CITY OF JACKSONVILLE

CHARTER REVISION COMMISSION

MEETING

Proceedings held on Thursday, December 3, 2009, commencing at 9:00 a.m., City Hall, Council Chambers, 1st Floor, Jacksonville, Florida, before Diane M. Tropia, a Notary Public in and for the State of Florida at Large.

PRESENT:

WYMAN DUGGAN, Chair.
MARY O'BRIEN, Vice Chair.
ED AUSTIN, Commission Member.
JIM CATLETT, Commission Member.
JESSICA DEAL, Commission Member.
TERESA EICHNER, Commission Member.
ROBERT FLOWERS, SR., Commission Member.
BEVERLY GARVIN, Commission Member.
ALI KORMAN, Commission Member.
JEANNE MILLER, Commission Member.
GARY OLIVERAS, Commission Member.
CURTIS THOMPSON, Commission Member.
GEOFF YOUNGBLOOD, Commission Member.

ALSO PRESENT:

STEVE ROHAN, Office of General Counsel.
JEFF CLEMENTS, Research Division.

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P R O C E E D I N G S

December 3, 2009 9:00 a.m.

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THE CHAIRMAN: Good morning.

I call to order the December 3rd, 2009, meeting of the Charter Revision Commission.

We'll begin with a roll call, starting with Commissioner Thompson.

MR. THOMPSON: I'm Curtis Thompson.

MS. KORMAN: Ali Korman.

MR. FLOWERS: Robert Flowers.

MR. OLIVERAS: Gary Oliveras.

MS. O'BRIEN: Mary O'Brien.

MS. MILLER: Jeanne Miller.

MR. AUSTIN: Ed Austin.

MS. GARVIN: Beverly Garvin.

MR. YOUNGBLOOD: Geoff Youngblood.

THE CHAIRMAN: And for Mr. Clements' benefit, Mr. Catlin -- Commissioner Catlin is home with the flu and will not -- unfortunately not be able to attend, and Commissioner Deal will be about 15 minutes late she said, and I'm not sure about the other commissioners.

As a reminder, I would ask everybody to please turn off your cell phone or put it on silent for the duration of the meeting.

And we will begin with the Pledge of Allegiance and a moment of silence.

(Recitation of the Pledge of Allegiance.)

THE CHAIRMAN: Thank you.

Mr. Clements, would you like to take us through the items at our places today.

MR. CLEMENTS: Yes, sir.

THE CHAIRMAN: Thank you.

MR. CLEMENTS: In addition to the your agenda and the transcript of the last meeting, you will find a couple of e-mails received by the Commission, one through the Charter Revision e-mail address and another directed to me as your staff member.

You will also find -- it's called Proposed Charter of the Consolidated Government of Duval County. I did go back in the files and find a copy -- a printed copy of the original 1967 charter proposal, and I pulled out of that Article 16, which was the Code of Ethics that you requested from last time.

So for those of you who wondered what did it look like in its original form, this is it, and you also have Mr. Dickenson's presentation that he's going to make in just a moment.

THE CHAIRMAN: Thank you, Mr. Clements.

For the benefit of the commissioners, as an FYI, although the Code of Ethics in the draft charter was Article 16, for some reason upon adoption, it was renumbered and was adopted into the original consolidated charter as Article 20. So for those of you who might have access to a copy of the original charter as it was adopted, the Code of Ethics was codified as Article 20.

As you see from our agenda today, we have essentially two issues to address. One is the JEA annual contribution to the City, and the other is the mayor's proposed charter amendment limiting limitations on enhancing pension benefits.

And our first speaker will be Mr. Jim Dickenson, the managing director and CEO of the JEA.

(Mr. Dickenson approaches the podium.)

THE CHAIRMAN: Welcome, Mr. Dickenson.

MR. DICKENSON: Good morning.

THE CHAIRMAN: We'll have our court reporter swear you in.

THE REPORTER: Your name and address first, please.

MR. DICKENSON: Okay. My name is Jim Dickenson. I am the managing director and CEO of the JEA. We are located at 21 West Church Street.

THE REPORTER: Would you raise your right hand for me, please.

MR. DICKENSON: (Complies.)

THE REPORTER: Do you affirm that the testimony you're about to give will be the truth, the whole truth, and nothing but the truth so help you God?

MR. DICKENSON: I do.

THE REPORTER: Thank you.

MR. DICKENSON: Thank you.

Well, it's good to be with you today, Mr. Chairman and commissioners. Again, I will -- I appreciate your service in doing this. I know you've -- you have a lot to do in your process and you've got a limited time to do it, so I appreciate the invitation to be able to come and speak with you again. And I've been asked to speak primarily about the JEA contribution, and I'll do that, so -- so I've got a presentation that's prepared.

Before I go through it, I want to recognize one of our board members that's here, Ashton Hudson. Ashton -- we have a seven-member board that's appointed by the mayor and confirmed by council, and one of our board members is here this morning, so I just wanted to recognize him.

Also, I've got not only just the presentation, but I've given you a copy so you can hold it in your hand because maybe some of the figures may be a little bit hard to see.

But my purpose today in going through this presentation, I thought I would -- I've got a couple of graphs and some charts, but -- and also really some -- four questions that I'm going to address that I thought might be on your mind in terms of the -- in terms of looking at this.

And after I go through a couple of the graphic illustrations that show the amount of money that goes from JEA over to the City, where it comes from, that first question of what, how, and how much does JEA collect from customers. Of course, everything that we have comes from our customers and then transfers or pays to the City. Where does it come from, what are the mechanisms, and why are they there? I wanted to give you a little bit of explanation there.

And then how does that current level that JEA collects from customers and then transfers to the City, how does that compare with other models, you know, whether -- what if we were an investor-owned utility here or looking at some other utilities, what are their contributions to local government? What's the comparison?

The third question is: Do we have the capacity at JEA to pay an additional transfer of more funds to the City without raising rates? That kind of question comes to me often, or adversely affecting our financial position, so I'm going to address that.

And then what's the future outlook regarding economics of the JEA utility services. There's some huge challenges out there, and I just want to have one sheet that will show you what we're facing on into the future from utility services. I just want to give you a little bit of that perspective.

This is a graph -- I think I may have given you a copy of this before, but this shows just a graph of all the transfers from JEA over to the City in their different categories, some from the electric business. You know, we operate an electric, water, and sewer business. We keep those businesses financially separated even though we're one company.

Because of our bonding covenants, we have to keep the finances -- we have different funds for the electric fund and the water/sewer fund. We're required to keep those funds separated, so -- we have a contribution that comes out of the electric fund and we also have a contribution that comes out of the water fund.

You can see from the maroon color that prior to 1997, the City was not getting any money from the water and sewer utility. The City was operating the water and sewer utility prior to 1997. And, to the best of my knowledge, none of the money -- none of the cash from the water and sewer business was transferred to the City general fund, you know, at that time.

Once we took that over in 1997, we did a lot of improvements to the business. We agreed to, then, provide the City a contribution from the water and sewer fund, so that picked up in 1997.

The light blue is public service tax, and I'm going to -- I've got a chart on that or an explanation of where that comes from and how it gets there, but you can see how that's grown over time.

And then the -- picking up in 19- -- or in 2008, the kind of -- up at the top, the cream color is the franchise fee. The franchise fee was put in place in 2008. You can look at 2008, that number was about half of what it was in 2009 because it was put in place for half of the year, and I'm going to go into -- I am going to go into that.

Just the points to look at this graph is that certainly money from JEA to the City has never gone down; it's always gone up. And you can look at that cumulative line -- that yellow line that moves through there that's not quite linear, it's arcing upward, meaning that it's accelerating in terms of what's there. It's not a linear number. It actually has been increasing at an accelerating rate as we move forward.

This sense -- if you -- I'm going to go back in just a second.

Looking at that chart between the years 2007, 2008, and 2009, there was quite an increase that was given to the City. And so the next chart really focuses on 2007, 2008, and 2009 and 2010 as a fiscal year, which we're in right now.

And I've put on this chart a couple of other things that weren't on the other chart. Those are the gross receipts tax, which goes to the State of Florida. We collect a gross receipts tax that goes to the State, and we collect sales tax on certain parts of our business. Most of that goes to the State. A small portion goes to the City because of the Better Jacksonville Plan and so forth, so a small portion, but -- but if you --

Not on the slide, but if you look at your handout, it -- and look and see, those first three lines -- City contribution, public service tax, and franchise fee -- all go to the City. If you total those three up in 2010 -- the 99.2 million, the 79.1 million, and the

37.1 million -- all total up to 215.4 million. So JEA collects, from what we collect from our customers, a total of $215.4 million and transfer it to the City in these three different categories.

You can also see that from 2007 to 2010, over that three-year period, that has increased in terms of governmental transfers, including the State, 43 percent over that three-year period. If you go back and think, "Well, what was happening during that period," it was the State of Florida looking to reduce the City's revenues. So property tax reductions were being reduced by the governor and so forth, and the City was taking a pretty good hit because of that.

We worked with the City, really put the franchise fee in place to replace some of that money that was being lost due to what the State was doing. That was part of the mission and part of the goal we were looking at when we put the franchise fee in place to do that, so -- and that's just happened over the last couple of years.

This next chart -- spend a couple of

minutes. Now, I want to talk about where -- these three areas of City contribution: the transfer, the public service tax, and the franchise fee. Why do we have them? You know, what authority are they collected by?

You know -- and I've given this -- I won't quote it, but this -- the word -- the text that's underneath the City contribution transfer is straight out of our charter. This is -- this is what the charter says about the contribution and why we collect it.

You know, it's because of the unique relationship between the City of Jacksonville and JEA -- the City is basically our owner. You know, we're a municipal utility. All cities in the state of Florida have the right to have their own electric utility. They can either do that or they can work with an investor-owned utility to serve them.

So Jacksonville has just -- ever since the late 1800s, has decided to have its own municipal electric utility. They have that right given to them by the State of Florida. And then at consolidation when we became a separate -- not a department of the

City anymore --

Up until 1968, JEA was a department of the City, just like Public Works or just like, you know, Parks and Recreation, like the water/sewer utility still was at that time. We became an independent agency, given certain powers. All we were simply given was -- whatever powers were given to the City to own and operate their own electric utility, those powers were given to the board underneath City Council control and oversight to run the utility.

So we're still a City utility. The only distinction is we're no longer a department of the City. We are an independent agency of the City, but we operate under the rights given to the City to own and operate its own electric utility.

So within the charter it says that therefore -- and even at that time, there was a transfer -- even before consolidation, there was always a transfer to the City, so -- so JEA continued with a transfer to the City, and it's covered in the charter.

The "how" part shows how that's collect- -- how that's calculated. The contribution is calculated not as a percentage of revenue. It's calculated now as a millage rate times kilowatt hours sold, so the units of electricity we sell multiplied by a millage rate, you know, gives you the dollar calculation for that.

Same thing for the water. The water is 2.149 mills per cubic feet of water sold, and so a calculation moves through and calculates what the contribution is going to be based on unit sales times the millage rate.

However, the -- it has a floor on it, meaning that it shall increase a minimum of two-and-a-half million dollars a year. So regardless of whether our sales drop for a particular year, the City will always get an increase in contribution by a minimum of two-and-a-half million dollars a year and -- and to do that.

When you look at the City contribution and being calculated by a millage rate times kilowatt hours, it's tied to growth. So as the City grows, as our sales territory grows -- or not our territory, but as our -- as development grows and we serve more people and so forth, serve more kilowatt hours, then the City gets more money based on growth.

If you'll look down -- when I talk about the public service tax and the franchise fee, they actually are money transferred to the City based on our revenue, not necessarily on a growth calculation.

So you look over in terms of how much in 2010, that's where the $99.2 million comes. And this amount is constructed, as I said, to be on growth, not necessarily revenue.

One interesting point is -- if you looked at the millage rate, that 5.5 mills for electricity and the two point roughly one-and-a-half mills for water, then you run that number out, that number would come to $89 million, but we actually are transferring $99 million, 10 million more, because over the last couple of years, especially over the last year, our sales have declined four-and-a-half percent. Because of the recession, our sales -- our electric sales have declined four-and-a-half percent. Well, the City doesn't get a reduction in contribution because of our reduction in sales. They continue to get an increase.

But what that means for us is that we've got to find more places through efficiency or other revenue to pay that City contribution because the growth was not there, so we do that. And so currently we're paying about a $10 million premium over the standard millage rate calculation because of our contraction in sales that we've experienced.

So the -- so if I move -- then if I move on to the public service tax, which says here -- this is a state statute -- that, "Any State of Florida municipality may levy a public service tax." The State allows that to happen. It can be a maximum of 10 percent, but -- and it can't be over that.

So if you looked at all major cities in Florida, all major cities basically charge that 10 percent public service tax to do it. They will charge the max of what they can charge. So that's based on a state statute, and it's based on -- it's based on revenue, kind of not unit of sales, so it's based on whatever dollars we collect for certain portions of the business.

The public service tax is on all -- is on our base electric rate; a portion of our fuel, not all of our fuel. If you go back into the early '70s when fuel prices were real low -- you know, you go back to oil prices in the late '60s were a dollar a barrel, and at that time the public service tax covered every bit of the revenue.

But then in the '70s, when oil prices went up dramatically, it started -- if you were here in the '70s or anywhere in the '70s, oil prices went up dramatically, and the State passed a law that says we can no longer allow cities to collect 10 percent on the total revenues because there's a huge windfall on that fuel cost that's going up, because customers were complaining. In Jacksonville, we were seeing our rates double and triple, you know, in just a few years' time period.

Had they left the 10 percent public tax -- public service tax on the total amount, it would have been a lot of tax money. So what they did at the time, they said, we're going to allow the cities to continue to have the public service tax only on that portion of fuel priced, you know, prior to that 1973 increase. So there's a small piece of the fuel cost that could be included -- fuel revenue that could be included in the public service tax, but not the whole fuel piece.

I would say back in the late '60s, fuel for JEA was probably well less than 20 percent, maybe 15 percent of the cost of doing business.

Today, for electric -- for our company, fuel cost is about 45 or 46 percent of the cost of doing business, a big cost of that, so the public service tax is not collected on the total cost of fuel. Today, that produces -- or in 2010, that will produce about 79.1 million.

The franchise fee, which we implemented in April of 2008, and you put on here, is primarily in consideration for the exclusive right to serve and for use of public rights-of-ways. You know, we -- number one, we are allowed to use the public rights-of-ways of the city. If we had to buy our own rights-of-way to put lines in and pipes in, it would be a whole lot more expensive to the business, and really all utilities are allowed to use public rights-of-ways.

And if we were a Florida Power & Light or if we were a TECO, you look in areas where investor-owned utilities serve cities -- the franchise fee is what grants that utility the right to use public rights-of-ways and to exclusively serve those customers for a period of time.

So it's -- it's just interesting that we're the only municipal utility in the state of Florida that has a franchise fee because you would think it is a little bit odd that a City-owned utility would negotiate and put a franchise fee in place with its own utility and give it the exclusive right to serve and do that.

Well, we really didn't do it for that purpose. We really -- we checked the state statutes. We were allowed to do it. The reason we did it was because we were looking at some excessive amount of money to the City. It produces almost $40 million -- well, 37-. Up here it says 32.1 on your sheet. We made a correction. It's actually $37.1 million per year.

So if that money had of come out of additional contribution, it would have affected our finances a lot more because contribution comes out of our net revenue, which is considered in -- in debt service coverage and fixed charge coverage with our rating agencies. So it does not -- a contribution ends up being kind of an expense to us moving forward.

A Franchise fee is not really an expense to us. We collect it as a fee and pass it on, and it doesn't end up in our -- coming out of our net revenues. So it's a little bit of a complicated formula, but I can tell you, doing it the franchise fee way is a lot better for us and it affects our finances a lot less than doing it in a contribution.

So that was a commitment we made with the City. Let's put the franchise fee in place, collect that money, and it is actually shown on the bill. It's a -- right now it's a 3 percent charge on all monies collected, electric, water, and sewer. It shows on the bill. The customers know it's there, whereas the contribution portion doesn't show on the bill. It's embedded within our rate and it affects our rates.

So that's why, at that time, in working with the council, we said it seems logical for the City contribution to be based on growth and the franchise fee and public service tax to be based on a percentage of the revenue.

And the franchise fee is a little different than the public service tax because the public service tax is not on all parts of the bill, whereas the franchise fee is on every bit of the bill, fuel included. So the recent increases in fuel prices we've had -- or had a couple of years ago, the City benefited from the increased franchise fee because of those increased fuel costs on there.

The franchise fee, when we negotiated and put it in place -- it's at 3 percent right now. The mayor, along with two-thirds votes of the council -- and this is already in our charter. It doesn't take any other approval from JEA -- can be increased to 6 percent without any more agreement or anything happening from JEA. The council has the right to do it. It takes a 14-member vote of the council to do that and the mayor's signature.

Also, if the mayor does not agree with the council on that, then it would take, I think, a three-fourths vote -- or it takes a higher vote of the council to override, like a veto, if you wanted to do that.

And so that's where these three pots of money come from. So when you think through there, there's a pot money which is contribution that's based on growth. You know, the others are based on revenue, so one -- or you can think rates. You know, as our rates increase, the franchise fee increases. So if we increase our rates 5 percent, the franchise fee will go up. The total of the franchise fee would go -- because it's 3 percent of the total that we collect.

This next question -- so that's where -- how we do it, what it is, where it comes from, and what's the mechanisms for doing those things.

How does the current level of what we collect from customers compare with some other models that are out there? And we've looked at this quite a bit over time. I've got a chart that I'll go over in just a minute on investor-owned utilities.

We have four investor-owned utilities in the state of Florida, large ones, Florida Power & Light, Progress Energy, Tampa Electric Company, and Gulf Power. Florida Power & Light has one-half of the state.

Florida Power & Light is about ten times our size. They are the largest electric utility in the state. So I'm going to go through some numbers and show you what they contribute to local government from our research and then what we do.

We've also done some work with the American Public Power Association, which is in -- there is over 2,000 publicly-owned utilities, like JEA, in the nation. Some are very small. We're the eighth largest one in the whole nation, so we are one of the largest public power utilities. Public power utilities make up about 15 to 16 percent of all the nation's electricity, so public power is a big piece of the nation.

Other utilities are either co-ops, like Clay Electric Cooperative, where the actual customers are members, that type of an organization, but the vast majority -- about 70-something percent of America is served by investor-owned utilities, which are actually stockholder-owned utilities. They are regulated by the Public Service Commission in rates, but they pay a return to stockholders. They also must pay federal income taxes, and they are not tax exempt, say, like we are.

(Mr. Catlett enters the proceedings.)

MR. DICKENSON: But one of the things we do is we say, let's go out there and make a comparison with American Public Power Association. How does JEA match up with money that it transfers to its City totally versus other public power utilities? And we could provide you some of that information from the survey that they do, but the results of that, it puts us in the top quartile. JEA is in the top quartile, the top -- you know, over 75 to 100 percent, with the -- with the largest amount of money transferred to their City. So we're in top quartile of all the public power utilities out there on money given to local government on all of the different categories that we've talked about.

We did a survey also with the Florida Municipal Electric Association, which we're a member. That's an association of all the electric utilities that are publicly owned in the state of Florida. And we recently did a survey that said -- we were looking for two things. This was back somewhat when we were dealing with the issue of should JEA be providing money to the school board, are we shorting the school board, you know, those types of things, but --

So we surveyed all of the municipal utilities in the state through the Florida Municipal Electric Association and asked basically two questions: What is the electric rate that's charged to your school board? We wanted to know what's -- how did we compare in that -- in your city in that regard. And then also, do you transfer any money, you know, to your local school board?

And the answer was, from the FMEA survey -- I would encourage anyone to do any other survey -- was that, number one, JEA has the lowest rates for its city government and for the school board. No school board in the state of Florida pays a higher rate -- pays a lower rate than what our schools do here. They have a 10 percent discount because of their large size, and they're lumped in with the City and the Navy in terms of our largest customers, and they get a discount on their rate.

And then, additionally, there's -- no municipal electric utility is making any type of direct transfer to the school board, so no -- the best we could tell, no local government, no local-owned utility, like Orlando Utility Commissions or Tallahassee or Gainesville, is making any cash contribution, you know, to their local school board, you know, from their electric rates. We thought that was an important thing to note.

And then the fourth area I have here is rating agencies of our contribution. We're rated -- whenever we issue our bonds, we are rated by three rating agencies: Standard & Poor's, Fitch, and Moody's.

Looking at our rating category, we are a double-A minus utility, which is a good credit rating. We want to keep that up as best we can. A good credit rating helps us to be able to buy and sell power with other utilities without putting a bunch of cash up for collateral. We can use our credit. We can also -- when we issue our bonds, we get the best interest rate when we have the best -- a good bond rating, so we want to keep our double-A bond rating.

Standard & Poor's, in their assessment of us -- it's in there, but -- but their business profile -- the last sentence here says, "The business profile reflects our assessment of the utility's competitive position, which low rates afford, despite substantial contributions to Jacksonville's general fund."

Now, that's Standard & Poor's opinion, not mine. That's directly out of their credit rating assessment for us.

Standard & Poor's, our rating agencies, considers our contribution to the City to be substantial. Now, you can say whatever you think that means. I think what they mean by that is that it is -- it's on the high end of cities that provide contributions -- of utilities that provide -- because they rate all the municipal utilities or bonds that they have to do any time they're permitting -- they're putting bonds out. So we're on the high end in terms of our current contributions.

This chart takes a little bit of study, so I'm just going to show you a few things on here. It's a lot of interesting information.

What we have done is we've taken the four investor-owned utilities in the state of Florida -- the first column was Florida Power & Light. The second column we've listed FPC, Florida -- it's really Florida Progress or Progress Energy. They're the second largest investor-owned utility in the state. Gulf Power, and then TECO, Tampa Electric Company, which serves the Tampa and greater Tampa area. And then that fifth column, which is the IOU average, that's the average of those four investor-owned utilities.

Then we looked at JEA, and this was for fiscal year 2008 because that's the last year we could find all the data. This data is gotten off of -- you can't just call Florida Power & Light up and say, "Give me all your information." They don't have public records laws like we do, but they do FERC filings -- Federal Energy Regulatory filings that they're required to file, you know, every year. So once those FERC filings are in, we can get certain information out of what they file and what they pay.

What we have here is in the -- I'll look at first column, Florida Power & Light. Gross receipts tax goes to State of Florida. That simply means that Florida Power & Light pays a total of about $280 million in gross receipts tax to the State.

If you go over to JEA in 2008, we paid about 27 million to the State. Remember, we're about one-tenth the size of Florida Power & Light, so that looks about right.

The second line is the franchise fee. Look at the total amount of -- now, Florida Power & Light does not pay -- I don't believe they pay a franchise fee in every piece of their territory, but their total dollars in franchise fees that they pay out is about -- a little under $500 million.

Property taxes across the state, their total in property taxes at Florida Power & Light paid for the year 2008 was about $241 million. City contribution, they don't pay a City contribution because they -- you know, they simply don't. But that's what we're comparing. You go out to JEA and see we don't pay property taxes, but we pay a City contribution.

And then income tax, because I do get at different times saying that, "Well, investor-owned utilities have to pay income taxes, so -- JEA doesn't have to pay income taxes." Well, you know, the income taxes you would be giving to the federal government, you could give that to the City type of a thing.

Well, as you see, Florida Power & Light didn't pay federal income taxes in 2008. In fact, they got a credit, and that happens from time to time based on accelerated depreciation or they get certain production tax credits because of investment in renewable energies and those types of things. So you've got to be a little careful saying that they pay a large amount of income taxes.

All right. If you look at the largest one here, FPC, that second column, that they paid almost 58 million in income tax. If you go down to one of the -- the next line under that, where it says, Operating Revenues, that's against an operating revenue for FPC of $4.7 billion. That's how big their company was.

You know, we're about a -- electricwise, we're about a 1.2-, $1.3 billion company, but -- so FPC pays 4.8 billion. They gather 4.8 billion in operating revenues. Well, they pay 58 million in federal income tax. Well, that's about a little over one percent of their total. Again, you know, they pay -- they pay income taxes against their margin -- or their net income, not their total gross in the process.

So what we've done in the comparison here -- if you, then, look at the operating revenues for each one of these companies, you look at the net megawatt hour sales, where I have that number one footnote, and then the total megawatt hours sold and the average number of customers. Net megawatt hours sales are sales -- for instance, here, in my territory, I serve Duval County and the city of Jacksonville and kind of a little bit of the greater area where my customers actually reside.

Well, I also sell -- if I've got excess power, I will also sell power to Florida Power & Light or other utilities for them to re-sell it. We don't just let our generators sit idle if we can actually make money off of them. So that's why we put on here --

These net megawatt hour sales are the sales to your actual customers in your territory. That's the number we need to look at. The other is simply how you -- you know, some you can make if you've got some excess generation, so -- and then the average number of customers that they have.

The yellow line through there shows a comparison of property taxes, City contribution, and franchise fees, you know, divided by electric revenues. So it says, what percentage -- if I take the Florida Power & Light number, what percentage -- if I divided everything Florida Power & Light pays in property taxes, City contribution, which they don't pay, and then a franchise fee, which they do pay, divide that, they pay 6.44 percent of their gross operating revenues back into property taxes and franchise fees.

In 2008, JEA paid 7.51 percent. There's nobody on that line item that pays more on a percentage into local government than JEA.

If you look at the next one on the property tax per net megawatt hour -- so that just means that Florida Power & Light pays $7.16 for every megawatt hour that they sell to their customers, you know, goes into local government. That yellow part is local government. You can see we're slightly under that number, but our forecast in 2009 will be the largest of anyone there.

The reason we put our 2009 number there -- I don't have the numbers for the other utilities because they're not filed yet, but the difference is -- remember the franchise fee was only half a year for us last year, 200- -- I mean, in 2008. In 2009, the franchise fee was the full year.

So you go back up to the third -- to the second line on the page where our franchise fees only totaled $16 million for 2008. In 2009, it was like 32- -- almost $33 million because it was a full year of franchise fees, not just half a year.

Following on down to -- the next group down at the bottom, where it says total payments divided by electric revenue and -- that line item -- that -- four different line items, that is taking all of the taxes -- federal taxes, state taxes, everything that's here -- one thing

I will point out is that this chart is exclusive of public service tax. Everybody pays the 10 percent public service tax, so I just didn't include that, just for clarity.

But if you look through that line item and you can look at -- an interesting one is payments per customer, and you can look at -- like in 2009, you know, our payments per customer is $338 million going to all forms of government, you know, that our customers are paying.

If you look at an average residential customer, average bill -- let's just say the average bill is 15 -- or is $150 a month times 12 months, I'm going to say that's close to maybe $1,700 a year in terms of an average -- maybe an average bill, 17- -- $1800 a year on an average bill, electric bill, $338 goes to government in some way, a lot of it local, but some state. That's the higher number than any one you can see out there in terms of dollars per customer going there.

The last two lines, which is property tax and City contribution, that's simply a comparison -- I put that on there. That just simply compares this issue of property tax versus City contribution. You know, there's other ways to get money, but let's just take those two comparisons.

Since we don't pay property taxes, people will say, "Well, you don't pay property taxes; you pay a City contribution. Does your City contribution equal what property taxes would be?" So if you look through there, you can see that Florida Power & Light pays 2.1 percent of all of their operating income in property taxes. We pay 6.13 percent of all of our revenue in contribution. So I can't find any comparison where we're on the other end. Every comparison I see, we're on the high end, so -- in the process.

Going to next question was: Does JEA have the capacity to pay or transfer more funds to the City? Do we have some money laying around that we could do that without raising rates or adversely affecting its financial position? And, of course, the short answer of that is no.

You know, if I had the money laying around that I could do something with, then I would have returned it to our customers. We don't charge our customers any more than we think we need to do to maintain the financial position that we need to maintain.

Just briefly, where we're going and what we've done over the last few years -- four years ago, we put in our ten-year financial plan because we had some things we wanted to accomplish. We were -- about four years ago -- four or five years ago, our financial metrics were deteriorating. We had a -- we were put on a negative outlook. We had a double-A minus credit rating with Standard & Poor's. We were put on a negative outlook, which means that was a precursor for being downgraded to an A rating. We didn't want that to happen, so we had a series of some rate increases, made some changes that we were doing. The purpose was to get more cash into the business, to put less reliance on debt, to get more reserves built back in place.

They had two issues with us. Our liquidity was low, our cash on hand was low, the amount of money that we needed to go through either emergencies or physical storms or financial storms. Thank goodness we put a good bit of reserves in place. We started putting reserves in place about four years ago because we just finished one of the worst financial years that we've all had to face. And because of our reserves that were in place, it helped us when we saw interest -- short-term interest rates begin to skyrocket and so forth and had to move a lot of money around that we were able to weather it through that financial storm because of our -- because of our reserves and things we've been doing.

So on -- the electric system has been successful to date. The water system, we're about two years behind plan because of the recession. You know, last year, 2009, our electric sales declined 4.5 percent. Our water sales declined about 7 or 8 percent. So if you can think of it, when our sales declined, our revenues declined, and so we have to deal with that on a -- just like any business.

So the final four to five years, we're focused now on, moving forward, improving the balance sheet. We have our income statement with reserves where we think it needs to be. I go visit Standard & Poor's, Fitch, and Moody's next week, our typical rating agency trip we do once year, and we've got a pretty good story to tell them.

Our cash on hand meets the target that we want it to meet. Where we're not meeting the target yet is in our debt. We're meeting our debt service coverage, which means we have the money to pay our debt service, but our actual debt, you know, compared to any measurement you want to look at, is higher than any typical utility that's rated the same as we are.

For instance, we have a total debt of 6.3 billion at the end of September '09, and by any measure this is well above any like municipal utility.

Our electric system debt to asset percentage is 88 percent, meaning that we have an asset that's valued at a certain amount, but it's covered by $88 million -- I mean, 88 percent of that is under debt. It would be like you had a home and you only had, you know, 12 percent equity, you know, in your home. You have a home valued at $100,000 and you owe a mortgage of 88,000.

Typically, for a like-rated utility as we are, that number is more like 50 to 70 percent. The reason we've been able to keep our double-A minus rating and still have that high debt is because they know we're focused on making a change on it. We told them exactly what we're going to be doing. They've taken the negative outlook off of our business and -- but we're still a double-A minus rating. I'd love to get the minus taken off and -- but we've got to continue moving forward to reduce this debt load that we have. Especially as we move into the future, to look at some of the extreme capital costs that we're going to face, we've got to have the capacity to be able to do that, so --

Same thing on the water/sewer system. You know, water/sewer system debt per customer is about -- for every customer we serve in the water/sewer system, which is about 320,000 customers, we have a debt of about $6,700 per customer.

Now, there's a lot of debt for our size utility, more than double a regular utility or $800 million more for similarly-rated utilities. Now, that's not a huge issue because we're dealing with it.

We have spent -- and the reason -- one of the reasons we have it is because when we took that business over from the City in 1997, it needed a lot of work. We invested a lot of money into it. Over the last 12 years, we have invested over $2.4 billion into the water/sewer business, improving the treatment of sewer, improving our water system pressures, so we've got a very good operating system. We just did most of that with debt. So we've got to pay that down over time.

So when you look at -- and the only way you do that is -- you do that by getting more cash into the business, less reliance on debt as you move forward.

So if somebody wanted to look at the cash we're getting into the business to pay this debt down or to not borrow so much into the future, they will say, "Well, can't you share some of that cash with the City?" I guess we could, but we'd have to go back to leveraging debt in order to be able to do that, and that's not our plan.

The board set a financial plan out in place that I believe is very prudent, and I'm thankful they did it. It was hard decisions that they had to make to do what they're doing, and I've got one of them here that's made those tough decisions as we go forward, but that's why that cash is into the business moving forward. If anything changes -- any of those things change, then that would -- that would really affect our credit ratings and so forth moving -- moving forward.

One last slide and then I'm happy to answer any questions.

I thought I would just say, as I sit here and look out into the future -- I've been here for 36 years, you know, walked in the door of JEA 36 years ago as an engineer right out of school, fortunate to get to the position that I'm in to be able to run the company. I've never seen a time as challenging as what we see right now.

If you look at the regulation that's getting ready to hit us -- to hit all electric utilities on climate change, which is -- these are capital cost drivers. Climate change, which is greenhouse gas reductions or think Cap and Trade. As much as you may hear people say Cap and Trade is not going to be all that bad, Cap and Trade is going to cost us a heck of a lot of money if it goes through like it's there now.

I think it's going to change -- you know, the Waxman-Markey bill that's gone through the House and been approved is not going to be improved -- approved in the Senate, but something is going to come at some point in time, and it is going put tremendous cost on the electric utility industry as we move forward with these environmental initiatives.

Renewable electricity standards that say we may have to do more solar, we may have to do more wind, we may have to do more power generated with renewable sources, every one of those sources is extremely more expensive than what we're doing today, so it's going to be costly.

Alternative water sources. The St. Johns River Water Management District is doing a study right now, and the outcome of that could likely be they cap our aquifer. And so when we start capping our aquifer here, where we get all of our water from, that means alternative water sources to go forward. You can see alternative water sources on the treatment that we do today could be three to eight times the cost to provide that water and treat it than what we do today.

So all of these -- the numeric nutrient criteria -- you may have heard the news about EPA and water standards in Florida. The EPA is really coming down hard on Florida in terms of numeric nutrient standards, not so much -- they're not doing it in other states, but they're doing it in Florida, and it will put tremendous cost on our sewer business if it passes and moves through.

So we project into the future. So when you think about that, what -- that is going to -- you can expect utility prices to increase over time, so it's very good if people work hard to conserve. That will be great because we won't have to generate as much and pay for new plants, but it's still -- it's going to go up, so that's going to put a -- and it puts a big strain on fixed- and low-income folks, who I have the most concern about, because any more money in the utility -- any more taxes on the utility, if you look at it in that way, are -- hit the low income the most because it's a regressive form of tax, in my opinion.

And then many businesses -- we're dealing right now with our manufacturing companies -- industrial companies that are complaining because they need lower cost. You know, we've got a steel mill here in town that's running at 40 percent capacity. They're complaining.

In fact, there's been a resolution presented to council -- it either was presented this week or going to be presented -- about to forgive or waive the public service tax for the steel mill here in town to lower their cost.

Well, that's -- you know, when you say you want to lower that -- so manufacturing right now are hurting in the process, so -- I'm not sure if we'll be able to keep all the manufacturing that we have here. Some manufacturing -- some places are going to go away because of the way business is right now, but they're struggling in that process. Any additional increase would be tough for manufacturing.

I will say over the long-term that -- so that's the downside of these cost things that we're going to hit into the future, and I tell you that only because it's just something we, as a community, need to continue to think about when we put additional cost on an essential electric, water, and sewer service because these are services that are really necessary, you know, for customers in the process. So we put additional cost -- we shift additional cost to those type services, it is regressive, and that cost is going to -- is already going to go up.

There is good side to that. As those costs go up, the public service tax and the franchise fee is going to go up for the City because remember it's based on revenue, not based on sales. So as my rates have to go up because of these other climate initiatives or whatever, the City will benefit of that because of the franchise fee we put in place and because of the public service tax that's already there.

So I wanted to -- that was my last slide. I just wanted to give you that -- kind of that history of how things -- what things were there, how they're collected, how we're doing that, and to give you some numbers in that regard, and I'll be happy to answer any questions if you have them.

But, again, thank you for letting me be

here today and talk a bit.

THE CHAIRMAN: Thank you, Mr. Dickenson. Thank you for that presentation.

I have a couple of questions, starting with your chart, taxes paid during the year in millions. Your footnote number one, net of sales for resale.

MR. DICKENSON: Yes.

THE CHAIRMAN: Approximately, what are your resale numbers? How much money does JEA make from selling the excess power capacity?

MR. DICKENSON: If you look over on that chart, up in -- about one-third of the way down from the top where we have operating revenues and electric revenues --

THE CHAIRMAN: Yes.

MR. DICKENSON: -- the electric revenues would be -- well, I may have to ask Paul.

Actually, those are -- I think, Paul, our -- we don't have that number on this page, do we, our dollars for our sales for resale?

MR. McELROY: I don't know.

MR. DICKENSON: We can get you that number.

It is -- when we sell power for resale, you know, what we do is, if we've got a generator that we've already paid for that's sitting here idle and -- and what it would cost to operate that with fuel, and we make a little bit of margin on that, so we make a lot less money on what we sell for resale because we might -- since we've got it here, we might as well use it and sell it.

We can get you those numbers. I would say probably -- on a percentage basis, our sales for resales are probably 2 to 3 percent of our total revenue, so it's not a big number for us in that regard, so --

THE CHAIRMAN: What is that in millions?

MR. DICKENSON: Excuse me?

THE CHAIRMAN: What number is that in millions of dollars?

MR. DICKENSON: Sales for resale? Our electric business is about 1.2 billion, so that would be --

MR. McELROY: $12 million for the year.

MR. DICKENSON: Yeah, maybe 12 million total for the year out of our, you know, 1. -- so about -- in that neighborhood.

THE CHAIRMAN: Okay. And I want to make

sure I understand what you're telling me, about the impact of the franchise fee on your debt rating.

MR. DICKENSON: Okay.

THE CHAIRMAN: Am I correct in understanding that the imposition of the franchise fee and any increase in the franchise fee has essentially no effect on the bond rating agencies' assessment of the financial viability of JEA and your bond rating, itself; is that correct?

MR. DICKENSON: Yeah. Well, what I would say, Mr. Chairman, is that, since it is collected kind of at the top as a revenue and then passed over to the City and doesn't come into a net revenue, the only effect that the bond rating agency may look and say was, with the franchise fee, are you still roughly competitive or are you one of the high end -- are you really -- is it overburdening your customer?

MR. CHAIRMAN: Right.

MR. DICKENSON: You might look at it that way. Forget how it affects me financially, but just, is it overburdening your customer?

Of course, you can see by our rates, the franchise fee, we're one of the lowest in the state. It can't be overburdening a customer. So, therefore, I don't believe that the franchise fee for the rating agency really has any effect on their rating of us.

If that money -- that roughly 40 million were to come out of our net revenue, then they would take a lot closer look at it because we pay our debt service with our net revenue, and we pay the contribution to the City. It would increase that area of it, so it would lower our debt service, and it would really affect -- it would affect those numbers on the financial parameter calculation because it comes out of net revenue.

THE CHAIRMAN: Right.

If this -- if our commission were to recommend that the franchise fee -- recommend to council that the franchise fee be increased so that that extra revenue could be directed towards, say, a charter school district, what would JEA's position on that be?

MR. DICKENSON: I would say that if the -- if you made a recommendation that the franchise fee be increased within -- of course, I think you'll decide -- within the limits that the charter allows now -- you know, it can go up to 6 percent under the 14 votes of the council.

We would -- we would really be neutral. We would not take a position, I wouldn't think, because it's there.

It's totally up to the City and the mayor in terms of how that money is done. When we negotiated in the charter -- we made that charter revision change a year and a half ago and negotiated, when we put that in place, that you can do that, and you can increase it to 6 percent. And our board, you know, approved it, and we did it, so it can happen. And in exchange for that, we got a stable contribution for the next eight years.

So we would say our position, I think, would pretty much have to be neutral on that. We wouldn't speak out. We would say, "Hey, it's the council's right to do that if that is what the council wants do."

Now, on the issue of going -- we would just be silent. Should it go to charter schools or go to different places? That's -- it's really wherever the council would see that to go. It's really their decision, not ours.

THE CHAIRMAN: Right.

MR. DICKENSON: I mean, we would not -- we would not come out publicly, I don't believe. We haven't really discussed that. I don't think we would come out opposing or taking a position on that.

I'm looking back at one of my board members and he can't really speak for our board, but I think that's probably the position they would take. It would be totally up to -- if that's what council wanted to do, they'd have the right to do it.

THE CHAIRMAN: Commissioner Youngblood.

MR. YOUNGBLOOD: Mr. Chairman, I think you hit on it. If the 3 percent franchise fee is a bondable fee, whose bond rating does it affect, the City's or JEA's? Because I think the City is getting the franchise fee, but JEA is collecting the fee. And so it may be a moot point, can we use it? I believe it's already available to us if the City truly is bonded against that money, correct?

MR. DICKENSON: I would say that -- and I may have to ask technically or legally.

I would say that since it's a -- it's a fee that the City has every right to collect by law, you know, the council has given their right to collect that by law. So, therefore, to me, because it is a fee and it will be there, I think it's looked at as a very substantial fee. In other words, it's not iffy. The only iffy part would be if our sales -- if our revenue went way down, then it's because it's a percentage of our revenue, and that's not likely to happen. We have got to keep business moving.

So I believe that it wouldn't affect -- I don't see how it would affect our bond rating because it is really the City's money. We collect it for the City and send it to them. It's a revenue stream for the City, and I believe it would help their bond rating. It would be rated as a pretty good bond because it's got a very stable revenue stream.

MR. YOUNGBLOOD: So then, I guess, back through the Chair, Mr. Chairman, I don't know that we have to ask for JEA because I believe it's already -- since it is bonded for the

City -- correct me if I'm wrong, but we could use it for other items, if we suggest, to the City Council.

MR. DICKENSON: Well, excuse me, but it's not bonded now, to my knowledge. I don't know whether the City has dedicated that -- well, I know that -- they may have -- they may or may not have dedicated the current 3 percent to some bond revenue, but I know they haven't dedicated the other -- the one they're not collecting yet. It hasn't been -- because it's not being collected, it's not -- it has not been pledged yet for any type of a revenue.

MR. YOUNGBLOOD: Thank you.

THE CHAIRMAN: Mr. Dickenson, I have follow-up question.

If the franchise fee were to be increased, that currently unutilized 3 percent, for the charter school use or any other use that we might propose, what effect would that have on JEA's rates? Would that put pressure on JEA to increase their rates?

MR. DICKENSON: No. You see, our rate does not include the franchise fee in it. In other words, what we charge our average residential customer right now is about $110 per 1,000 kilowatt hours if you include the -- that may include the franchise fee, I think. No, maybe it doesn't.

But it would -- that just puts -- so really the customers are not paying 110. They're paying 3 percent more because when we set our rate, the rate does not have the franchise fee in it and the rate does not have the public service tax in it.

Now, the rate has to have the contribution in it because that comes out of our net revenue of our business. So the only one that's really in our tariffed rate that calculates what a -- what the payment is to us is the contribution. The franchise fee and public service tax is then listed on the bill in excess of what the rate would produce, so it won't affect our rate.

THE CHAIRMAN: Thank you.

MR. DICKENSON: But it will affect -- I mean, the customer writing the check to JEA, I guarantee you, you increase it 3 percent, we'll get the calls, you know, "How come my bill went up? How come you're charging me that?" And we'll just explain it to them.

So all those customers that write the check to JEA, they don't -- even though we show it, they don't always think about, you know, what the line items on the bill are.

THE CHAIRMAN: Commissioner Catlett.

(Ms. Eichner enters the proceedings.)

MR. CATLETT: Mr. Dickenson, have there been changes to the formula since consolidation and why? In the contribution from JEA to the City.

MR. DICKENSON: Yes, sir. There's -- I can't explain to you all of the different reasons, but yes, there have been changes to the formula, I know, since I've been watching it and so forth even when you get into the '80s.

Typically, every five years, the formula is renegotiated, and sometimes the formula -- at times the formula was based on a percentage of revenue. Sometimes it was based on a -- kilowatt hour sales.

One of the reasons that formula was changed in the mid '90s from a percentage of revenue to kilowatt hour sales was because -- was because of retail. In other words, you know, in California when they had the deregulation of electric utilities and you might be able to get your utility -- your generation from a different source even though we might deliver it, then -- then if it's based on the number of megawatt hours you generate, not what you sell, the City would lose out a lot because somebody else is selling the customer the power.

So we changed the formula in anticipation of something like that would happen to be a millage rate times what's delivered regardless of where it's generated from or what a customer may buy. A large manufacturing might have been able to buy power from somewhere in Georgia and we deliver it for them. That's what retail wielding deregulation would have done. Thankfully, Florida never went there because every state that did that has increased costs for their customers, so -- so Florida has been very wise on that. So things like that have changed the formula.

Other times it changed as -- you typically see that when you've got something that comes up for renegotiation every five years, from our standpoint, very hard to negotiate that down.

You know, typically -- if you want to look at it, typically it goes up. The only time I remember it not -- like not -- one time I remember it not going up, that millage rate not changing, was this last time because we put the franchise fee in place in exchange for keeping the millage rate the same because we were concerned about our financial parameters and what the rating agencies were looking at.

So we were able to get council to agree to the eight-year -- I wanted to get ten years, but Daniel Davis wouldn't do it. He did eight years. So I got eight years stable contribution formula, although it does have that two-and-a-half million -- I actually tried to get the two-and-a-half million reduced to about one million in growth, so -- because, as you can see, the formula now -- the two-and-a-half million is increasing faster than growth is getting us there, so -- but we weren't able to do that, so -- but it changes.

Other times it's -- so typically when it gets into the negotiation period, you know, it's going to go up. I mean, that's just the nature of the negotiation. At times -- during that time, we would come in and say, well since it's going to go up and we'll go up to this, could you give us a little more power? You know, could you let us -- you know, could you let us run -- not have to use the motor pool if we can show that it's cheaper than what we can do outside? And we bid that out and so forth.

So there were things that we got from JEA in exchange for that increasing that we were able to negotiate at the time in -- in the process, so -- just the negotiations and some of the external circumstances, so it has changed over time, never gone down.

MR. CATLETT: Well, speaking of that revenue, what is the percentage of revenue that you create for the City's total budget? There's ad valorem and they have some other fees, and there's a second big chunk, which is, of course, JEA. What kind of a ratio is there on property tax --

MR. DICKENSON: Well, they -- if you look at the total money transferred over from JEA, that 215 million -- the City's budget this year, I believe, is $984 million. That's our general fund budget. So we're 215 million of a 984 million general fund budget, which, I think, is roughly 22 percent.

The property tax, I think, is around 50 percent. I think property taxes are about 480 -- 450 million this year or -- I've lost track since it was going to go down, then it actually went back up.

But I think they're a little over are 50 percent in property taxes, another 22 percent for us. The other 28 percent or so they get from fees, sales taxes, and some other revenues. So we're the second largest piece, you know, that the City gets, about half, again, of what property taxes are.

MR. CATLETT: And does your board control the amount of revenue the City gets or is that a function of the City Council?

MR. DICKENSON: I would say that's a function of the City Council. They are the negotiating body that we negotiate with in doing that, so our -- the council, at the time, when we were looking at that -- they always come and talk to -- I mean, they don't -- they have never done anything indiscriminately. They've always come and talked to us. We try to work out what we can all support, you know, in the process.

It's not good for governments to be at odds with each other, so we always try to work those things out to -- to do that. But the board's involved, and I think the council, you know, wants to know what the board thinks, and so they're good in that regard.

MR. CATLETT: That's all I have, Mr. Chairman.

THE CHAIRMAN: Commissioner Miller.

MS. MILLER: Through the Chair, thank you, Mr. Dickenson, for being here, Mr. Hudson, and your staff. And thank you also for JEA's -- JEA contributes a lot to our community, above and beyond what it -- above and beyond the contributions we're discussing today, so thank you for that.

I have a few questions, three in particular, and the first is -- we're going back to your chart regarding taxes paid for fiscal year 2008. You list FP&L, FPC, Gulf, and TECO. Are all of those investor-owned utilities?

MR. DICKENSON: Yes. This was a -- the purpose of this was a comparison with investor-owned utilities. They're the only investor-owned utilities in Florida.

MS. MILLER: In Florida.

What would be helpful -- and I would ask, through the Chair, if maybe Mr. Billy has this or if we can receive this separately as a follow-up to this conversation, if you could come back and present to us a comparison of JEA with other publicly-owned utilities in Florida --

MR. DICKENSON: Okay.

MS. MILLER: -- and maybe -- I think you said you were eighth in the nation --

MR. DICKENSON: Uh-huh.

MS. MILLER: -- in size for publicly-owned utilities; is that correct?

MR. DICKENSON: Yes.

MS. MILLER: So also a comparison in terms of contribution rates and City contribution rates. I think that would also be helpful.

MR. DICKENSON: Uh-huh.

MS. MILLER: And, in addition, in those areas, it's so hard to measure contribution because population, as you've stated, varies and changes. So I don't know if there's a way to break that down on either a per capita basis or at least indicate to us the relative population or the communities that those utilities serve.

MR. DICKENSON: I can -- we can give you -- I mentioned the American Public Power Association, which is national.

MS. MILLER: Right.

MR. DICKENSON: And then it compares with -- southeast, large utility, small utility. We can give you a copy of that survey, which is a comparison of municipally- -- all municipally-owned utilities, and it shows you -- primarily, it shows you percentages of revenue and makes a comparison with other util- -- we can give you that.

MS. MILLER: Okay.

MR. DICKENSON: We tried the State of Florida before. We'll do some more work on that. Sometimes it's hard -- for instance, Orlando Utility Commission is an entity, like JEA, where they're a separate commission, so their finances are different, you know, than their cities.

MS. MILLER: All right.

MR. DICKENSON: And if you look at, say, Tallahassee, Gainesville, Lakeland, all of those are municipally-owned utilities, but they're parts of their cities. So looking within their departments to do that, we'll do the best job we can to do -- I know when we've done it in the past, we fare relatively comparable, but we'll do the best job we can to give you some of those numbers.

MS. MILLER: Because they're organized differently; is that right?

MR. DICKENSON: Yeah. They're organized differently where -- a department of the City, you know, as opposed to an independent authority so their financials are somewhat mixed in with their cities, but we should be able to get, you know, some good information for you.

MS. MILLER: Do you have any sense of how JEA compares in terms of City contribution rate to other publicly-owned utilities in Florida?

MR. DICKENSON: I know in Florida probably -- Orlando Utility Commission is a little more than half our size. They're the second largest in Florida. They -- now, they are an electric utility and a water utility. They don't operate the sewer business in Orlando. They -- their total contribution, I believe, is around -- somewhere in 9 to

10 percent. So if you add together our contribution and our franchise fee, then we're comparable. We're just about at the right -- same number that Orlando is if you add those two together, and that's why we did the franchise fee.

The -- however, their formula is a little bit different in that theirs is a -- theirs is a calculation off of net revenue. In other words, they don't have what we have, and it's got to go up a minimum of -- if we would have made our calculation off net revenue, then -- like, the City gets a portion of our net revenue, then -- therefore -- like a normal business would. It would have gone down last year because our net revenue was down, you know, because of some of those things. But the City never wants it to go down. You know, our -- wants to know what it is, wants it to be constant, and wants to know what it is. So -- so there's little differences in the way they're applied.

MS. MILLER: Okay.

MR. DICKENSON: But I think we're pretty comparable with Orlando.

MS. MILLER: That would be helpful with --

the other.

And the second question I have is -- you mentioned the expected or projected increases in rates due to increased federal regulations, specifically environmental.

MR. DICKENSON: Uh-huh.

MS. MILLER: Is there any projection or any expectation as to how much you expect rates to increase as a result of those regulations?

MR. DICKENSON: I think the chart we have on the right-hand side is pretty close, meaning that over the next 40 years our costs could be four times the cost of what it is today 40 years from now or 20 years.

Over the next 10 years -- you know, it's hard because I don't know exactly -- if you take -- you know, analyzing every bill that goes through -- for instance, if you take the climate change bill that the House of Representatives passed, the Waxman-Markey Bill, over the next 10 years, that would add about 20 percent, you know, onto our electric costs. But then after that 10 years -- after the year 2020, then it greatly increases. It really accelerates. They put all the cost in the out years --

MS. MILLER: Out years.
MR. DICKENSON: -- of the environmental cost. And, of course -- and then the -- part of the purpose of that is to drive you to other generating sources.
You know, now, the issue that we would face is that -- for instance, I've got a Northside plant that we repowered -- that actually the Department of Energy gave us a $75 million grant in the year 2001 to repower that plant, and it's solid fuel, coal burning.
MS. MILLER: Uh-huh.
MR. DICKENSON: And here ten years later, they want to put a big penalty on it.
MS. MILLER: Uh-huh.
MR. DICKENSON: That's the type of regulation we deal with.
I expect to use that plant for 40 years. So if I've got to change and build more generation that doesn't emit carbon, then I've got to -- I won't be able to get the full light, you know, out of that plant that I've got, you know, so I'm still paying debt service off on a plant that is more costly for me to use.
So we've already made an analysis of going

and doing a lot more nuclear. You know, we've looked -- and nuclear is -- that was one of the reasons for getting debt down because nuclear is extremely costly up front in a debt service cost because it's extremely costly to build but a lot lower fuel cost over time, so you've got to have the bonding capacity to do that.

So we've made all kinds of analyses on changing our generation to nuclear as we get over past 220 -- you know, 2020 and forward. But even at that, it's still -- because of that high capital cost, it increases our rate substantially, you know, to be able to do that and still paying debt service off on a plant that we have.

Part of our hope is that Congress will be a little more thoughtful as they move -- I hope -- and do things a little slower, you know, in the process.

You know, I'm getting off track, but the fact that health care is taking more time and all those things really gives them more time to think through Cap and Trade in the process, and hopefully they will be a little more reasonable in the process.

So, yeah, it's -- what we see is scary right now, so -- in terms of -- it could double, triple over -- you know, when you get out there over 30 years, we could see our rates being three to four times what they are today.

MS. MILLER: Unless there's some kind of change in -- fundamental change in --

MR. DICKENSON: Unless there's some huge technology that comes out, I don't see it, but I mean -- to be able to do that.

It's interesting because I get so many people that ask me and say, "I don't understand why you don't do a whole lot more solar because one you put it in, it's free." Well, yeah, but you've got to put it in, and it's extremely, extremely expensive. Solar is about four to five times the cost of my current method of generating power.

MS. MILLER: If the JEA -- if you expect 40 years out of your -- out of the current plant, I assume you have some capital improvement plan or some planning already taking place to -- in exploring the alternative energy sources?

MR. DICKENSON: Oh, we do, yes, ma'am.

We -- you know, our plan -- certainly, 40 years out is a long -- that's just a look and see what could happen, then we'd bring that down to -- where have we got to change our strategies in -- we already have -- for instance, we've already signed up for some nuclear power in the latter part of the next decade, already committed to it, you know, with a plant that's being built in Georgia.

So the next ten years, our generation is set, and we're looking at all the ways to move forward on generation with less carbon. We're looking at converting our Northside plant -- one of our Northside plants to burn biomass fuel, wood products that -- you know, that don't burn fossil fuel, so we're studying all those things right now.

But right now everything that we look at doesn't change the cost a whole lot. You know, it modifies it and changes it a little bit versus the penalties you'd pay on just paying a penalty to the government on an allowance to -- to emit carbon, so -- but we're early into those studies, and hopefully we'll find something, you know, out there that'll be cheaper, but I don't hold a lot of hope for it.

MS. MILLER: And I have one final question, through the Chair.

The JEA provides -- as a publicly-owned utility, provides some additional services to the public and to the City and to the community that investor-owned utilities either are not obligated to provide or don't provide.

MR. DICKENSON: Uh-huh.

MS. MILLER: Could you expand on -- they're harder to measure in terms of a monetary contribution, but they're significant.

MR. DICKENSON: Yeah.

MS. MILLER: Could you explain some of that? Because I think it's important for us to understand the full breadth of the JEA contributions.

MR. DICKENSON: I should have brought my list. I don't -- let's see. You kind of caught me a little bit off -- but we -- for instance, you know, we built and financed the First Coast Radio System, you know, which is the -- totally redid the communications system for the City. Police and fire use it, which is an up-to-date radio system. So we financed that ourself. We built that moving forward. So that's probably one of the biggest things.

You know, we've done things before that have allowed part of our contribution to be bonded against -- for the port, when the City wanted to expand some things from the port some time back. We allowed part of our contribution to be bonded as a revenue stream to be able to issue bonds for the port.

Our staff helped in financing some of the River City Renaissance in the past with trying to help finding lower interest rates in the process of how the -- how the financing could be done back in the past.

We committed during the Delaney administration to be involved in the preservation lands projects, so we committed $25 million in preservation lands that we purchased as buffers. We had to tie it in with our business as buffers around -- so we have some big tracts of land around our generating plants and other facilities that put -- and put that land in the preservation.

So we've -- we've tried to work with the City in all these different times at different things that we do.

We're -- you know, we're the largest -- in the public sector, our employees, you know, commit over $500,000 a year to United Way. You know, we're a heavy contributor to United Way in employees. We can't contribute any money as an entity, of course, but -- so we're -- we think we do a lot for the City.

THE CHAIRMAN: Commissioner Austin.

MR. AUSTIN: Mr. Dickenson, thank you.

I think your testimony has been very informative, and I, for one, appreciate it.

Just a couple of questions. One, you said it was 22 percent. That is of your gross electrical -- the electric side of your revenue, right? It's not -- it doesn't have anything to do with water and sewer?

MR. DICKENSON: No. I think the 22 percent was -- I think I was asked the question of how much are we -- all the money that we're contributing to the City, how much of a percentage of the City's general fund is that? So the City's general fund is --

MR. AUSTIN: So that's 22 percent of the general --

MR. DICKENSON: Twenty-two percent of the City's general fund comes from JEA. You know, that 215 million --

MR. AUSTIN: Oh, I missed that.

MR. DICKENSON: Yeah. That's the 22 percent.

MR. AUSTIN: Well, what would you say -- do you know what percentage of your gross goes to the City?

MR. DICKENSON: The -- of that 215 million, I would say our gross revenue is about -- if you look at electric, water and sewer combined -- it's one and a half billion?

MR. McELROY: (Inaudible.)

MR. DICKENSON: So of the 215 million out of a $1.5 billion business -- so -- if my math is -- it's probably in the 15 percent range maybe.

MR. McELROY: Yes.

MR. DICKENSON: So 15 percent of everything that we collect, you know, goes to the -- goes to the City.

I remember -- I remember a number -- if you include the gross receipts from -- that goes -- the gross receipts tax that goes to the State, it's around 17-and-a-half percent. In other words, we -- 17-and-a-half percent of everything we collect goes to some governmental entity. I believe 15 -- about 15 percent of everything we collect goes to the -- goes to the --

MR. AUSTIN: So about 2-and-a-half percent goes to the State?

MR. DICKENSON: Yeah. I think that's about right.

MR. AUSTIN: Thank you. I was confused on that.

This is really off track and somewhat irrelevant to what we're talking about today. Do you have a -- an association of the public sector, power -- electric generating company?

MR. DICKENSON: We have a -- the American Public Power Association is -- in fact, I'm on their board. I'm on the executive board. We were just in Washington yesterday, but -- the American Public Power Association is an association of municipal utilities across the nation. There's an about 12 -- it's -- about 2,000 municipal, City-owned utilities in the nation. About 1,200 of them are members of the American Public Power Association.

We have a state association called the Florida Municipal Electric Association, FMEA, that we pay dues to, yes, that's -- that's an association of municipal utilities in the state. Those are both on the electric side.

MR. AUSTIN: I heard you on that Cap and Trade, the cost of it (inaudible) -- do you maintain a lobbying position in Washington?

MR. DICKENSON: Absolutely.

Yeah, we lobby through the large Public Power Council, the American Public Power Association. We've lobbied -- I've been there myself. We've maintained a lobbying position in Washington to get our story out, information out.

MR. AUSTIN: Good. Thank you.

THE CHAIRMAN: Vice Chair O'Brien.

MS. O'BRIEN: Thank you, Mr. Dickenson. I appreciate it.

Through the Chair, I just want to clarify -- my business is one that very well understand franchise fees, and please know that franchise fees are not found revenue. It's not revenue that's existing that is just sitting by the side.

While it doesn't affect JEA's rates, per se, for water or sewer, as Mr. Dickenson said, it will reflect on a price increase, a rate -- let me say a price increase, your billing amount. Whether you're a residential customer, a small business or a large business, you will see -- if we maxed it out to the 6 percent, you will see a 3 percent increase on what you pay. So if you pay $200 a month, now you're paying $6 more. So please don't think that that's found money. That is a new fee or tax.

Solely what's happening with JEA is they are serving as the tax collector in that capacity for the City.

Second of all, I completely understand that with the new Cap and Trade issues, with the environmental aspects that are coming down, I don't think he is being -- I think Mr. Dickenson is being conservative with the cost of utilities, whether that's electric or water, coming down the street, you know, over the next -- not even just 40 years, but in the next five years, ten years that we all will see as an impact on our bills, both as businesses and residents.

And, lastly, one thing that hasn't really been expressed to us is your capital investment. I realize that with a sewer system and an electric program, you have to reinvest in yourselves. What percentage or what amount of your revenues that you collect do you reinvest to make sure that we have a sewer system that is improving and not falling in on itself?

And I -- we know that JEA is in a position of having to make up a lot of ground in the past, and the same thing with our electric system.

MR. DICKENSON: That's a -- that's a good question because when you really look at our business, we are an extremely highly capital-intensive business.

You know, the water/sewer business is -- like, we don't pay anything for the water. You know, we pull it right out of the ground, but everything goes into pipes and plants, and so it's so heavily capital invested.

The electric business is also plants, wires, underground conductors. True, but we also have a fuel expense that we don't have on the water side, so -- and we are -- our debt right now, total electric, water, and sewer -- our asset value is about $6 billion. We have a debt probably of -- that's around what our debt is. Out debt is around $6 billion, heavy -- heavily [sic] debt now. As long as we have the money to pay that debt service off, and we do get money at a low interest rate with tax exempt . . .

By ordinance, you know, we are required to invest 5 percent of our general receipts back into the business as cash. We call it -- it's the R and R or it's a -- so we have to -- when we submit our budget, we have to show that -- so for the electric business, it's a little over a billion-dollar business. Half would be around $50 million of cash has to go back into the business.

Typically, on the electric business right now, our capital needs is around $200 million a year. So if we invest 50,000 in, we've got to borrow 150 million -- excuse me -- 50 million in, 150 million we've got to borrow.

So some time in the past, that's all we were doing, just the minimum cash into the business. My goal has been to get more cash in the business. The board passed a pricing philosophy that set parameters that we've all agreed to that says we want to have more -- we want to have another 5 percent operating capital outlay going back into the business.

So even though the charter or the -- the charter requires us to invest only 5 percent back into the business. Our own internal policy by the board says it's got to be another 5 percent, so roughly 10 percent of our gross revenues to go back in.

That -- that's some of the money that I think different people may be looking at us and saying that that extra 50 million operating capital outlay -- really it's probably in the 60 to 70 -- getting closer, but that's the only way we're going to get our debt down. That's the only way we're going to -- when I've got a heavily capital-intensive business, we really need to be investing more than 5 percent cash back into the business, so --

So we now have it on the electric side about 10 percent, you know, into the business. Trying to get there on the -- on the water and sewer side. So that helps us because now we're able to focus on the balance sheet of this high debt per customer and -- and borrow less and get that down over time, so --

So roughly right now, I think, in the electric business about -- about 10 percent of cash going back into the business. That was a hard thing for the board to do, by the way, but they did it.

THE CHAIRMAN: Commissioner Korman.

MS. KORMAN: Just a series of questions, all on the same topics, and I don't know if you can answer this.

Approximately how much is in your reserves? Is there a minimum you're required by the board to keep in your reserves? And where does that money come from that goes into your reserves?

MR. DICKENSON: That's a good question, Ms. Korman.

The -- we have reserves kind of in different categories. Our largest -- one of our reserves that's kind of unrestricted cash is -- is simply deposits from customers.

Now, you can think -- we have deposits from customers totaling about 40 million. Now, you know exactly what that's -- that's deposits that customers have given us. It's really their money. We consider it like prepayment almost because it rarely goes back to the customer. They just use it for their final bill type of thing, but it's cash on hand for us, which is good. Rating agencies like to see that cash on hand, so that's -- part of it is made up of -- of a -- of customer deposits.

On the fuel side, we put a policy in place that -- we wanted a fuel reserve. Our fuel costs for the electric business, which is coal, petroleum coke, oil, natural gas -- our fuel cost is just under $600 million a year. And in this volatile economy and this -- we saw two years ago fuel prices went up dramatically when China and India were -- you know, when the economy was going great, fuel prices really skyrocketed more so than just -- just a little incremental increase as we've seen over the past 20 years.

So not having some type of a fuel reserve that goes into a rate stabilization reserve, it would cause me to have to change the customers' rates rapidly. So we have a policy that the board put in place that we want to have a fuel reserve that's equal to 15 percent of our fuel fund. So, in other words, if I've got a fuel fund that's $600 million, then they want me to have a fuel reserve that's around 90 million.

Our current dollars in the fuel reserve is about 84 million. So it's basically fully funded. So there's 84 million sitting in fuel reserves that goes into the rate stabilization fund that is there -- and I can tell you a year and a half ago, what -- we had a fuel reserve of about $50 million. And when fuel prices skyrocketed over the summer, all of that 50 million was gone in a three-month time period.

So I was fortunate to have 50 million. I wish I had more at the time. And then we had to do a -- we had to do a $15 per thousand increase in July a year ago -- or more a year ago to get more money in, so --

So what happens by having the fuel reserve in, it allows you not to have to hit customers so fast and -- and try to move through volatile periods of fuel.

So we've got about 84 million in the fuel reserve right now, and then we have a -- we have an environmental reserve. We put that in place sometime back. We have environmental liabilities on our books of probably around -- this has changed, but it's probably around 18 million or in that neighborhood.

We've got an old site near one of our plants that's going to have to be remediated, so we disclosed that.

We've got an environmental liability of 18 to 20 million and we've got an environmental fund right now of roughly 20 to 12 million or so, so we're growing -- we charge 62 cents per kilowatt hour to customers to build our environmental reserve, but that's to balance against the environmental liability.

In the past, we had the liability on the books but no reserve to cover it, which meant that if it was -- if something had to happen with EPA to fix that right then, we'd have to immediately go to customers and do some things, so we feel like it's best to operate with the environmental liability covered, so -- so that's a --

And the other reserve we have is that -- we have developed a conservation reserve. It's -- we collect extra money from our customers to -- to do conservation initiatives to help them reduce their rates with incentives and so forth that we do. That's a small reserve. We collect about 8 million per year for that, but we -- but we spend it pretty fast. Sometimes we'll -- we won't spend it as fast as we have collected.

Now, that money that we collect is specifically designated for conservation. In other words, the board says you can't spend it for anything else; you can only spend it for conservation initiatives. So it kind of builds a reserve until we spend it, so --

I think if we looked at all of our reserves right now -- and I may have missed a couple of categories -- I would -- probably in the 160 million range or something in terms of all reserves. Go back five years ago, we had zero in -- pretty much zero in reserves.

MS. KORMAN: Mr. Chair, a follow-up.

So -- not to nitpick on you, but the other 60 million, is that from the deposits?

And then the other question is -- it sounds like this -- these reserves are all pretty much earmarked for specific things? I mean, you can't --

MR. DICKENSON: Every one of our reserves is -- yes, excuse me, but every one of our reserves are earmarked for specific --

We also -- I missed one. We also have a debt management reserve that the -- that the bond covenants require us to maintain. You know, when we have a certain amount of debt out there, we have to maintain a certain reserve that can -- that can -- like if something happens to our revenues that we can (inaudible) pay our bonds off, so --

I believe one I had missed. I don't know what that number is right now, but it's a debt management reserve, and it is -- all these are earmarked. I can't take money out of the debt management reserve and spend it for something else. I can't take -- I can take money out of the -- I can take money out of some and I can borrow it to do [sic], but then I've got pay it back. But accountingwise, we can't -- we can't take it. We only have to spend it for what we've reserved it for.

MS. KORMAN: And so is the other 60 million, that part of the reserve -- I know we're approximating numbers. Where does that come from? I'm just trying to understand --

MR. DICKENSON: Well, it all -- the -- the debt management reserve is built whenever we issue debt. In other words, when we issue debt, we may take a small percentage of that debt issuance and comes into a debt -- that's part of it.

The other thing we've done is on -- on our debt management reserve, is -- we have -- when I mentioned we have about $6 billion worth of debt, we've got about two -- $6 billion. We've got about two billion that's variable rate debt and about one million of that variable rate debt is fixed by a swap, you know, so it's not -- it's not volatile with the market. We fix it with a swap, but about a billion of it is -- is variable.

Right now variable rate debt is pretty low. I mean, you can go -- interest on money is pretty low. Our variable rate debt is -- with bank fees and everything else, is a little over 2 percent. Our fixed rate debt to issue a bond is about 5 percent. So we like the fact of the variable rate debt.

Well, what we saw over the last year or two with variable rate debt could easily go -- because of the volatile economy, could go to 4 percent, 5 percent, 6, it could really get volatile. Even though -- if that gets volatile, it still ends up being less than if we had a fixed debt, but it's a big strain on my operating budget because I don't have the monies to pay for it.

So part of what we do -- when we passed our budget with the board this year, we -- we put in our budget that we expected variable rate debt to go to about 4 percent. I really -- it's going to get there at some point in time.

Because of the money that the federal government is spending, something is going to happen and inflation is going to hit in. They're going to rise the -- they're going to raise the interest rates at some point. They're keeping them kind of artificially low right now to continue to spread the economy. And it's a little bit of a crap shoot to know when are they going to release that and increase the -- the interest rate, so --

But the fact that we put in our budget 4 percent and we actually are paying around 2 percent -- we take that difference and rather than go spend it on something else, we take that difference, and I think about 50 percent of that we have to put into a reserve, but -- the board says put that in reserves because at some point in time these interest rates are going to spike, and that's going to put a burden on our customers, so then we've got the reserve to cover ourself when these variable interest rates spike at some point in time to -- to do that, so -- that was --

I'll be happy to give you the list with the dollars in it. In fact, Paul -- we'll send you that reserve list so you can see where those reserves are.

But, again, we've built reserves. And now that we have the reserves built -- and it -- our customers -- you know, our customers pay the money to build the reserves. So now once they're built, you can always -- a lot of times people look at those and say, "Boy, you've got some money here," but it's onetime money. "Take it and do this with it." Then your reserve goes away and then you've got to build the reserves again, so it -- once you've built your reserve, operating -- you operate the same as you were before the reserve. You know, it's just good to build a reserve and have the security in place.

So that's where we are. We're -- we're at the point where we've got the security in place, but we want to keep it there.

THE CHAIRMAN: Commissioners, any other questions for Mr. Dickenson?

COMMISSION MEMBERS: (No response.)

THE CHAIRMAN: Okay. Mr. Dickenson, thank you very much. I appreciate --

MR. DICKENSON: Thank you very much for the time with you this morning, so -- I'm always available, and -- if you want to see me again.

THE CHAIRMAN: Okay. Our next speaker will be Kyle Billy, principal auditor with the Council Auditor's Office.

(Mr. Billy approaches the podium.)

MR. BILLY: Good morning.

THE CHAIRMAN: Good morning, Mr. Billy.

MR. BILLY: I'm not usually on this side. Can you hear me now?

THE CHAIRMAN: Yes.

MR. BILLY: Okay.

THE CHAIRMAN: Our court reporter will swear you in.

MR. BILLY: All right.

THE REPORTER: If you would state your name and address first, please.

MR. BILLY: My name is Kyle Billy. I'm a principal auditor with the City Council Auditor's Office. My address is 117 West Duval Street, Suite 200.

THE REPORTER: Would you raise your right hand for me, please.

MR. BILLY: (Complies.)

THE REPORTER: Do you affirm that the testimony you're about to give will be the truth, the whole truth, and nothing but the truth so help you God?

MR. BILLY: I do.

THE REPORTER: Thank you.

THE CHAIRMAN: Thank you, Mr. Billy.

Please proceed.

MR. BILLY: Okay. When I was asked to speak to the commission, the first thing I had to do was to decide what approach to take. I didn't want to duplicate -- not that I could, but I did not want to duplicate what Mr. Dickenson presented.

He did send me -- yesterday he sent me a presentation, and I looked through it and -- and, I mean, those are definitely the things that -- I guess the things that he used in there, those are the things the rating agencies look at.

I mean, I've been looking at JEA's budget on a quarterly basis for nearly 20 years now, and every quarter we really -- we look at their budget to actual results and see how they're doing. So they may be -- maybe the rating agencies look from a financial -- financial report standpoint, which is done slightly different, but we're looking from the budget.

But I've been looking every quarter for nearly 20 years, and really I -- I agree with the things he's -- with the things he said. Those are the correct measurements to use and the correct comparisons.

So I wanted to use a tact, well, what are we doing? And when I look at the budget actual reports every quarter, we're mainly concerned --

are we operating within budget, is there any budgetary stress, is the electric utility -- are the electric and water utilities going to come in under budget, is there a problem where they'll be over budget.

So I went back through our reports for the past ten years and I just made notes of the things that stood out during those ten years and I wanted to go over those with you because I -- I guess the questions that are out there are could JEA contribute more money, a higher contribution to the City, and do they have any extra money at all that they could essentially increase that contribution.

So ten years -- I went back ten years, and I looked, and in our report that ended -- for the year ending September 30, 2000, what I found was that although the electric utility showed initially five million -- a five million favorable variance at the end of the year, really they withdrew all the money from the rate stabilization fund that year.

So there's a rate stabilization fund when they have extra money, they put it in there, and it lowers their revenue that goes in there. And then when I pull it out, the increased revenues -- and that way you don't have to increase -- as fuel prices fluctuate, you don't have to just increase rates. You can draw on that rate stabilization fund. But that year they pulled $17 million out of the rate stabilization fund. And without that, they would have had a $12 million loss on the electric utility.

And I looked further at the notes that year and I saw, oh, that was the year, I remember that, that the electric utility was so strapped for cash that it sold the JEA tower. This is the office building across the street over here. They sold the tower, the customer center, the parking garage, and all the electric inventory to the water/sewer utility, and that was a way for them to get cash.

In fiscal year ended September 30, 2002, the electric system ended the year with a deficit of 4.4 million.

In fiscal year ended '05, the electric system ended in a deficit of 3.8 million, but it would have been $13 million worse if they had spent all the money on operating capital outlay that they had budgeted.

So what happens is -- money gets tight, you just don't spend some of the money on capital that you were going to spend or you issue debt instead. And I looked, and what they did was to issue additional debt instead. And that's -- that's why their bottom line wasn't even worse.

In fiscal year ended '06, they ended the year, the electric utility, $7 million short, $7 million negative variance. And, again, didn't have -- just didn't spend all the money on outlay -- capital outlay or pay/go we call it that they had budgeted.

This year, just ended September 30, '09, we haven't issued that report yet, but I took a look at it yesterday, and they did not spend -- I guess they show pretty much a balance at the bottom line. They show that -- you know, a very slight profit for the electric utility and the water utility. But when you look further, they didn't spend $10 million on pay/go for electric and 10 million on pay/go for water/sewer that they were going to spend. It was budgeted.

So, again, that's how you balance and make things look like they're going pretty good, but they weren't going good. In all these years JEA didn't -- you know, for so many years they didn't raise rates. And I guess, wow, the JEA is really doing a great job. They're -- you know, look how long they haven't raised rates, but they were hurting. And we -- we'd see this and we'd write it up and mention it. I wouldn't worry about it. There's --

This past March, I noticed in that report is when the Fitch rating agency put the water/sewer division on a negative watch. So they didn't actually lower their rating, but they -- they put the world on notice, the JEA on notice that -- that, you know, there's a problem here with -- water/sewer has a lot of debt, too much debt or not enough coming in. And, of course, now they're raising rates on the water/sewer side, and I was glad to see that. October 1st they raised rates, and they're going to do that for a few more years, but they did place them, and they -- they remain on a negative watch with the Fitch rating agency.

There's something else that I looked at every quarter, and that is -- in addition to the budget side, I look at their financial statements, which are prepared in accordance with generally-accepted accounting principles and accrual basis.

And one thing I look at is their net asset value. And so you can go in there and there's a schedule where they show you, here's the net asset value for the electric utility, for the water/sewer utility, for the chilled water utility.

And one thing I do -- I did all these years, I'd watch the net asset value decrease for the electric utility. It was 750 million in 2001 and it dropped every year. It dropped all the way down to $391 million in 2007. So from 750- to 391-.

There was one year, from 2004 to 2005, that it dropped nearly $103 million, and I was very concerned about this. That was probably the year that I called JEA's external auditor to talk about that. I know that the -- again, the rating agencies noticed because that was the year that Fitch lowered their rating on the electric utility from double-A to AA minus.

So I wanted to point out these things because I think it's important and it's -- to note that all these years that JEA didn't raise rates and maybe everybody thought everything was going fine. They weren't going fine. They were using up their reserves. They were finding creative ways to generate cash. I mean, the sale of the tower -- you can call it what you like, you can dress it up, but that was a move because they were short of cash. The water/sewer utility had cash and the electric utility did not.

I think it's important that JEA have these reserves, and that was some of the final discussion with Mr. Dickenson, the different reserves they have.

Now, why is it important to have some reserves instead of maybe throwing off, you know, an extra 10 or $20 million a year to the City?

Just a year ago, the credit crisis caused the spike in variable interest rates that was mentioned, and JEA has -- they have the $2 billion, roughly, of variable rate debt. A billion of that is synthetically fixed through swaps, but a billion is not.

So if interest rates go up just 2 percent above budget, 2 percent times a billion, there's your $20 million right there, and that's when you can sure use that $20 million that hopefully you didn't give away. Maybe you thought it was extra, but who could have foreseen that? I mean, nobody could have foreseen what happened last fall.

At that time, how did JEA cope with it? They postponed their capital program, they cut it severely, and they laid off about 232 employees.

A few years ago -- I remember in January, when things were -- things were going pretty bad in terms of the price of natural gas. I mean, there were record highs in natural gas. Last year we saw record highs in the price of oil and JEA doesn't use that much oil anymore, but it affects the transportation cost of coal and petroleum coke that they use.

Coal prices now are going up for various reasons, and of course JEA uses over 50 percent coal. Something else that happened a few years ago -- again, something -- you just can't foresee these things.

JEA bought land in the Panhandle to build a generating plant, and it was going to be a petroleum, coke, and coal plant and they were denied the permit by the governor. And who could have foreseen that?

So now they're going to have to build a plant out on the -- I guess, out on US-1, and that's going to be a natural gas plant, but it's going to be expensive, and it's -- again, it was not foreseen. And just a few years ago natural gas was so much higher than coal and petroleum coke.

JEA is under pressure, as was mentioned, to put cleaner water into the river, less nitrogen, and that's got a cost to it. And then something I've noticed -- of course, we know that -- it was reflected in the report I looked at yesterday for the year that just ended September 30th. Their electric sales are down. Well, that's due to the economy. Well, their water sales are down too. And if your water sales are down, your sewer is down because that's based on the water.

Well, why are the water sales down? Because the St. Johns River Water Management District passed a rule that you can only water two days a week. And now, in the winter, only one day a week.

I just wanted to bring up all these things which have major impacts on JEA and point out that you just don't know what the next big thing is going to be that could impact them negatively, and that's why I think it's important not to take every bit of money from JEA that you can.

JEA is the City's biggest, most valuable asset. It is a tremendous asset and it throws off a lot of cash to the City, but it's important -- could they give a little extra money every year? Sure they could, but what's the risk of that? And, really, I think things are so tight that they couldn't give much without raising rates. I mean, they -- they need the money they've got.

As Mr. Dickenson pointed out, they are behind on their capital program on the water/sewer side. The report that just came out, they didn't get all the Pay/Go money, all the extra money they thought they'd have because sales are down in both the electric and water side.

A question that was asked earlier had to do with additional contributions that JEA has made to the City, and so I just wanted to point out -- a few were pointed out, but there were a few more I wanted to point out because I think it's important to consider. In addition to all the money that's just given to the City general fund, JEA did spend a considerable amount of money at Cecil Commerce Center. I have a number here of $53 million that they spent on infrastructure out there.

Now, normally, a developer -- if a developer wants electric, water, and sewer infrastructure, they've got to pay for it, and then they just give it to JEA and JEA takes it over and that comes in as contributed capital.

But JEA worked with the City to help the City get that commerce center up and running, and so they put that money out there. They borrowed the money. They've got debt service to pay on it, but there's really not a good revenue stream coming in because there aren't that many tenants out there yet. So that's something they have done, and they have got to pay that -- you know, pay that debt and hope more tenants come to increase their revenues.

Something else they did a few years ago -- well, actually, it's been a while now. Back at the end of 2001, they bought United Water. United Water was a huge water/sewer utility. They paid somewhere around $200 million for it and then they lowered the rates of all those customers because their rates were higher than JEA customer rates.

And, you know, that's something that takes a long time. When you spend that kind of money, it takes a long time to get it back to break even and start, you know, working it into the system, but it kind of consolidated their service and -- and really provided a break in cost to all those customers.

Along those same lines, JEA has always charged lower rates than the other utilities in Florida for electric. I did some math. Two years ago I prepared a report at the request of then President Davis, and the math showed that over the past ten years -- at that time, the citizens of Jacksonville had saved over $2 billion on their -- what they would have paid in electric if the electric provider had been an investor-owned utility like Florida Power & Light.

Because JEA, they're not there to recover a profit, there's no profit motive, so they just charge what they need to charge. So that's 2 billion more in the economy over that period of time that people had to spend on other things. So I think that's important to mention.

JEA also constructed chilled water plants to serve the City sports complex. That's the baseball park, the arena, the library, the main library, the courthouse.

I really don't know that JEA would have just -- and you can ask them -- would you have just constructed chilled water plants on your own? Was it your idea or did the City come to them and ask? But that's something they -- by doing that, it lowered the amount of money that the City had to put into those facilities, which stretched the Better Jacksonville dollars, it enabled them to go farther. So that is something JEA has done for the City.

And, lastly, as was touched on, JEA gives long -- for customers that are big users like the City, the Navy, and the school board, they give them a break; they give them a special price. And so when people ask, well, gee, what -- you know, what can we do for the school board or what's being done for the school board, well, they're getting a good break on their electric bill.

And, again, the Navy, it's always -- you know, Jacksonville courts the Navy. We -- the Navy provides a lot of jobs, and we're -- always want to make sure the Navy stays. After leaving Cecil Field, there's always a fear, will they close another base? Providing lower electric rates is definitely something that helps keep the Navy's cost low and it factors into their consideration when there is a commission seeking to close bases.

So those are just things that -- you know, from a different point of view than JEA. These are the things that I've come across or stuck in my mind or we've have put in reports over the past ten years that I wanted to point out.

There's really no free lunch. And some of these things -- I mean, I -- when I look back, I remember these things. They were -- it was -- it really concerned me all those years to see the deficits year after year and to see the net asset value of the electric utility going down. And when they finally started raising rates, I was very glad to see that.

Again, JEA is our biggest, most valuable asset, and I would not want to run JEA -- you know, you don't want to -- if they're the cash cow, do you want to take every last drop of milk or do you want to reinvest in it?

So, you know, that's just the view that I've come to -- come to have over the past 20 years of reviewing their financials and their budget actual reports.

I'd be happy to try to answer your questions.

(Ms. O'Brien assumes the Chair.)

THE VICE CHAIR: Commissioner Catlett.

MR. CATLETT: Mr. Billy, you mentioned there was a lot of variable debt. What would be the benefits and liabilities of changing that to fixed debt -- fixed rate debt?

MR. BILLY: I will tell you that in their budget this year the assumption for fixed rate debt is a rate of 6 percent; the assumption for variable is 4 percent.

They have saved a lot of money over the past -- over the past decade by having variable rate debt. Variable rate debt, I think, has always, until last September -- maybe even -- it's always been a lower rate than the fixed debt, and so you -- you know, it's -- it's proper to have a percentage of your debt variable.

You don't want to go all variable. And again, people -- you know, it's too easy to think, wow, why don't we do it all that way? But then we'll have something like last September where the variable rate spiked and -- and that was a worrisome time.

But you save a lot of money every year. I mean, you could save 2 to 4 percent in most years on the variable debt over the fixed, but at least -- you know, the benefit of the fixed is you sure know what to budget; it's not going anywhere. There is a risk to the variable, but with the right mix, you know, it's the prudent thing to have both.

MR. CATLETT: Do you have any other suggestions that might help JEA? I know that you're not a part of JEA. I've known you for an awful long time. So looking at it from an objective perspective, is there anything that JEA can do that they're not doing that would help the City?

MR. BILLY: I would have to give that some more thought. I mean, nothing -- nothing comes to mind.

JEA, I've reviewed their legislation that's come through the City Council. I've reviewed their financials.

JEA, when they're asked, you know, they step up. They were asked to help with Cecil Field. They stepped up and helped. They were asked to help with the Preservation Project, the River City Renaissance -- and of course, they operate under sets of rules and they've got a -- they're always cognizant of how much can they do.

But in terms of the contribution, the contribution since -- I believe it went into effect in 1977, and then every five years we review it, although this year we're going -- this time we're going for eight. You just -- you don't want to get in there and adjust it between one of the designated times because I know that would make the rating agencies very nervous.

I can't think of anything else that JEA could do. I'm glad to see that they're getting back some of the money where they essentially went -- they provided services and didn't get the money over the years, and they are recovering some of that. But they're still recovering from all those years when they didn't raise rates, but I think they're on the right track.

(Mr. Duggan resumes the Chair.)

THE CHAIRMAN: Commissioner Miller.

MS. MILLER: Through the Chair, thank you, Mr. Billy, and thank you, Mr. Sherman, for your presentation today.

I had a question -- there's been talk of -- or a suggestion, possibility of recommending an increase in the franchise fee in order to finance some other project or potential project.

Do you have an opinion or does -- council auditor's opinion, what would your opinion be as the principal auditor for JEA?

MR. BILLY: I would -- yes, I'll give you my opinion on that. I don't know what the council auditor's opinion is; you'd have to ask him.

If the City needs or wants more money from JEA, the franchise fee increase is the way to go because it -- it's not that was of the rate, and my understanding is that the rating agencies are not -- it's not a concern to them like increasing the contribution would be.

Now, as Mr. Dickenson pointed out, anytime you raise rates, I mean, it's going to be a pass-through to the customer and it's a hardship to some people.

The other side of that is a lot of -- a lot of property owners in the city do not pay property taxes because they are tax exempt. They are religious organizations or other tax exempts. And so from that standpoint, they're essentially getting a free ride and using City services.

I mean, when they call 911, someone is going to show up, and so -- at least when the City uses the franchise fee on the electric and water bills, then everybody pays, and so that's why I think that is the preferred way to go.

THE CHAIRMAN: Commissioner Austin.

MR. AUSTIN: Yes, sir.

I'm -- I don't know if this is possible or not, but could you analyze or have somebody analyze or can it be done that you would look at the gross revenue of somebody like Florida Power & Light or Savannah or (indiscernible) Florida Power Corp. and look at their gross revenue and then look at the dividends they pay to their shareholders, the state taxes that they pay and the fees that they pay, the income taxes they pay to the federal government, sales tax they pay, the ad valorem taxes they pay, and see what that would be as a that was of the -- and any other -- I think I got them all there, but -- to see what percentage that would be of their gross revenue?

MR. BILLY: I will tell you that -- I believe JEA has that information for a few other utilities. We've have tried getting that information before and it is difficult to impossible because -- I mean, finding out the property taxes that an investor-owned utility pays, that alone is difficult.

They have -- I mean, Florida Power & Light or TECO, they're all -- they're the southeast.

They're all over Florida, and so they're paying taxes and, you know, in counties --

MR. AUSTIN: Well, aren't the --

MR. BILLY: -- so just things like that and the income tax, it's not as easy as just going to financial statements and, oh, there's the information; we can find it on the Internet and pull it out.

I will -- but I believe I have seen a schedule that has a few utilities like that where JEA has gotten the information, and I will talk to them and see if there is something like that we could come up with.

MR. AUSTIN: I don't know -- are there smaller public corporations that would not be so difficult to analyze?

MR. BILLY: They do have --

MR. AUSTIN: They pay --

MR. BILLY: There is a comparison in their quarterly summary packet that does compare a few things with other municipal electric utilities, such as Orlando, Gainesville -- there's one other --

(Simultaneous speaking.)

MR. AUSTIN: -- (inaudible) the same

question about them. I'm asking to compare with the private sector that -- that pay dividends to the shareholders, like JEA pays to the City, but they pay ad valorem taxes, they pay income taxes, and they pay other taxes. And I'd like to know what that percentage is of gross. That doesn't seem like that would be that difficult to me, not for --

MR. BILLY: For municipals, they're more likely to share the information than the investor-owned. I will -- I don't want to -- just because I've tried this before and I know how difficult it was, I don't want to just tell you, oh, absolutely we can get that, but I will work with JEA and see what we can come up with. There are some utilities that would, you know, share the information.

MR. AUSTIN: I know how good you guys are. You can do that.

Thank you.

Incidentally, I'm a fan of JEA. I don't want to get -- I just want to know these numbers. I'd like to get it down and put it to rest. I think that would help a whole lot.

Thank you.

(Ms. O'Brien assumes the Chair.)

THE VICE CHAIR: If there are no other commissioners with questions, we thank you for your presentation, Mr. Billy. Thank you so much.

MR. BILLY: Thank you.

THE VICE CHAIR: With that, we'd like to move on with our agenda. Our next presentation by our invited speaker is Mr. Mickey Miller. He's the chief financial officer with the City of Jacksonville, and I think he might be in the back.

With that said, I think Mr. Cuba, a representative from the Police and Fire Pension Fund --

(Mr. Miller reenters the proceedings.)

THE VICE CHAIR: Mr. Miller, you're up.

Thank you so much for coming to present to us.

Again, Mr. Miller is the chief financial officer for the City of Jacksonville, and this is in regards to limitations on enhancing pension benefits.

(Mr. Duggan resumes the Chair.)

THE CHAIRMAN: Thank you, Vice Chair

O'Brien.

Before Mr. Miller begins, I was just in the back with all of the representatives of the Police and Fire Pension Fund and with Mr. Miller.

Given the amount of time we have already spent on the JEA issues -- and I'm glad that we did; it's an important issue -- we've have collectively agreed to defer the presentation today on the pension issue and come back at a time when we can dedicate more time.

However, Mr. Miller has some thoughts on a JEA issue that I would certainly be interested in hearing if he would be interested in sharing them.

MR. MILLER: Do you want me to be sworn in?

THE CHAIRMAN: Yes, please.

THE REPORTER: Your name and address first, please.

MR. MILLER: Yes.

George Michael Miller. I'm the chief financial officer for the City of Jacksonville. My address is in this building, third floor.

I also live in Springfield, so I have a

relatively short commute. I have a 100-year-old home in downtown Jacksonville.

THE REPORTER: Would you raise your right hand for me, please.

MR. MILLER: (Complies.)

THE REPORTER: Do you affirm that the testimony you're about to give will be the truth, the whole truth, and nothing but the truth so help you God?

MR. MILLER: I do.

THE REPORTER: Thank you.

MR. MILLER: A little bit of framing on the JEA issue. I've only been back here -- some of you know and some of you don't -- about four and a half years, but I didn't start my career here in 1972. I was with the City of Orlando for 27-and-a-half years, chief financial officer there for over 25.

So I have both the relationship between the City of Orlando and OUC, as well as a relationship between the City of Jacksonville and JEA to create some perspective on what might be the relationship between the independent authority and the City.

I want to -- just want to take time to

compliment the efforts of both Mr. Dickenson and Mr. McElroy in the last several years to rebuild the reserves. They inherited a challenge, one might say, with regard to where the reserves are, and I believe the rating agencies very much have recognized the efforts they have taken to build some prudent reserves.

And the explanation Mr. Dickenson gave, I think, were appropriate, and I -- they have to have reserves because they have to have access to the marketplace, because the market access for them or for us, being the City, is extremely important.

Five years ago, it was a different world entirely regarding that access. The last 24 months have radically changed that circumstance, most specifically the 15th of September of last year, it was somewhat associated with the Lehman Brothers problem, which led to a fall of the marketplace and group.

Now, they have been in the market since then, as has the City. There's a huge difference that has occurred, partly because of the loss of the insurance industry that largely have become dysfunctional in the tax-exempt marketplace, and partly because of the concern about buying bonds and risks.

Five years ago, the difference between A-1 and Double A minus or Double A-3 was fairly nominal because the insurance industry created a homogenization, if you will, of the credit ratings between the Double A credit and the Single A credit. That's no longer true.

The insurance industry had its own difficulties in late '07, early '08, and are largely dysfunctional today. The gap between A-1, A plus and Double A-3, Double A minus has become very substantial and is not likely to dissipate or change in the short term. So the need for both the City as well as JEA to maintain their standing in the Double A world is extremely -- five times more important today than it might have been five years ago.

I applaud the efforts they have taken to build their various reserves. Jim was good at describing the reserves that he needs to have and does in place have.

He and I may differ on semantics occasionally on one question or another, but I wanted to take the opportunity tell you, in my belief, having looked at the relationship between OUC and the City of Orlando as well as the relationship between JEA and the City of Jacksonville, that you -- your leadership team right now at JEA is doing an extraordinary, good job for you in rebuilding these reserves, improving their cash base or Pay/Go-based contribution to the capital agenda.

I think five years ago there were two real concerns: the liquidity position and the portion of the debt equity ratio because Pay/Go helps you -- the cash-based contributions helps you reduce your debt equity ratio.

They've made significant progress on both by improving their Pay/Go element and improving their reserves and repositioning themselves for today and tomorrow's challenges.

So I just wanted to, if I could, compliment both the gentlemen and their leadership team on the efforts they have made to restabilize JEA and to look forward toward the future with regard to fuel supply alternatives as well as the best posture in the marketplace.

Again, I've been at the chief financial

officer game for about 30 years in the municipal marketplace, and almost all -- actually, all of that has been with one of those two governments. Currently with the City of Jacksonville and for over 25 years with the City of Orlando.

The relationships are extremely important. These are the two largest, I think, publicly-owned utilities in the state. The contribution rates, I think, are in a reasonable range.

The franchise fee, there was some discussion on that. I was -- some of the cautions that were put before you, I think, were appropriate. They do come to the bottom line, they do hurt the user. They're not found money or free money.

I'd be happy to come back at another time and discuss more -- at your pleasure, to discuss City flexibility questions with regard to revenue raising and/or financial opportunity at your convenience, but I just wanted to take a second, if I had the opportunity, to publicly compliment the current JEA leadership team and their efforts in the last few years to stabilize their circumstance and better build the relationship between they and the City.

THE CHAIRMAN: Thank you, Mr. Miller. I appreciate that.

Hold on. I do have a question for you.

I appreciate you sitting through all of this presentation for a different topic, and I also appreciate the representatives of the Police and Fire Pension Fund doing that. I am happy, though, that we've reached an accord on that.

I wanted to ask you about the franchise fee.

MR. MILLER: Okay.

THE CHAIRMAN: I think all of us on the commission have agreed that education is a key component of our review, and I personally think that we ought to consider -- and we will have more hearings on this issue -- a charter school district for certain chronically-failing schools and feeder patterns, entire feeder patterns -- elementary, middle, and high -- in certain areas of the city, mostly north and west of the river.

And although charter schools and charter school districts get FTE money, I don't know that that would be enough. For example, FTE money cannot be spent on capital expenditures for the schools is my understanding.

It seems to me that the franchise fee might be an additional revenue source that could be programmed for a charter school district, including capital expenditures. And if -- and yes, it does impact all users. There's no question about it.

But if that money were programmed for that specific use rather than just going into the general fund, I personally -- this is my opinion, based on the fact that the voters approved the Better Jacksonville Plan and two years ago voted against Amendment One here in Duval County, although it passed statewide -- I do think that there is a chance, if they heard the entire argument -- which hasn't been laid out yet -- that they might be in support of taxing themselves, essentially -- I think the franchise fee can be characterized as a tax -- taxing themselves for the specific purpose of creating a value added school for the most underserved population.

With that speech over, I'd be interested in your thoughts.

MR. MILLER: That's a pretty broad-ranging question. I'll try to be somewhat more narrow in my attempt to address it.

I guess it would be simply a caution about what is available in the way of flexibility for the City. Your City general fund operations is just shy of a billion dollars to -- 981, 94 type of time -- type of range. Half that money comes from property taxes. I would say about 10 percent of it comes from JEA, but that's a semantical exercise we can address, if necessary, not 22. Cash flow is 22. Part of their operating budget is more like 10.

We've have very little real flexibility because most of our principal revenue sources are limited by state statute. We're at the cap of what can be done.

The utility service tax has a limit and we're there. The state shared revenue sharing with the City and the counties is formulaically driven on a statewide basis. We have no control.

The sales tax, half cent share, with the city and the county is, again, formulaic and we've have effectively little or no control. That one is based on revenues here in this county.

We put the three fees on the table several years ago; the storm water fee, the solid waste fee, and the franchise fee, because that's effectively the last tools in the toolbox, the ability to run or operate utilities or to charge fees for services.

That limited number of seven or eight revenues represents over 90 percent of my budget, and I have almost no control over them other than looking at property taxes or the occasional ability to address the three fees we talked about. Most of the revenues we see are capped by state statute and we're at the cap.

So my caution to you is that -- there are arguments at times about the most equitable way of raising a fee or a tax and who gets hurt by option A or option B. I would encourage you to be thoughtful and consider that the City may need to hold onto the limited array of exercisable privileges that are -- fall to the City Council within the structure of the State of Florida's revenue array -- program.

So I understand the concern about charter schools. I understand the concern about the school system. The mayor was here to talk about potentially issues in that area, but my caution to you is -- the City has to maintain a couple of tools in its toolbox because it would be facing various challenges.

A couple of years ago we were trying to raise -- tried to raise the Journey money, $30 million a year that will grow over a five-year period. We've had to go find it. We had very few revenue choices to go look for it to address it.

The property taxes have been going down for a number of years. This is the first property tax increase, I think, in, what, 16 or 17 years. And it's just rollback, roll up. We didn't really get any new revenues from that exercise either.

My caution to you is that we still need to be able to deal with the day-to-day operating costs as well as the City's need to contribute to its capital infrastructure on a routine, regular basis, and I have few very tools in my toolbox.

THE CHAIRMAN: Thank you, Mr. Miller.

Are there any other questions for Mr. Miller while he's here?

Commissioner Deal.

Mr. Miller, Commissioner Deal has a question for you.

MS. DEAL: Are the franchise fees, are they currently dedicated to a specific area right now, the franchise fees that you're currently collecting?

MR. MILLER: They are revenue in the general fund. If you ask me did we raise the revenue and put a particular cost associated with -- we just increased the revenue flexibility within the general fund.

MS. DEAL: Okay. So they're not dedicated to a specific area, specific department?

MR. MILLER: No.

MS. DEAL: Okay.

MR. MILLER: They don't have to be, and they just are received and operating as that was of the budget balancing matters within the City's principal operating unit, being the general fund.

THE CHAIRMAN: Thank you, Mr. Miller.

Mr. Keane, would you like to address the commission?

(Mr. Keane approaches the podium.)

MR. KEANE: Mr. Chairman and members of the Commission, I'm John Keane, the executive director and administrator of the Police and Fire Pension Fund.

On behalf of our board, we want to thank you for your service to our community. And in light of the time constraints, I'd like to leave with your staff for reproduction for the commissioners a little homework assignment. This would have been our presentation to you today.

Thank you very much. Happy holidays.

THE CHAIRMAN: Thank you, Mr. Keane.

We will make sure that's distributed to each of us.

Commissioners, as you can see, we've have extra time on the schedule.

Commissioner Korman.

MS. KORMAN: I'm sorry. I was out. Is the pension issue going to be brought up again now since we ran out of time today or . . .

THE CHAIRMAN: We will look to reschedule that.

Any other questions on that issue?

COMMISSION MEMBERS: (No response.)

THE CHAIRMAN: Well, since we have some time, I would like to hear your thoughts on continuing to look at the issue of additional money from JEA, not necessarily as a JEA contribution, but the issue of perhaps recommending an increase in the franchise fee.

It sounds like we've have heard the testimony that that's the responsible recommendation to go if we're looking to get more money out of JEA.

As I said, my conception is that we look at that for one purpose and one purpose only, and that would be to direct that money to the school system one way or the other.

My personal preference would be a charter school district, but certainly we can continue to talk about that issue because we're going to continue to talk about education as we move forward.

But we're going to have to figure out, I think -- help recommend to the City a way to pay for that because I don't think that the FTE money we'll get from the State will be sufficient.

So that's -- those are my thoughts on the issue, just to kind of start the discussion, but I'd be interested in hearing any other points of view.

Commissioner Oliveras.

MR. OLIVERAS: Thank you, Mr. Chairman.

I agree with what Mr. Miller said about the funding for the Jacksonville Journey initiatives, especially the intervention strategies that have been come up with.

And forgive my voice; I'm struggling with a head cold.

I'm not sure whether I'm for or against a franchise fee increase, but I think if we were to seriously consider that, I think it would be more appropriate to consider it for funding of these types of initiatives that are already in place where the money is being stripped away, the money is currently being eroded from these programs. And the mayor, the City Council, the school board have all agreed that these are serious issues -- interventions that we can -- steps we can take that can work now.

I'm more concerned about the erosion of funding for our public school district. The State has repeatedly reduced its funding levels. It's done so for the past couple of years. I understand it's going to do so again this year.

The funding is going away for our public schools, and if we're going to consider bolstering education by means of a franchise fee increase or some other increase on the taxpayers, I would think that it would be more important to bolster our public school system, which already supervises charter schools, than to create a separate, new entity that would have -- it would obviously incur other costs, and I don't know that whatever franchise fee increase we could propose, that the City Council would accept, would be near enough to support that type of system.

THE CHAIRMAN: Commission Flowers.

MR. FLOWERS: Thank you, Mr. Chairman.

In the presentation I heard, we've have some land we bought in the Panhandle. If that is still available for negotiation, it would seem that we could start an educational foundation that would live off the endowment for that so you would have a perpetual income for the school district that I support establishing to meet the need of the -- this side of the river, as it was said.

So that's just something I wanted to bring to the table. There may be some resources in the JEA that can be consolidated into nonfinancial obligations at the present to get this initiative off the ground.

Thank you.

THE CHAIRMAN: Commissioner Flowers -- excuse me.

Commissioner Youngblood.

MR. YOUNGBLOOD: Mr. Chairman, not to be in opposition to you, but with the franchise fee I'd rather not attach anything to it because I'd love to see in the future that the voters see that it would get repealed.

Those three fees were supposed to be truly fees, and they have all proved to be taxes, three additional tax increases on the people.

At the time that City Council made the presentation, Jay Jabour was holding office. And the way the law was written, they afforded him to actually vote on the issue. Well, he was the swing vote that swung it into approval of those three fees, and that was not able to be repealed and his vote does stand.

But I think once the taxpayers find out what it truly is, they're going to be in opposition to them also, so I'd rather not attach anything to them.

THE CHAIRMAN: Commissioner Miller.

MS. MILLER: Through the Chair to the commission, I tend to agree with Commissioner Youngblood.

At this point, given the nature of the jobless rate, our unemployment rate in Jacksonville, and the number of businesses that are going out of business, an additional tax on businesses of any kind should be left to the voters to decide.

We're not elected by the voters. The nature of the franchise fees have been taxes. They are not dedicated to any particular source. They are to supplement the lack of taxes that we lost as a result of property -- the property ad valorem tax reductions.

If we're looking to find alternative

sources, I agree with Commissioner Flowers that there may be other alternative sources of revenue, whether it's the sale of land in other places or asking the legislature to revisit some of the very generous tax exemptions that a lot of organizations have from ad valorem taxes.

So I would strongly encourage us to look at alternative funding sources as to whether or not it should be for a charter school district or other means. Before we would recommend financing something, I'd like to know what it would pay for exactly because the City already has a lot of resources, the school board already has a lot of resources that can go directly into a charter school by dedicating the capital property into that district.

So if that's something we want to pursue, we would want to -- I would want to have a very close look at the costs of that and what could go into alternative sources.

And ultimately, if there will be, if the recommendation is for a tax, I'd ask the City Council to leave that to the voters.

THE CHAIRMAN: Just to clarify, that would be my intent as well, that our report would recommend they put that on the ballot, but I thank you for clarifying that.

Commissioner Eichner.

MS. EICHNER: I would just ditto some of Commissioner Miller's concerns, that -- I really do feel like that additional franchise fee should be left up to council to make that decision on where that money is funded.

And, additionally, I think there's some other alternatives too. You know, is there a possibility that we go as a body along with council, based on our recommendation, to go to Tallahassee and change the way the FTE funding formula is done? You know, that's a way to get additional funding for the education system.

So I think that we all recognize that education is our number one issue or our number one concern, so I think just getting creative -- but I would ditto everything Commissioner Miller said in reference to knowing what the funding source is going to be for prior to making a recommendation.

THE CHAIRMAN: Vice Chair O'Brien.

MS. O'BRIEN: A franchise fee will overall increase the cost of utilities within the city of Jacksonville. My concern is we've already lost, as a city, capital investment decisions and productivity in Jacksonville because of the cost of our utilities and because of the structure -- the tax structure of the State, which is outside of the City of Jacksonville's hands.

My concern is -- I would like us to be able to keep our utility -- our overall utility cost competitive. Unfortunately, not just in the state of Florida but throughout the southeast, and my concern is by increasing the franchise fee for whatever purpose, general fund or designated purpose, makes the City of Jacksonville less competitive.

We were successful in getting a new company to Cecil Field, the Saft company, but that's because we forgave a 10 percent public utility tax, not because our overall utilities were competitive.

And if we want to grow the city and get the additional property taxes and other taxes that truly help our budget, I would be concerned in setting up or recommending a structure that increases our utility costs that in turn causes businesses and manufacturing opportunities to say no to the city of Jacksonville and go elsewhere.

THE CHAIRMAN: Any other commissioners on this issue?

Commissioner Deal.

MS. DEAL: I agree with Commissioner Youngblood, Commissioner Miller, and Commissioner O'Brien.

I think that what we're facing right now is significant job loss across the country and specifically here in our community, and when we're going out and we're trying to recruit businesses to come to our area, it is very, very, very competitive, especially when our competitors are not here within the state of Florida; they're across state lines, Georgia, Alabama.

They're throwing hundreds of millions of dollars at manufacturing plants, other facilities who want to bring in jobs to a community, and we just don't have those types of dollars.

So any area that we can protect and help an interested business in trying to draw them to come here and provide jobs for this community, I think we should do so.

I would not be in favor of recommending an increase in the franchise fee to the City Council.

THE CHAIRMAN: Commissioner Korman.

MS. KORMAN: I just want to commend the JEA. I think they have done a great job of becoming more fiscally responsible than I think I was aware of, so I want to commend you.

I don't know if it's time that I can make a motion to take the JEA off our agenda -- take the JEA, increasing the franchise fee -- I don't know what the exact motion is, but basically taking the JEA off our agenda as far as the franchise fee.

THE CHAIRMAN: As far as items to continue examining going forward?

MS. KORMAN: Uh-huh.

THE CHAIRMAN: Are you saying you are making that motion?

MS. KORMAN: Uh-huh.

THE CHAIRMAN: We have a motion and second to remove the JEA additional financial contributions from either their net revenue or the franchise fee off our issues list.

Any further discussion?

COMMISSION MEMBERS: (No response.)

THE CHAIRMAN: All in favor of the motion to remove it.

MR. CATLETT: Aye.

MR. OLIVERAS: Aye.

MR. YOUNGBLOOD: Aye.

MS. MILLER: Aye.

MS. O'BRIEN: Aye.

MS. KORMAN: Aye.

MR. AUSTIN: Aye.

THE CHAIRMAN: Any opposed?

MR. FLOWERS: (Indicating.)

MR. THOMPSON: (Indicating.)

THE CHAIRMAN: That motion passes. Two in opposition.

Mr. Clements, do you need that -- for the record, do you want identities of commissioners or is just the vote total sufficient?

MR. CLEMENTS: (Inaudible.)

THE CHAIRMAN: For the record, I vote in opposition as well.

Is there any other item we want to discuss before we move to public comment?

Commissioner Catlett.

MR. CATLETT: Mr. Chairman, on my eternal issue of staggering of City Council terms, I have asked Mr. Rohan, if he would, to draw up a resolution that staggers council terms evenly because, again, we've have -- one time we'll have 11 or 12 turn over and leaving nobody, or at least very few councilmen with any knowledge of what's going on or the budget process as they walk into office.

So I'd like to put that back on the agenda because it appears that it needs to be two six-year terms with staggering of -- of who's running each time, and I've asked him to construct that calendar for us to look at in detail and to send that on to City Council.

THE CHAIRMAN: Let me make sure I understand what you have asked him to do.

You have asked him to put together a time line or a conceptual flow chart of when the terms would begin and end?

MR. CATLETT: Right.

THE CHAIRMAN: Okay.

MR. CATLETT: And to adjust the terms, whatever they are, to accommodate that time line so that each time we've have an election, we don't have 11, 12, or innumerable turnovers, that we have, six or seven scheduled turnovers.

THE CHAIRMAN: I certainly think that's an excellent aid for us to discuss this. I think it's premature to send it to council yet, though.

MR. CATLETT: Well, I don't say send it to council; we don't have it yet, but I have asked him to draft it up for us to look at.

MR. CATLETT: Okay. You did say, and I've asked him to send it to council.

MR. CATLETT: No. No, don't -- let me make sure I've got this right.

Send nothing to the council. I must have misspoke. In the words of serious politicians, I misspoke.

THE CHAIRMAN: Thank you, Mr. Catlett.

That's going to be very helpful for us. I appreciate that.

Commissioner Korman.

MS. KORMAN: Going back to the last agenda item, I would like to continue to explore possible revenue sources for education. I just want to be clear that I just don't think that

JEA is the way we need to go right now for the citizens.

THE CHAIRMAN: Okay.

MS. KORMAN: So if we can continue to explore it, I'm not sure how, but we can get creative.

THE CHAIRMAN: Thank you.

Any other items of discussion?

Commissioner Thompson.

MR. THOMPSON: I'd like to just bring it -- I don't know if we're going to go back and visit the election of the sheriff or an appointed sheriff, but I have been getting information that we ought to take a look at maybe electing the sheriff and have the police of chief appointed by the mayor.

Thank you.

THE CHAIRMAN: Yes, Commissioner, we are going to continue to look at that. In fact, at our next meeting I have invited the sheriff to be on the agenda and President John Delaney of UNF will be on the agenda as well to address those issues. So, yes, we're going to continue looking at that issue.

MR. THOMPSON: Thank you.

THE CHAIRMAN: Thank you.

Commissioner Garvin.

MS. GARVIN: As you're talking about an elected sheriff and bringing someone on to talk, would it be a good idea -- or maybe for me it would be a good idea to have someone that would discuss it from the other end where there's an appointed rather than elected since we already have the elected. I'd like to hear from someone that has the other side so we can see how that works.

THE CHAIRMAN: Yes, I agree, and I'm trying to identify a speaker for that perspective.

Commissioner Youngblood.

MR. YOUNGBLOOD: My question exactly, to hear from the appointed side, since we do have an elected sheriff, to hear from the other side to make that decision.

THE CHAIRMAN: Thank you. I totally agree.

Our first speaker is Curtis Lee.

(Audience member approaches the podium.)

THE CHAIRMAN: Welcome, Mr. Lee.

AUDIENCE MEMBER: Thank you very much. Thank all of you for allowing me to speak.

My name is Curtis Lee. I've been a

Jacksonville resident since 2003. I'm a retired attorney. I was admitted to practice law in New York state for almost 25 years. Most of that time I spent on pensions, benefits, compensation, and investment and financial matters in the private sector.

I'm here because I'm shocked by the rich benefits offered under Jacksonville's three fine benefit pension plans. The combined deficit is over $1.2 billion as of last year. This year it may be higher.

Dividing those figures by the population, that's about $1,500 per person, about 5,000 per household. That's a huge drag on property values and a millstone on new business.

After working for eons on defined benefit plans, I have concluded that they are really rather insidious. They always cost more than expected, due mainly to things like inflation, longer lives, adverse selection. They're gamable by the employees, administrative costs are high, they're not really understood and appreciated, and they breed militancy and encourage dead wood to hang on.

So I would advocate a solution of

terminating the three defined benefit pension plans over time and replacing them with 401(k) type plans. Why is this just? I'll focus on the police and firemen.

Per City data, the average employee's base pay was about 59,000. The average retiree got 46,000 per year last year, plus a 3 percent COLA. They get 80 percent salary replacement at 30 years, 60 percent at 20 years. Regardless of age, so many do and can retire at 42 or 45 or whatever at close to 50,000 a year for life, plus they get a COLA. It's a pot of gold worth well over $500,000.

Everyone wants to reduce taxes. This is where the money is. We need to take a meat cleaver to this problem. Unfortunately, the City is talking about baby steps.

The baby steps it seeks, even if the City gets them, will still result in future tax increases. My experience here tells me that. If they won't get tough enough, the commission can force their hands.

There are lots of people who obviously are unemployed here who would love to work for the City and they wouldn't demand any defined benefit plans; they'd be happy with a 401(k).

Many states and localities have limited constitution- -- have limited taxing and spending per their constitutions or their charters. For example, we can enact a charter amendment to define pension benefit accruals after, for example, 2013, or we can enact a charter amendment capping early retirements, making them wait until 65 or 60, or cutting the accrual rate to 2 percent per year from the 3 percent. All sorts of things are possible.

We should have a charter amendment that would bar any increases ever, ever, ever. Plus, the pension -- all costs of all laws should be quantified. I reviewed the past statutes.

Increasing pension benefits in the City, they never quantified anything. They said, quote, fiscal impact undetermined. One of the amendments in 2001 cost the City about a hundred million dollars. It's an outrage and it must be made illegal.

Mayor Peyton's idea to allow increased benefits only if there is overfunding -- can I complete the sentence?

THE CHAIRMAN: Yes, sir.

MR. LEE: All right.

-- is unwise for all the reasons I've just stated, plus 110 percent funding standards are gamable. I have worked with actuaries for almost 20 years. They can fudge numbers.

I'd be happy to discuss this further at any time, anyone would care to talk to me.

Thank you.

THE CHAIRMAN: Thank you, sir.

Also, I don't know if you know this or not, the City Council has a Pension Sustainability Committee that meets regularly, and I invite you to attend their meetings as well.

MR. LEE: I did attend one, but they wouldn't allow me to speak because I was not an appointed expert. Plus, the committee expert list is tilted towards the union side, so I'm afraid it's not really designed to succeed.

I'd be happy to talk with you further about that. I have all sorts of ideas for changes. So far I'm running into a brick wall.

Thank you.

THE CHAIRMAN: Thank you.

Dr. Benjamin Hamilton.

(Audience member approaches the podium.)

AUDIENCE MEMBER: Good morning.

THE CHAIRMAN: Welcome, Dr. Hamilton.

AUDIENCE MEMBER: I'm here representing the First Coast Coalition. It's a collaboration of organizations: The NAACP, SELC, the Million Man movement, and a few other of -- First Coast Contractors.

What I came here to address -- and you brought this up earlier -- the appointed sheriff rather than elected sheriff. I think when I was here earlier, the mayor was here and -- Mr. Loretto (phonetic), he said the initial founders, when they moved to consolidate, the idea was to have an appointed sheriff. In some kind of way, in some political mix that got changed.

Since you guys already have that to bring up for discussion again, I just -- that we do support -- the coalition supports an appointed sheriff.

Also, there's another thing that you brought up here about education and -- increasing the franchise tax or whatever you do, you should look at some alternatives in terms of education here in Jacksonville because the public system, I don't think, is working and I think the charter school may be a good alternative. I think we also would support that.

Those are the comments that I have this morning.

THE CHAIRMAN: Thank you, Dr. Hamilton.

Commissioner Korman, you're on the queue. Did you want to . . .

MS. KORMAN: Could I ask it after?

THE CHAIRMAN: Okay.

Stanley Scott.

(Audience member approaches the podium.)

THE CHAIRMAN: Welcome, Mr. Scott.

AUDIENCE MEMBER: Yes, how are you doing?

Good morning. Good morning. Stanley Scott.

I was proud of what the committee was saying about education, and I definitely feel that you're on the right track.

The tax base here, one thing I'm concerned about, that you have a lot of City workers, department heads working in Jacksonville, but live outside of Jacksonville. If we are talking about the tax base, we should look at that, the number of employees that's working for the City of Jacksonville that doesn't live in Jacksonville.

Jobs. As far as the northwest quadrant over there, education, the charter school is perfect, but we also need to look at jobs because if we create more jobs, we have tax base over there, and I have been trying to talk with the mayor for the -- for the longest concerning that issue.

Second or third -- fourth, grassroots participation. Y'all talked about having workshops or something of that nature. I think it's very important because -- ma'am, I'm sorry -- Ms. Gavin?

MS. GARVIN: Garvin.

MR. SCOTT: Garvin, I'm sorry -- spoke about -- this is important that we get both sides.

Michael Hatteras at UNF will be perfect for the sheriff, when you bring the sheriff in, because he had wrote numerous articles in the Florida Times-Union concerning the chief of police, the sheriff, and the whole nine yards. So that would be a perfect person to bring in to speak as a point -- opposite view of the sheriff.

I'm definitely for the sheriff and a chief of police, got to have it. I have spent many nights and I continue to spend many nights doing a lot of research.

The way we're going now, we're in trouble. We've been in trouble for the last ten years. That must change.

I also have a thought that I want to be put on the record, the neighborhood bill of rights concerning the community involvement, anything that the city have. That ordinance hasn't been looked over for the longest -- ordinance 95- -- I don't have my glasses -- 247108 -- 106. That's what happens to you when you pass 50.

But it's very important here that we've have opposing sides. I see a lot of times that you have come down -- and y'all are doing a fantastic job too, fantastic job. Y'all need to be City Council people. We'd get some things done around here.

But I am proud of the part about the education being the foundation to getting the City on the right track. But over on the northwest side here, we must come up with some kind of commission or -- to work on jobs, and I -- and when we mess up a lot of times, we always assume that we need to bring jobs in.

We've have a lot of good people here with good minds and innovation that need a little help, a little money, $1,000 here, $2,000 there to develop the product, and we shouldn't have a problem with jobs here. We've have one of the best ports out here. Why are we having a problem getting countries to import and export out of that port there? There's something going on. That need to take a very -- need to take a look at that.

But I just definitely want to get this on the -- okay. I ran down here, so I'm sorry.

I want to get this posted here, the neighborhood bill of rights, because the community on the grassroot level is not having the opportunity to put input.

We've have a lot of intelligent people here, but we if we don't include them in the beginning of this change that we're trying to make, we are definitely doing a disservice to the community. And by having them participate here, they will be more a that was of the city, they will feel good about the city, and we can get more done.

I want to thank you, and I hope that we are -- on your workshop, you call in some of the grassroot people and give them an opportunity to speak other than the three minutes because we do have some good ideas out there that can change this city, and I'm definitely -- we'll be back.

Thank you.

THE CHAIRMAN: Thank you, Mr. Scott.

MR. SCOTT: One other thing, real quick.

That City Council, I am not for continuing those at-large members. Those at-large members is doing an injustice to the city government and I definitely am interested in having that changed, eliminate the at-large members.

Thank you very much.

THE CHAIRMAN: John Nooney.

(Audience member approaches the podium.)

AUDIENCE MEMBER: Hello.

THE CHAIRMAN: Good morning, Mr. Nooney.

AUDIENCE MEMBER: My name is John Nooney, 8356 Bascom Road, Jacksonville, Florida 32216.

The Charter Revision Commission, you're

looking at our city charter. What I hope happens is that you will make a recommendation to the City Council to reinstate the original Code of Ethics that was in the original charter in '68 and then removed in 1972. That will resolve a lot of problems in this community.

And I'm just curious if all of you -- when Carla Miller was here giving the presentation, if you all have a copy of that 16-page pamphlet. Have you all received that?

Moving on, I went to the Rules Committee Monday. And, here again, there was no opportunity for public comment. There's a primary recommendation out of the recent JCCI study, Our Money, Our City, and Financing Jacksonville's Future. Still hasn't happened.

Another item I want to share with you, and it's a positive and it's an ordinance, 2009-895. It's amending Council Rule 3.601, Public Hearings, and 3.603, Comments from the Public, to allow speakers to transport -- transfer time, amend Rule 4.301, Regular Order of Business, to add an additional period of public comment at the end of a City Council meeting.

Good legislation. I hope it goes through.

Now, also at Rules there was another -- and this is a resolution, and I'd really be curious if any of you were contacted on this. It was a resolution, 2009-883, a resolution of council support for a local J bill to amend our city charter.

Now, this came out of the Office of General Counsel. I'm hoping that as commission members you were contacted about this potential change to the City charter. You are the Charter Revision Commission. I hope that the courtesy was extended to every commission member. I hope that was the case.

If not, it's not good. It's more reason why the Code of Ethics, that 16-page brochure, that little pamphlet that was in our original charter should be reinstated. It will solve so many problems throughout this community.

Now let me touch on another thing real fast. Again, out of the recent JCCI study, here is a thing on pensions and with the Police and Fire Pension Fund.

Now, are you -- and I didn't realize this, but you have chapter fund contributions. They are monies received from a fee on property casualty insurance as established in Florida Statutes. These funds are earmarked for enhanced pension benefits. It's an additional benny that comes back -- it's throughout the state -- comes back and then the union votes to accept that benny.

Now, I realize my time is up, but we've have tremendous financial problems within this community, and when you talk about pension sustainability, it started off as pension reform. There's a difference. Reform, sustainability. You need to get back to reform. It's unsustainable. We're over a billion dollars in unfunded pension liabilities. The best thing might be to declare bankruptcy.

Thank you for listening.

THE CHAIRMAN: Mr. Nooney, just so you know, we were, in fact, given today at the beginning of our meeting copies of the ethics code as it was originally adopted into the charter in '68. So we do have this information. I just want you to know that.

MR. NOONEY: Okay. That's good.

Thank you.
THE CHAIRMAN: Any other speakers from the public?
AUDIENCE MEMBERS: (No response.)
THE CHAIRMAN: Commissioner Korman.
MS. KORMAN: Going back to Commissioner Youngblood's request about having an appointed sheriff coming to see us, it's my understanding that there are not any locally that can come talk to us, so I assume that is out of city, out of state.
And I can't remember if it was commissioner -- or President then Fussell or President Clark said the we would have resources to be able to bring in people. Is that still available? Do you know?
THE CHAIRMAN: Well, we have never had a budget. I'm not aware that they ever made that statement.
I have recently contacted Council President Clark on that very issue, so I know -- I placed the issue before him and I'm looking to hear from him on that, but we, as the Charter Revision Commission, had no budget.
MS. KORMAN: Because I think it's going to

be pretty critical for our work to be able to get some of these people down, so I think that -- hopefully President Clark can help us figure out a way to pay for this.

THE CHAIRMAN: Thank you.

Commissioner Youngblood.

MR. YOUNGBLOOD: I believe they're going to have to be a retired appointed position, because the position itself, if they're truly in an appointed state, it could jeopardize their job requirements of what they do. So a retired appointed sheriff.

THE CHAIRMAN: Commissioner Catlett.

MR. CATLETT: Mr. Chairman, you know we've had some suggestions from citizens about using kind of a meat cleaver approach to the pensions problem.

If it would be all right, I would like to ask our attorney if we're restricted in collective bargaining as to what we can and cannot do as a city.

THE CHAIRMAN: That's fine by me, if Mr. Rohan would like to opine.

MR. ROHAN: The General Counsel issued a binding legal opinion in 2005 on that subject.

All local governments in the state of Florida are governed by the constitution, which provides for the right of collective bargaining, and the Supreme Court and the appellate courts have ruled that the state and local governments cannot pass or adopt any legislation that impairs collective bargaining.

So we are controlled by Chapter 447 of the state law and collective bargaining, and there's a protocol for how bargaining is done.

THE CHAIRMAN: Commissioner Catlett, do you have a follow-up or did that address your issue?

MR. CATLETT: Yes, sir.

MR. LEE: May I respond?

THE CHAIRMAN: No, sir. I'm sorry. Public comment is over, but you are welcome to come back. We've have public comment every meeting. We meet every Thursday.

Any other any comments from the commission? Any other items for the commission?

Commissioner Thompson.

MR. THOMPSON: I don't know what this is related to. I happened to be exposed to this weekend, to talk about a traffic constraint that -- the City's invested a lot of money to make an improvement on, and that's on Harts Road and Dunn Avenue.

People are complaining that the work that's being done there is restricting people to -- their access to their business on that street. The Compass Bank, there's Sonny's, there's a hotel there, and they set it up that you can't make any turns there.

I just wanted to go on record that people are complaining and maybe the appropriate City Council person needs to look at that situation.

Thank you.

THE CHAIRMAN: Thank you, Commissioner.

Any other items, questions, comments?

COMMISSION MEMBERS: (No response.)

THE CHAIRMAN: Okay. As I said, our next meeting, we will be hearing from the sheriff and John Delaney, and, tentatively, Matt Corrigan, the UNF political science professor on the issue of elected versus appointed. We may have additional speakers.

I'm continuing to try to schedule speakers on the issues that we have still on our agenda after today. And, as always, if you have ideas and comments, please forward them. I have gotten those that you have forwarded. I appreciate that.

And if there's no other issues or discussion, we're adjourned.

(The above proceedings were adjourned at 11:45 a.m.)

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C E R T I F I C A T E

STATE OF FLORIDA:
COUNTY OF DUVAL :

I, Diane M. Tropia, certify that I was authorized to and did stenographically report the foregoing proceedings and that the transcript is a true and complete record of my stenographic notes.

Dated this 8th day of December, 2009.

Diane M. Tropia