

21 West Church Street  
Jacksonville, FL 32202



August 29, 2018

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

ELECTRIC

WATER

SEWER

Hon. Aaron Bowman  
President  
Jacksonville City Council  
117 W Duval St  
Jacksonville, FL 32202

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

Dear Mayor and City Council:

The extensive dialogue that has taken place concerning the future of JEA has brought increased awareness of JEA's value and its role in our community. We all agree JEA is a valuable community and financial asset. Additionally, we agree JEA is operating in an ever-changing utility market. These changes, and the pace at which they are occurring, require JEA to be swift and agile in its approach to technological and utility market advancements. Embracing the changes in our markets will ultimately enable JEA to best serve our customers and the community.

The JEA Board recognizes JEA is a steward of the local environment and an engine of economic development in Northeast Florida. The Board also recognizes the unique and longstanding partnerships JEA has with the City of Jacksonville and community organizations. JEA' is mindful of its status as a trusted partner of core essential services to our customers.

Mindful of these facts, the JEA Board is working with JEA's management and employees to develop an updated strategic plan to meet the needs of our customers and the community. The following is a high-level objective and set of metrics approved by the Board of Directors at our August 21, 2018 Board Meeting and upon which we will base JEA's future strategic plan:

**The Goal ("Strategic Goal"):** JEA's strategic plan and consequent initiatives should drive an increase in the value of JEA now and in the future.

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

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

These Corporate Measures will be used in evaluating the plan's effectiveness and JEA's future execution of the plan. Within each of the areas of Corporate Measure we believe JEA can define quantitative metrics to apply throughout our organization to create internal and external alignment while being radically transparent about JEA's performance. We believe that all strategic decisions and initiatives of JEA should be evaluated relative to these Corporate Measures of value.

The Board of Directors of JEA has discussed, deliberated and reached consensus on the framework for a strategic plan attached as Exhibit A. We look forward to developing JEA's strategic plan in partnership with the City and our entire community.

Finally, we want to thank City Council for the time committed by the Special Committee on the Future of JEA. The analysis, feedback and conclusions from the report will be considered as part of the updated strategic plan of JEA. We thank the Administration and City Council in advance for encouraging JEA to think outside the box on how to grow and remain relevant in our markets. In the event our new strategic plan requires changes to JEA's Charter we hope to enjoy the same collaborative and receptive environment so that we can work together to increase JEA's value to our City.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Alan Howard". The signature is fluid and cursive, with a large loop at the end.

G. Alan Howard, Chairman

Cc:  
Honorable Members of City Council of Jacksonville  
Board of Directors of JEA  
Aaron F. Zahn – Interim Managing Director and CEO

## Exhibit A

### History and Background

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

Today, JEA makes an annual contribution to the City of Jacksonville currently in the amount of ~\$116 million dollars annually pursuant to that Article 21 Section 21.07 (collectively over time, the "Contribution"). Furthermore, in the past, the Council adopted Part 3 Chapter 21 of the Ordinance Code of the City of Jacksonville, declaring, as City policy that the "services provided by the Consolidated Government should be delivered in the most expeditious and efficient manner possible with delivery of said services being continually evaluated so that inefficiency is eliminated and quality of services improved." These policies of the City and the State encourage review of agencies in order to ensure "best in class" services are provided to the customers.

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

### 10-Year Strategic Plan

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

## **Strategic Plan Framework**

**Strategic Goal:** Drive an increase in the value of JEA now and in the future.

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

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

The Board, recognizing the importance of the financial and operational success of JEA for its customers and the City of Jacksonville, desires the Strategic Plan establish financial and operational metrics in relation to the Corporate Measures, which may include but not be limited to:

- 1) Value to our customer
  - a) provide JEA customers with electric, water and wastewater services at a rate structure equal to or less than industry average
  - b) maintain customer service standards and experience within the top quartile of industry standards
  - c) expand our trusted partner relationship with our customers around the services we provide
- 2) Financial value
  - a) maintain financial performance metrics necessary to preserve Aa3 / AA- ratings, or similar comparable risk measures as adopted and deemed appropriate by JEA from time to time;
  - b) preserve or increase the Contribution of JEA to the City
  - c) establish growth initiatives to drive JEA's profitability with respect to electric, water, sewer, natural gas and other utility services, systems and/or products
- 3) Community impact value
  - a) establish and maintain open and transparent communication of the review, creation, deliberation, implementation and execution of JEA's Strategic Plan
  - b) continue investment and leadership of economic development within Jacksonville
  - c) continue and drive employment within the region
- 4) Environmental Value
  - a) maintain compliance with all environmental regulations and industry standards relative to emissions and water quality
  - b) establish and maintain a corporate sustainability program for the benefit of the region

## **2028 Strategic Plan Considerations**

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

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

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

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

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

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

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