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JEA
BOARD MINUTES
May 15, 2018

The JEA Board met in regular session on Tuesday, May 15, 2018, on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Present were Alan Howard, Husein Cumber, Kelly Flanagan and April Green. Frederick Newbill attended telephonically.

Agenda Item I – Welcome

- A. The meeting was called to order at 12:02 PM by Chair Howard.
- B. A **Moment of Reflection** was observed by all.
- C. The **Pledge of Allegiance** was led by Chair Howard.
- D. **Adoption of Agenda** – The agenda was approved on **motion** by Ms. Flanagan and second by Ms. Green.
- E. The **Safety Briefing** was given by Aaron Zahn, Interim Managing Director/Chief Executive Officer.
- F. **Sunshine Law/Public Records Statement** – Jody Brooks, Office of General Counsel (OGC), stated this Board Meeting is being held in compliance with Florida's Government in the Sunshine Law, §286.011. The complete statement can be found in section I. F. of the Board package.

Agenda Item II – Presentations and Comments

- A. **Comments from the Public** – None
- B. **Council Liaison's Comments** – The Honorable Matt Schellenberg had no comments.
- C. **Office of the Mayor Liaison's Comment** – Dr. Johnny Gaffney was not in attendance.
- D. **Introduction to Board Agenda** – Mr. Zahn, Interim Managing Director/CEO highlighted the new agenda format, which was created to provide a more concise, open and transparent format for the Board and Senior Leadership Team to communicate with each other, as well as with the public. Mr. Zahn noted this format includes three distinct sections: Operations, Strategy and Subject Matter Exploration. This presentation was received for information.

Agenda Item III – Operations (Discussion / Action)

- A. **Consent Agenda** – used for items that require no explanation, discussion or presentation and are approved by one motion and vote. On **motion** by Vice Chair Cumber and second by Ms. Flanagan, Appendix A and B on the Consent Agenda were unanimously approved.
 - Appendix A: Special Board Meeting Minutes April 6, 2018 – approved
 - Appendix B: Board Meeting Minutes April 17, 2018 – approved
- B. **JEA FY2017 Annual Disclosure Reports** – Ryan Wannemacher, Interim Chief Financial Officer, advised the Board that based on feedback from the March 20 and April 17, 2018 Board Meetings, May 7, 2018 Finance and Audit Committee and individual Board Member comments, amended draft Annual Disclosure reports are available for Board Member's review and comment. Mr. Wannemacher stated updates include senior management changes, updated organizational structure, updated

management team biographies, language on the subject of privatization and Plant Vogtle material. Members of the Senior Leadership Team, as well as Office of General Counsel have previously reviewed and approved the previous drafts and current changes. On **motion** by Ms. Flanagan and second by Vice Chair Cumber, the Board unanimously approved and authorized the Annual Disclosure Reports for the systems in substantially the forms distributed on March 20, 2018, as amended through May 9, 2018, with additional changes as approved by the Interim Managing Director and Chief Executive Officer of JEA and authorized the filing and use of the Annual Disclosure Reports.

- C. Compensation Committee Recommendation – Executive Contracts** – Compensation Committee Chair Flanagan stated the Committee met on May 14, 2018 for the purposes of reviewing employment agreements for Aaron Zahn, Interim Managing Director/Chief Executive Officer and Melissa Dykes, President/Chief Operating Officer. Committee Chair Flanagan stated since the distribution of the contracts, the Committee recommended to revise the effective date to May 15, 2018 on both agreements, as well as remove the clause in section 2.5 providing 280 hours of leave during each year of employment. The remainder of the contract remains intact as negotiated by the Board Chair. The Committee also recommended an addendum adding a position description to the agreement of Ms. Dykes. The Committee felt it was important to provide additional time to Mr. Zahn to outline the roles and responsibilities of Ms. Dykes, while providing the delegation of authority to the Compensation Committee Chair to review upon completion. Ms. Brooks noted an error related to the effective date definition in the first paragraph of Ms. Dykes' agreement. On **motion** by Vice Chair Cumber and second by Secretary Newbill, the Board unanimously approved the employment agreements as recommended by the Compensation Committee, including the scrivener error, as well as providing delegated authority to the Compensation Committee to work with Ms. Dykes and Mr. Zahn on finalizing the position description for Ms. Dykes.

Agenda Item IV – Strategy (Discussion Only)

Agenda items were presented out of order; however, the minutes reflect the original order of the agenda.

- A. Reorganization/Transition Steps** – Mr. Zahn stated that customers, employees, and shareholders are JEA's top priority. Mr. Zahn noted that he has worked with Mayor Curry, City Council Members, and JEA's Senior Leadership Team and has completed a reorganization. Mr. Zahn stated he has merged into step two by engaging council members and listening to their perspective and focusing on a united community. Step three will be focused on creating a successful shareholder framework. Chair Howard stated he appreciated the work and effort of the Senior Leadership Team serving our customers. This presentation was received for information.
- B. CEO Search Update** – Compensation Committee Chair Flanagan stated the Committee met on May 14, 2018 and reviewed the selection of an executive search firm for the recruitment of the permanent Managing Director/CEO position. Ms. Flanagan thanked Angie Hiers, Vice President and Chief Human Resources Officer and John McCarthy, Vice President and Chief Supply Chain Officer for their work. Committee Chair Flanagan reviewed the process to date starting with the direction of the Board at the April 17, 2018 meeting for Committee Chair Flanagan to begin the request for proposal process to select a firm. Upon receipt of the proposals, Committee Chair Flanagan

narrowed the list down and conducted interviews with Heidrick & Struggles, Russell Reynolds, and ZRG. Committee Chair Flanagan identified two important criteria including the firm's benchmarking and success statistics of hiring at the President/CEO, Board of Directors, and senior management level, with the second criteria being fee structure. Committee Chair Flanagan stated that based on their experience at hiring at the President/CEO level, she recommends Heidrick & Struggles to conduct the search for the permanent position of the Managing Director/CEO. In transparency, Committee Chair Flanagan noted Heidrick & Struggles has the highest fee structure of the three firms with 33% of the total compensation, Russell Reynolds at 30% with \$120K minimum, and ZRG at 29% with an \$89K maximum. Based on this structure, and for the purposes of understanding the materiality of the contract, Heidrick & Struggles could cost \$132K based on a \$400K salary for the Managing Director/CEO. Committee Chair Flanagan noted that Heidrick & Struggles' experience outweighs the cost differential and noted Heidrick & Struggles is the recommendation as approved by the Compensation Committee at the May 14, 2018 meeting. Committee Chair Flanagan shared with the Board the final scoring for each firm: Heidrick & Struggles – 72 points, Russell Reynolds – 62 points, and ZRG – 65 points. Board Chair Howard called for a Board Workshop prior to the June Board Meeting to develop a process and timeline for the permanent CEO position. Board Members held discussions regarding the selection of the CEO search firm. Ms. Green discussed the need for the entire Board of Directors to meet and interview all three search firms. The basis for her request is transparency and for the entire Board of Directors to understand the strengths of the firm. Chair Howard called upon Ms. Hiers to provide additional information. Upon **motion** by Ms. Green to allow an opportunity for all three of the top search firms to provide a presentation to the Board, and with a second by Secretary Newbill, the Chair requested a roll call vote: Cumber – No, Flanagan – No, Green – Yes, Newbill – Yes, Chair Howard – No and the vote failed. Upon **motion** by Committee Chair Flanagan and second by Mr. Cumber, to engage Heidrick & Struggles as the executive search firm, the Chair requested a roll call vote: Cumber – Yes, Flanagan – Yes, Green – No, Newbill – Yes and Chair Howard – Yes. The motion passed and direction was provided to Ms. Hiers to begin working with Heidrick & Struggles to provide a contract to Ms. Brooks.

Chair Howard noted that he agrees with Ms. Green that the Board needs to be deliberate regarding the selection of the permanent CEO and the process will be thorough and transparent.

Agenda Item V – Subject Matter Exploration (Opportunities & Risks – Presentation)

- A. Introduction to Subject Matter Exploration Concept** – No comments were provided.

Agenda Item VI – Committee Reports

- A. Finance & Audit Committee Report** – Kelly Flanagan, Committee Chair reviewed the Finance and Audit Committee meeting held on May 7, 2018, bringing items to the Board for information.
1. Approval of Minutes – March 12, 2018 – received for information
 2. FY2019 Budget Presentation – received for information
 3. Quarterly Audit Services Update – received for information
 4. Ethics Officer Quarterly Report – received for information

5. JEA Energy Market Risk Management Policy Report – received for information
 6. Annual Disclosure Report – Open Discussion – received for information
 7. Announcements
 - a. Next Meeting August 13, 2018, 8:00 – 10:00 am
 8. Committee Discussion Sessions
 - a. Ernest & Young
 - b. Director, Audit Services
 - c. Council Auditor’s Office
- B. Compensation Committee Report** – Kelly Flanagan, Committee Chair, reviewed the Compensation Committee meeting held on May 14, 2018, bringing items to the Board for information.
1. Approval of Minutes – November 27, 2017 – received for information
 2. Executive Contracts – received for information
 3. Executive Search Firm Selection – received for information

Agenda Item VII – Other Business

A. Old Business –

1. **Dark Fiber Utility Services for the 21st Century Digital Utility** – Paul Cosgrave, Vice President and Chief Information Officer, presented the Board previously approved Resolution 2018-01 authorizing JEA to invest in expansion and enhancement of the existing fiber optic network with the intention to lease dark fiber. Staff stated they believed a broader opportunity to create value for JEA existed through partnership models. After further review and discussion, staff is requesting the Board rescind the previously approved resolution. On **motion** by Vice Chair Cumber and second by Ms. Green, Mr. Cumber made a statement that, as a Board, the Board should consider bringing new revenue opportunities as a holistic package. Chair Howard echoed Vice Chair Cumber’s statement, and posed questions to think through and suggested before bringing dark fiber back for staff to take into consideration other opportunities to present to City Council. The Board unanimously approved to rescind Resolution #2018-01 and come back to the board with a more robust plan.

B. Other New Business – None

- C. Open Discussion** – Ms. Green provided clarification regarding statements previously made regarding the transparency of the CEO search process.

Chair Howard informed the Board of his receipt of a letter from Council President Brosche on May 10, 2018 and his intention to respond to her in writing. A copy of the letter from Council President Brosche has been provided to Board Members by staff, and a copy of Chair Howard’s response will be provided to Board Members, as well.

Board Members discussed the need for JEA to be supportive of the JCC study and other similar 3rd party studies surrounding JEA in our community.

Board Members held discussions regarding indemnification for their role as Board Members.

Board Members requested information regarding Plant Vogtle and the statutes related to a shade meeting.

Mr. Cumber reminded the Board at a previous Finance & Audit Committee a request was made to have discussions related to rate restructuring.

Board Members held discussions regarding privatization. On **motion** by Vice Chair Cumber and second by Secretary Newbill, the Board unanimously approved, absent a future Board decision, any activities tied to a privatization effort would be put on hold.

- D. Interim Managing Director/CEO's Report** – Mr. Zahn announced the opening of the Northwest Regional Water Treatment Plant, a \$10M project. It increases capacity and reliability of public water supply for the northern edge of Duval County. Mr. Zahn commended Hai Vu, Manager Water Plants E&C and staff under the leadership of Brian Roche for completing the project on time and budget. Mr. Roche also acknowledged the soon to be completed Blackford Wastewater Reclamation Facility, a \$65M project that will increase the capacity of the plant from 2 to 6 million gallons per day. Mr. Zahn commended Raynetta Marshall, Director Water/Wastewater Project Engineering & Construction. Mr. Zahn presented the Septic Tank Phase Out program, a \$38M partnership funded by JEA and the City of Jacksonville. There are three specific projects, which have been funded based on Health Department, and other community priorities, approved by City Council, and include Biltmore, Beverly Hills and Christobel. The Project Outreach team has acquired the 70% ownership participation threshold for two of the projects to move forward. The project will then move to the design/engineering, bid and construction phase. Mr. Zahn thanked Greg Corcoran and team for their work.
- E. Chair's Report** – Chair Howard thanked Board Members for their discussions. Chair Howard noted the Jacksonville Civic Council (JCC) is engaged in their own review of JEA as part of their Comparative Public Finance project. Staff continues to provide information to them to assist. A presentation was provided by Michael Ward, Jacksonville Civic Council Committee Chair to City Council on May 10, 2018. Chair Howard requested Aaron Zahn, and Melissa Charleroy, Executive Assistant to schedule a Board Workshop for the month of June and invited a representative from Heidrick & Struggles. The purpose of the workshop will be to formulate a process and timeline for the permanent Managing Director/CEO position.

Agenda Item VIII – Closing Considerations

- A. Announcements** – Next Board Meeting – June 19, 2018
- B. Adjournment**

With no further business claiming the attention of the Board, Chair Howard adjourned the meeting at 1:29 PM.

APPROVED BY:

SECRETARY

DATE: _____

Board Meeting recorded by:

Melissa M. Charleroy
Executive Assistant