



Building Community

AGENDA ITEM SUMMARY

V. C. 08/21/2018

August 14, 2018

<b>SUBJECT:</b>	<b>STRATEGIC FRAMEWORK</b>
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**Purpose:**     Information Only     Action Required     Advice/Direction

**Issue:** On April 17, 2018, the Board and Interim CEO contemplated a transition period and plan for JEA and its management ("Transition"). The Transition period contemplated by the Board included a process and mechanism for ensuring alignment of JEA with the City Council and Mayor's Office relative to financial, operational, and community expectations of JEA.

**Significance:** Alignment of Board, management, City Council, and Mayor is critically important to JEA's success. The City being a "Shareholder" and the City Council / Mayor being "Shareholder Trustees" is still a relatively new concept. Furthermore, ensuring alignment of Shareholder Trustees with JEA's strategic plan implemented by its Board and management team is a new concept. A full appreciation for alignment is a prerequisite for optimum corporate and operational structuring. Creating an optimum alignment among the stakeholders can dramatically improve organizational success. Failure to create alignment often leads directly to failure to execute financial, operational, and community improvement strategies.

**Effect:** A consensus by the Board around a letter from the Board of Directors to the City, inclusive of a Framework for upcoming JEA's Strategic Planning process will provide JEA with a simple measuring stick upon which to develop, implement, and execute a corporate strategic plan.

**Cost or Benefit:** Long term planning and value creation for JEA.

**Recommended Board action:** This agenda item was discussed at the May, June and July Board Meetings. Staff requests resolution of final approval of the Strategic Framework and authorization of JEA staff to coordinate follow-up meetings with City Council and Mayor to maintain alignment.

**For additional information, contact:** Aaron Zahn – 904-665-4396

Submitted by: AFZ

<b>MISSION</b>	<b>VISION</b>	<b>VALUES</b>
		
Energizing our community through high value energy and water solutions	JEA is a premier service provider valued and trusted partner in addressing our community	<ul style="list-style-type: none"> <li>- Safety</li> <li>- Service</li> <li>- Growth</li> <li>- Accountability</li> <li>- Integrity</li> </ul>

Commitments to Action

- 1 Earn Customer Loyalty
- 2 Deliver Business Excellence
- 3 Develop an Unbeatable Team

**Δ π EXHIBIT 35**

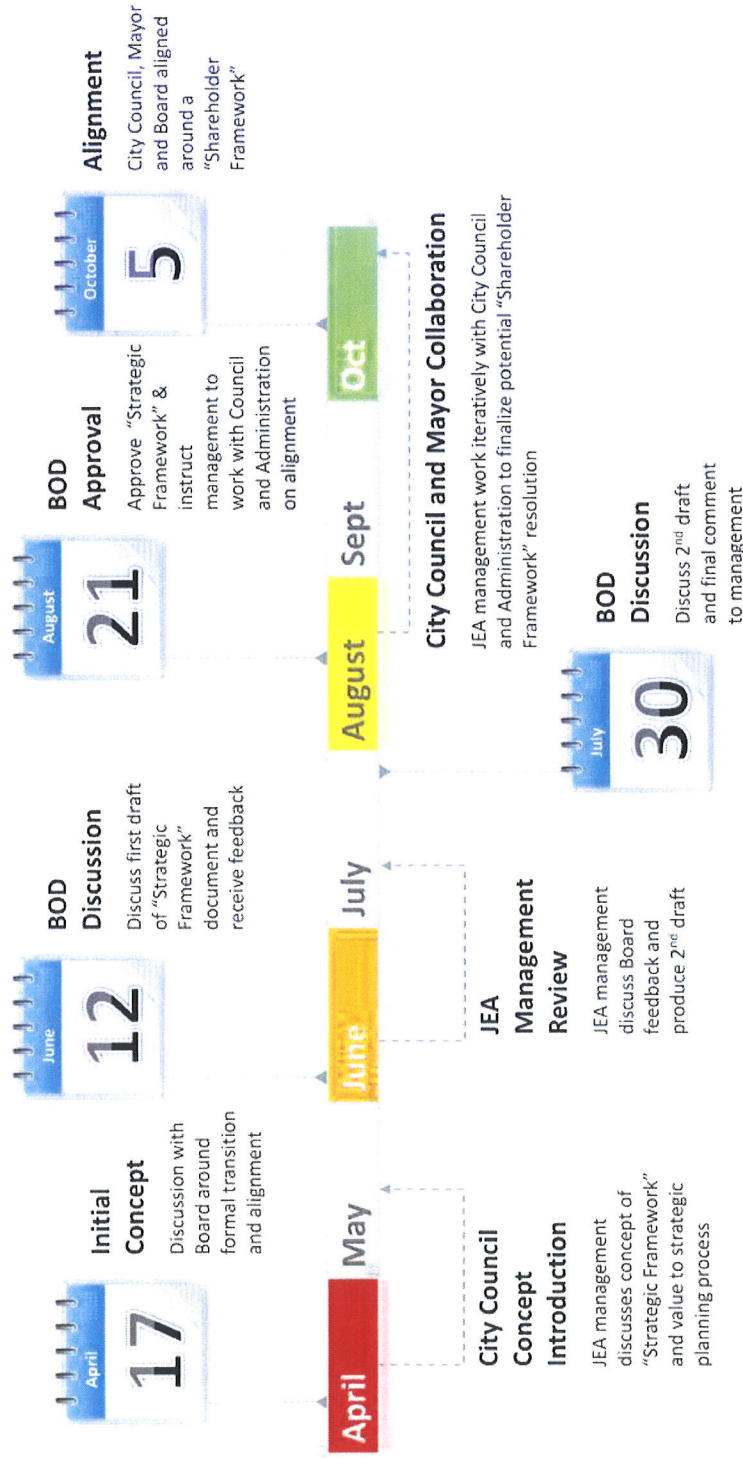
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Date 8/18/20 Rptr TJ

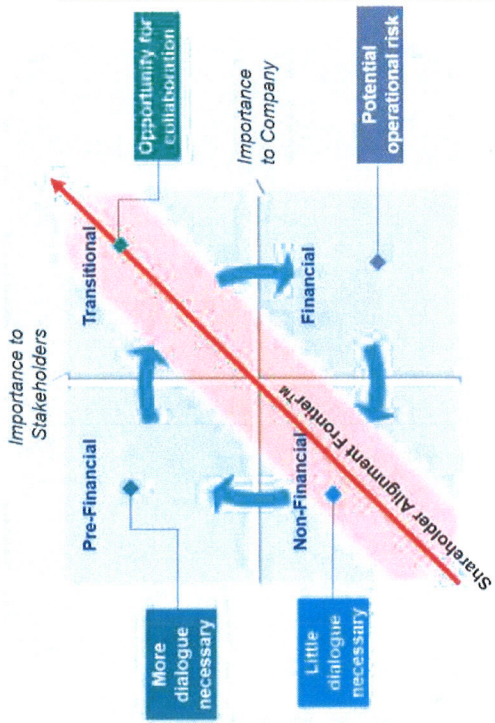
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# Strategic Framework Timeline



# Objectives by October 2018



**Create Critical Alignment**

## 1 Stakeholders

(Customers, Employees Unions & Community)

- 1) Feedback & Ideas
- 2) Aligned with “2019 Year of Innovation” and asking “What if...”

## 2 Shareholders

(Mayor & City Council)

- 1) Feedback & Ideas
- 2) Documented Expectations (e.g. “Strategic Framework”)

## 3 Board & Leadership

- 1) Feedback & Ideas
- 2) Prepared to lead and execute on “2019 Year of Innovation”
- 3) Begin 2028 Strategic Plan

August 14, 2018

Mayor Lenny Curry  
117 W Duval St.  
Jacksonville, FL 32202

Jacksonville City Council  
117 W Duval St  
Jacksonville, FL 32202

Re: The Future of JEA and a Framework for a Strategic Plan

Dear Mayor and City Council:

The extensive dialogue that has taken place concerning the future of JEA has brought increased awareness of JEA's value and its role in our community. The Special Committee on the Future of JEA concluded that JEA is one of Jacksonville's most important assets. We agree. The Special Committee also noted that JEA is facing challenges in a rapidly changing utility market. These changes, and the pace at which they are occurring, require JEA to be swift and agile in its approach to technological and utility market advancements. Embracing the changes in our markets will ultimately enable JEA to best serve our customers and the community.

JEA recognizes the unique and longstanding partnerships JEA has with the City of Jacksonville and community organizations. We understand the importance of JEA's status as a trusted partner of core essential services to our customers and region. We believe JEA should be a steward of the local environment and an engine of economic development in Northeast Florida.

Mindful of these facts, the Board of Directors is working with JEA's management and employees to develop an updated strategic plan to meet the needs of our customers and the community. We will base JEA's strategic plan on the following high level objectives and metrics:

**The Goal & Objective ("Strategic Goal"):** Maximize the value of JEA both now and in the future.

**The Measures of JEA's Goal ("Corporate Measures"):** Our strategy will be guided by and evaluated against four basic Corporate Measures of JEA's value:

- 1) Value to our customer;
- 2) Financial value;
- 3) Community impact value;
- 4) Environmental value.

These Corporate Measures will be used in evaluating the plan's potential effectiveness and JEA's future execution of the plan. Within each of the areas of Corporate Measure we believe JEA

can define quantitative metrics that can be used to create internal and external alignment while being transparent about JEA's performance. We believe that all strategic decisions and initiatives of JEA should be evaluated relative to these Corporate Measures of value.

The Board of Directors of JEA has discussed, deliberated and reached consensus on the attached Framework for the Strategic Plan. We look forward to developing JEA's strategic plan in partnership with the City and entire community.

Thank you for the time committed by the Special Committee on the Future of JEA related to studying JEA. We will consider the analysis, feedback and conclusions from the Special Committee's report in formulating the updated strategic plan of JEA. We appreciate the encouragement from the Administration and City Council to think outside the box on how to grow and remain relevant in our markets. In the event our new strategic plan requires changes to JEA's Charter, we look forward to discussing those changes in a collaborative spirit so that JEA may increase in value both now and in the future.

Sincerely,

G. Alan Howard, Chairman

Cc:  
Board of Directors of JEA  
Aaron F. Zahn – Interim Managing Director and CEO

Exhibit A

History and Background

JEA is currently the eighth largest municipal electric utility and one of the top 20 largest water and wastewater utilities in the United States. JEA serves more than 465,000 electric customers, 348,000 water customers and 271,000 sewer customers. JEA, in accordance with Article 21 of the Ordinance Code of Jacksonville, was created by the Florida Legislature to serve the citizens of Jacksonville and its surrounding communities by acquiring, owning, constructing, operating, financing and otherwise having plenary authority utilities systems with respect to electric, water, sewer, natural gas and other utility systems.

Today, JEA makes an annual contribution to the City of Jacksonville in the amount of ~\$116 million dollars (the "Contribution"). Furthermore the Jacksonville City Council has declared as City policy that the "services provided by the Consolidated Government should be delivered in the most expeditious and efficient manner possible with delivery of said services being continually evaluated so that inefficiency is eliminated and quality of services improved." Consistent with this mandate, JEA seeks to produce "best in class" services to its customers.

As part of an in-depth discussion, from November 2017 to May 2018, around the: 1) value of JEA; 2) the role of JEA in community; and 3) the future of JEA, it has become evident the future success of JEA is dependent on the alignment of JEA's Board of Directors with the City of Jacksonville's City Council and Mayor. JEA is an independent authority with an independent Board of Directors and a professional management team tasked with the fiduciary responsibility of managing JEA. However, equally critical due to the construct of Article 21, the City Council of Jacksonville acts as both a fiduciary trustee for the City of Jacksonville related to JEA ("Shareholder Trustee") and as a policy making body and advocate for the citizens of Jacksonville ("Customer Advocate").

10-Year Strategic Plan

The JEA Board of Directors ("Board") believes JEA would benefit from a 10-year strategic plan that identifies the resources and initiatives needed to effectively anticipate and respond to the rapid changes in competition, technology and the utility industry. The Board will, in collaboration JEA's management, update the JEA's strategic plan as a whole and for each of its service divisions as outlined in the Charter ("Strategic Plan"). The Board expects our Strategic Plan to be complete by no later than September 30, 2019. The 2018/2019 fiscal year will be a "Year of Innovation" for JEA and we are excited to be a thought leader in the City and our industry.

## Strategic Plan Framework

**Strategic Goal:** Maximize the value of JEA both now and in the future.

### **Corporate Measures of the Strategic Goal:**

- 1) Value to our customer;
- 2) Financial value;
- 3) Community impact value; and
- 4) Environmental value.

The Board of JEA, recognizes the importance of the financial and operational success of JEA to its customers and our community. In order to provide an example of the types of financial and operational metrics we are providing the below list. The final list, to be developed during the strategic planning process, may include but not be limited to:

- 1) Value to our customer
  - a) provide JEA customers with safe and reliable electric, water and wastewater services at a rate structure equal to or less than industry average
  - b) maintain customer service standards and experience within the top quartile of the industry
  - c) expand our trusted partner relationship with our customers
- 2) Financial value
  - a) maintain financial performance metrics necessary to preserve Aa3 / AA- ratings, or similar comparable risk measures as adopted and deemed appropriate by JEA from time to time
  - b) preserve the level of financial Contribution of JEA to the City
  - c) establish growth initiatives to drive values and efficiencies with respect to electric, water, sewer, natural gas and other utility services, systems and/or products
- 3) Community impact value
  - a) establish and maintain open and transparent communication with employee, customer and all our stakeholders
  - b) continue investment and leadership of economic development within Jacksonville
  - c) continue and drive employment within the region
  - d) foster an environment of engaged employees that treat JEA as owners
- 4) Environmental Value
  - a) maintain compliance with all regulations and meet or exceed industry standards that impact the environment
  - b) establish and lead a sustainability program for the benefit of the region
  - c) set an example of environmental stewardship

## Strategic Plan Considerations

The Board recognizes the unique and longstanding partnerships JEA has with the City of Jacksonville and the entire community of Northeast Florida. JEA plays a significant role as an environmental steward, thought leader and as a trusted partner. JEA's Strategic Plan will first and foremost consider the Strategic Plan Framework outlined above. However, as a leader in the community we will also give significant consideration in our Strategic Plan to important initiatives and requests made by the City Council, Administration and our community. Below is a list of major considerations the Board understands to be priorities for the City of Jacksonville where JEA may serve as a thought leader, partner or solution provider.

**Electric Services Considerations:** JEA's Strategic Plan will consider and seek to propose solutions for the City to address:

- 1) expansion of electric services within the current JEA service territory;
- 2) overhead to underground conversion / migration;
- 3) value-add electric services behind the meter to enhance customer experience;
- 4) renewable energy initiatives;
- 5) economic development support within the JEA service territory;
- 6) reduction in carbon emissions from electric generation; and
- 7) small and emerging business opportunities.

**Water and Wastewater Services:** JEA's Strategic Plan will consider and seek to propose solutions for the City to address:

- 1) expansion of water and wastewater services (inclusive of septic tank phase out) within the current JEA service territory;
- 2) environmental stewardship and improvement of water quality within JEA service territory;
- 3) value-add water and wastewater services behind the meter to enhance customer experience;
- 4) sustainable and efficient management of water supply within JEA service territory;
- 5) economic development support within the JEA service territory; and
- 6) small and emerging business opportunities.

**Other Services:** JEA's Strategic Plan will consider and try to propose solutions for the City to address:

- 1) services, partnerships and support of Smart City and sustainability enhancements with the City of Jacksonville;
- 2) services, partnerships and support for economic development with the City of Jacksonville;
- 3) services and/or partnerships that enhance the environment of the City of Jacksonville;
- 4) coordinate and maintain partnership with the City of Jacksonville around emergency response and storm preparedness programs;
- 5) education and university partnerships; and
- 6) volunteerism.