-family units may not have changed the number of units in the development, which would mean that nothing additional should have been collected, bringing the total estimated amount owed to $55 million. He added that there were still interpretations of the tariff, customer-specific circumstances, and other legal items that may reduce the amounts owed and the amounts that can be collected. For example, he said that a customer whose average daily flow exceeds the capacity paid for by more than 20 percent does not necessarily owe an additional capacity fee. Depending on the interpretation of the tariff document, which Mr. Parks said governed how fees are to be collected, a customer would have had to increase, expand, or change operations to owe additional fees.

Mr. Parks said no amounts would be owed to the City of Jacksonville. He also said that they did not perform tests related to meters less than 3 inches, given the low feasibility that capacity would expand at those sizes.

Mr. Parks then provided background information regarding the uncollected capacity fees. He said that everyone seemed to agree that there was an issue with additional capacity fees not being identified and charged. Disagreements exist regarding the pervasiveness, the potential overall financial impact, and what options are available to address the issue at this time. He added that JEA had been working on aspects of this issue since 2022, specifically regarding the Mayo Clinic. JEA's work expanded to all business entities within the last 18 months, and has focused more effort in the last 6 months.

Mr. Parks said that they had met with roughly 15 JEA employees related to capacity fees so that they could understand Capacity Fees and Additional Capacity Fees, problems with Additional Capacity Fees, and what JEA was doing to identify and address the problem. Mr. Parks said they were able to access various JEA systems to calculate and validate amounts that were not collected. He noted that JEA employees had been very cooperative and instrumental throughout the process.

Mr. Parks said JEA had spent much time in the past year establishing the capacity paid for by business accounts. He said this took a long time since there are 25,000+ business accounts, and the information was not tracked in a centrally located field within JEA's customer system before 2023. JEA had to pull information for various fields in the customer system, and he added that before 2021, applications were made in hard copy, while the amount paid for capacity was logged into the customer system. He said that these challenges led JEA to focus on validating amounts for premises that had service points with meters 3 inches or larger, reducing the population to 1,697 meters.

Mr. Parks said that JEA employees spent time in 2026 pulling and validating actual usage, focusing on service points 3 inches or larger. This flow/usage calculation was needed to flag what amounts may be owed by businesses. Mr. Parks said that many things needed to be accounted for, like meter replacements, billing adjustments, and getting the data broken down into consistent time frames given different billing periods for customers and service types.

Mr. Parks then explained that JEA had to flag and calculate what customers might owe. JEA first had to establish a baseline capacity amount by crediting the customers with the greater of the capacity identified by JEA based on various sources or the average daily flow in 2004 and 2005, since that is the earliest average daily flow information available. He said that JEA then compared the baseline amount to the average daily flow information by year to determine the first year a customer might have tripped the 20 percent increase limit to owe additional fees. JEA then took the average daily flow for 2025 and multiplied it by the capacity fee in place the year the business tripped the 20 percent to determine the amount potentially owed. Mr. Parks said that JEA calculated a maximum amount owed from all customers of $25 million.

Mr. Parks then provided an overview of how the Council Auditor's Office calculated the amount owed. As part of their analysis, they calculated the average daily flow for a sample of customers to determine if the data pulled by JEA appeared to match the customer bills. In general, they performed the calculation with the same approach as JEA. Still, they differed by taking the average daily flow by year—instead of just the 2025 daily flow—and comparing it to the baseline capacity amount. Each year the 20 percent threshold was tripped, they established a new baseline capacity amount for the customer based on that year's flow. The increase in capacity over the 20 percent threshold in each year was then multiplied by the capacity fee in place at the time to determine the amount potentially owed, which was approximately $75 million. He again stated that roughly $21 million of that was attributed to multi-family units, which did not exhibit significant changes in the number of units over time, indicating no amount owed.

He noted that just because a business is flagged as potentially owing does not mean they owe additional capacity fees. He said JEA is also analyzing the impact of different agreements, exemptions, and how the statute of limitations may impact the amount owed, as well as the need to ensure that everyone is treated fairly.

CM Salem asked if a new baseline was established each year a business tripped the 20 percent threshold, and Mr. Parks affirmed that was the case for the Council Auditor's calculations. He added that the capacity fees before the 2004-2005 period would have been much less than they are now. He said that currently one could expect to collect $8-10 million in capacity fees, but that amount would have been less in the past. CM Salem asked why that was the case now. Mr. Parks said that capacity fees, when combined, are about $30 now compared to a much smaller amount in the past. He deferred to JEA on how that rate is actually calculated.

Council President Howland asked where the 20 percent threshold originated. Mr. Parks said there was a provision in the water tariff that speaks to the 20 percent threshold, though that is not enough on its own to trigger an increase in fees. CP Howland asked whether Mr. Parks had an opportunity to review the tariff documents or contracts for the customers evaluated. Mr. Parks said there was one tariff document that governs everything. He said there may be other agreements with specific customers that may come into play as well. CP Howland asked whether the tariff document puts the onus on the customer to report when they've exceeded the 20 percent threshold or if it is JEA's responsibility to invoice the customer for additional capacity fees. Mr. Parks said the question touched on other legal aspects, but that JEA did have a responsibility to bill customers and would leave determination of customer responsibility to legal and JEA. CP Howland said he brought the issue up in response to the characterization of the fees as uncollected. He said he suspected that the customers had not ever received invoices for these fees and said they were unbilled rather than uncollected.

CM Salem asked whether, if a business were expanding and knew that its capacity would increase such that additional capacity fees would be due, that business would have a responsibility to alert JEA. Ms. Staffopoulos said she would work with the Committee offline since she was not as familiar with the documents and did not want to render a legal opinion at this juncture.

CP Howland said that the Inspector General and the Council Auditors have done the work of identifying and quantifying the issue and that the Committee now needed to determine whether any of it is collectible; if not, they would need to work with JEA to ensure capacity fees are properly billed going forward. Ms. Staffopoulos said that JEA was working on that in conjunction with the Office of General Counsel, and she presumed that some of the estimated amount would be collectible. She said they were also evaluating the statute of limitations, agreements, and exemptions to answer the legal question of who owes and how much.

CM Salem noted that this data would return to JEA, and emphasized that the Board should make its determinations in the sunshine so that everyone sees and understands the process.

CM J. Carlucci asked where they stood regarding the statute of limitations, noting that generally the statute of limitations on contracts is five years. Mr. Parks said that, looking back at the past four years, they were potentially owed about $35 million. He noted, though, that they would have to set a new baseline for 2023, which may produce slightly different calculations. He said it may be good to hear from JEA to see where they are in the process.

Rob Zammatero, Chief Water Systems Officer for JEA, said he would compartmentalize the conversation into what needs to be done retroactively and in the future. He said they are modifying their billing system to enable automatic tracking. He said going forward would be easier, and that they will need to craft a new policy, specifically one that touches on the responsibilities of the customer and JEA. He said they would create a policy for looking backward with legal guidance, noting the nuance involved with statute of limitations, businesses changing hands, prior agreements, and a host of other issues. He hoped to present those policies to the JEA Board at the start of the next year. He said the policies would address the topics raised by the Select Committee, like calculation methodology, setting the baseline, responsibilities of the customer and JEA, an appeals process, and customer outreach. He added that they hope to be fair and equitable not only to the businesses being discussed but also to other residents who may have to subsidize non-payment.

CM Salem said it was important for the Committee to receive a periodic report every 60 days. Ms. Staffopoulos recommended sending the report to one of the Standing Committees since the FAO Committee would end in 60 days, unless extended by the Council President. CP Howland asked when the FAO Committee would end. Ms. Staffopoulos said the report would be due on September 18 and suggested the Finance Committee as the most appropriate to pick up the issue.

CM Salem said it was important for the Council Auditors to audit their progress once the new policies were approved and implemented by JEA.

CM Miller observed how well the Council Auditors, JEA, and the Inspector General have collaborated on the issue. He said reclaiming the dollars was important as they belonged to the taxpayers. He then asked what the normal uses of the capacity fees were and why it was important that they collect what they can. Mr. Zammatero said that the fees were specific to plant capacity. He said that when a new plant is built, the business purchases a share of the water connection, and the capacity fees help pay for the infrastructure that JEA has bonded upfront and capital improvements. CM Miller then asked what was learned through this process and what accountability there was. Mr. Zammatero said this was a 30-year issue and noted that the tariff language dated back almost 50 years. He said a program was never instituted to collect additional capacity fees. He said that staff had brought it to light in 2021 and did not try to dismiss it. He said ultimately, it was a miss, and had been occurring for so long that it became business as usual. He said the focus now is to fix it going forward and ensure that they are capturing everything governed by the tariff.

CM Salem said it was important that this be done correctly since rates were recently increased for customers.

Matt Lascell, Inspector General, recounted how the problem was brought to his office, which led him to reach out to the Council Auditor's Office for assistance. He added that JEA had been very cooperative on the issue, and noted that his office released a report in June highlighting the issues. He said he received assurances from the JEA CEO that everything would be done in the sunshine. He said that the issue has been identified and that the Inspector General's office had made its recommendations, but would continue to monitor the situation. CM Salem asked if he was supportive of the Council Auditors auditing again once the issue had been resolved. Mr. Lascell said he was supportive of that.

CM J. Carlucci asked if there was an average amount of capacity fees collected. Mr. Zammatero said it fluctuates year-to-year, but the total amount collected over the past 30 years was ~$9 billion. He said per year, at least in recent years, the amount collected was ~$60 million. CM Salem asked if the increase each year was ~$8-10 million. Mr. Zammatero said he was not as comfortable with that number as the Council Auditors, noting the multi-family units that need to be audited. He said that he didn't think the number would be that large.

III. Other Issues

CM Salem provided an update on the CEO survey for JEA. He said the company would be finalizing its report within the next two weeks. They would then coordinate with the JEA board on a presentation.

IV. Adjourn