

## **JEA BOARD AGENDA**

**DATE:** July 15, 2008

**TIME:** 10:00 am

**PLACE:** JEA  
21 West Church Street  
8<sup>th</sup> Floor Meeting Room

### **I. OPENING CONSIDERATIONS**

- A. Call to Order
- B. Invocation
- C. Pledge to Flag
- D. Safety Briefing – (Mike Brost, VP Electric Systems)  
Meeting participants are asked to turn their cell phones off.
- E. Adoption of Agenda
- F. Approval of Minutes
  - 1. Regular meeting held June 17, 2008

### **II. PRESENTATIONS & COMMENTS**

- A. 2007 APPA Safety Award, Jon Ridner, Manager, Safety and Health Services
- B. Comments from the Public
- C. Council Liaison's Comments

### **III. FOR BOARD CONSIDERATION**

- A. New Business
  - 1. Resolution Authorizing Establishment of a Finance and Audit Committee – action required.
  - 2. Government Accounting Standards Board (GASB) 45 – Other Post Employment Benefits (OPEB) – action required.
  - 3. JEA Investment Policy Revisions – information only.

4. Record of Sole Source and Emergency Procurements – information only.
  5. Quarterly Operations Report – June 2008 (presentation, 15 minutes) – information only, James Chansler, Chief Operating Officer.
  6. Quarterly Financial Report – June 2008 (presentation, 15 minutes) – information only, Paul McElroy, Chief Financial Officer.
- B. Old Business – none
- C. Public Hearing
1. Adjustments to Water, Sewer and Reclaimed Water Rates, and Administrative Changes to Electric, Water and Sewer rate documents. (presentation, 30 minutes) – action required, Paul McElroy, Chief Financial Officer.

#### **IV. REPORTS & COMMENTS**

- A. Committee Reports - none
- B. Managing Director's Report
- C. Chair's Report

#### **V. CLOSING CONSIDERATIONS**

- A. Announcements
- B. Adjournment

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A. If you have a disability that requires reasonable accommodations to participate in the above meeting, please call 665-7550 by 8:30 AM the day before the meeting and we will provide reasonable assistance for you.

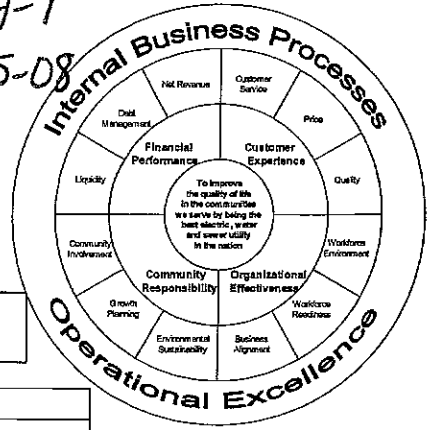
B. If a person decides to appeal any decision made by the JEA Board with respect to any matter considered at this meeting, that person will need a record of the proceedings, and, for such purpose needs to ensure that verbatim record of the proceedings is made, which record includes the evidence and testimony upon which the appeal is to be based.



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### AGENDA ITEM SUMMARY

III-A-1  
7-15-08



June 24, 2008

**SUBJECT:** RESOLUTION AUTHORIZING ESTABLISHMENT OF A FINANCE & AUDIT COMMITTEE

Purpose	Circle of Excellence Impact
<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Financial Performance
<input checked="" type="checkbox"/> Action Required	<input type="checkbox"/> Customer Experience
<input type="checkbox"/> Advice/Direction	<input checked="" type="checkbox"/> Organizational Effectiveness
	<input type="checkbox"/> Community Responsibility

**Issue:** The Chair of the JEA Board recently appointed a three member ad hoc committee to explore the formation of a Finance and Audit Committee, and to make a recommendation to the full Board. A draft Finance and Audit Committee Operating Policy is attached to the attached Board resolution as Exhibit 1.

**Significance:** A Finance and Audit Committee will allow a stronger Board focus on JEA's financial matters, the external and internal audit functions, and the Enterprise Risk Management and Ethics programs, without extending the length of the full Board meetings, or displacing other important matters needing the Board's attention.

**Who/what is affected:** The full Board but in particular the three members to be appointed to the Committee, the external and internal auditors, the CEO, CFO, and various other members of the JEA management team.

**Background:** Finance, Budget, and risk/control matters have been consuming increasing amounts of time at full Board meetings, particularly as the financial, power, and fuels markets have become more complex and more volatile, increasing JEA's risk levels.

**Background Examples:** External and internal audit plans and results, Budget assumptions, and the full Budget, would be presented to and discussed with the Finance and Audit Committee instead of the full Board.

**Cost to company/community:** None

**Recommended course of action:** Approve the attached resolution to establish a Finance and Audit Committee.

**Why?** Finance and audit issues can be more fully vetted and addressed in a smaller committee setting than at the full Board meeting, allowing a more in-depth discussion, more review, and more understanding of these complex issues.

**Recommended Board action:** Approve the attached resolution.

Submitted by: Doris Champ

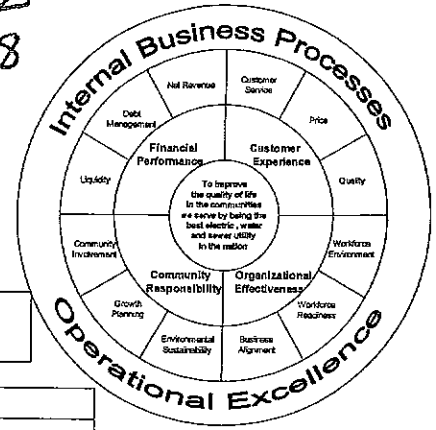


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### AGENDA ITEM SUMMARY

III-A-2  
7-15-08

June 25, 2008



**SUBJECT:** GASB 45 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Purpose	Circle of Excellence Impact
<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Financial Performance      Net Revenue
<input checked="" type="checkbox"/> Action Required	<input type="checkbox"/> Customer Experience
<input type="checkbox"/> Advice/Direction	<input type="checkbox"/> Organizational Effectiveness
	<input type="checkbox"/> Community Responsibility

**Issue:** GASB 45, Other Post Employment Benefits (OPEB), addresses new accounting requirements for public agencies to report their costs and obligations pertaining to health and other post retirement benefits for current and future employees. It requires a change from the "pay as you go" method that JEA currently uses to an accrual basis.

**Significance:** This strategy allows JEA to take advantage of investment returns to pay for some of the future benefits and record a lower OPEB expense. GASB 45 will increase current period costs for state and local governments, as well as public agencies.

**Who/what is affected:** Net Revenues for the Electric and Water and Sewer System, as well as cash, because in order to receive the most favorable current period cost treatment, the OPEB liability must be funded.

**Background:** A new accounting standard was issued, GASB 45, Other Post Employment Benefits (OPEB), which requires public agencies to report their costs and obligations pertaining to health and other post retirement benefits for current and future employees on an accrual basis.

**Background Examples:** Staff's recommended strategy to comply with GASB 45 requires establishing an OPEB Trust that will be funded with a "Five Year Step-Up to the Annual Required Contribution" and utilize the investment management services of the Florida League of Cities, Inc for JEA's OPEB Trust.

**Cost to company/community:** Annual Required Contribution (expense) is \$5.6 million annually if funded vs. \$11.9 million annually if unfunded. Attachment A includes a projected funding plan that is based on numbers from the 9/30/07 valuation. The annual amounts will be updated as needed when new projections are calculated.

**Recommended course of action:** 1) Implement the funding alternative that represents a step function increase to reach full Annual Required Contribution (ARC) funding by year five per the funding plan included in Attachment A, 2) Create a Trust to hold assets dedicated to mitigating the OPEB liability and 3) Utilize the investment management services of the Florida League of Cities, Inc. for JEA's OPEB Trust.

**Why?** To maintain compliance with GASB 45.

**Recommended Board action:** Approve recommended course of action and approve Resolution authorizing the Managing Director/CEO to execute the necessary documents with the Florida League of Cities, Inc. to establish the OPEB Trust.

Submitted by: Helen Kehrt 

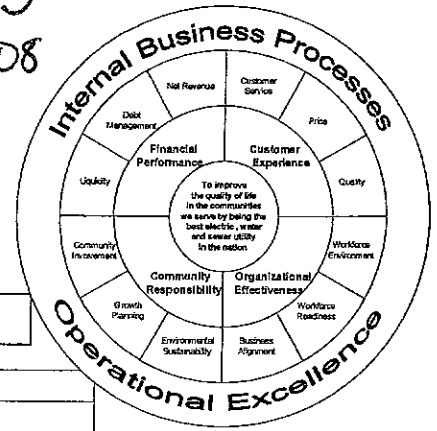
III-A-3  
7-15-08



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**AGENDA ITEM SUMMARY**

June 26, 2008



**SUBJECT:** JEA INVESTMENT POLICY REVISIONS

Purpose	Circle of Excellence Impact	
<input checked="" type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Financial Performance	Net Revenue
<input type="checkbox"/> Action Required	<input type="checkbox"/> Customer Experience	Click for Focus Area or blank line
<input type="checkbox"/> Advice/Direction	<input type="checkbox"/> Organizational Effectiveness	Click for Focus Area or blank line
	<input type="checkbox"/> Community Responsibility	Click for Focus Area or blank line

**Issue:** Revisions to JEA Investment Policy

**Significance:** Revisions are being made to consider current industry practices and the JEA operating environment.

**Who/what is affected:** JEA /Investment Portfolio composition and investment income.

**Background:** The most recent JEA Investment Policy became effective on October 19, 2004. JEA staff reviews the Policy on a periodic basis to determine whether revisions are warranted.

**Background Examples:** State requirement to have investment policy.

**Cost to company/community:** N/A

**Recommended course of action:** No action by the Board is requested at this time. A draft of the revised document is being submitted for review. Staff anticipates requesting Board approval at the August 2008 Board meeting.

**Why?** The proposed revisions are being made to improve portfolio diversification and day-to-day operations.

**Recommended Board action:** Review of the proposed revised Investment Policy.

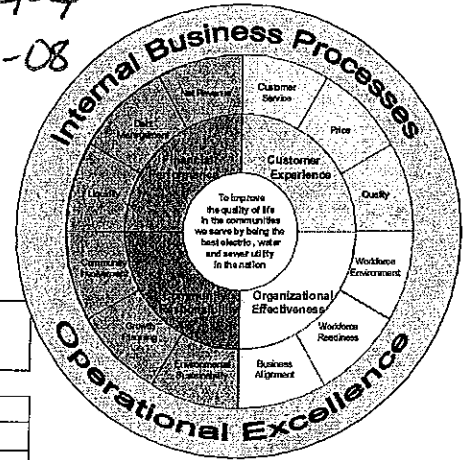
Submitted by: AM



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### AGENDA ITEM SUMMARY

III-A-4  
7-15-08



June 30, 2008

<b>SUBJECT:</b>	<b>RECORD OF SOLE SOURCE AND EMERGENCY PROCUREMENTS</b>
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Circle of Excellence Impact	
<input checked="" type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Financial Performance
	<input type="checkbox"/> Customer Experience
<input type="checkbox"/> Action Required	<input type="checkbox"/> Organizational Effectiveness
	<input type="checkbox"/> Community Responsibility

**Issue:** Sole Source and Emergency Procurements are authorized by JEA's Purchasing Code under Articles 3-206 and 3-208; and a record of Procurement Actions taken under this authority is required to be maintained and reported to the JEA Board on a quarterly basis.

**Significance:** Full transparency of these procurement actions is necessary to maintain public confidence in JEA's bidding process and to ensure competition is achieved when in JEA's best interest.

**Who/what is affected:** JEA's Procurement department is responsible for maintaining these records and reporting to the JEA Board.

**Background:** This requirement has been in place since the JEA Purchasing Code was adopted in 1996.

**Background Examples:** Past Quarterly reports are on file in JEA's Procurement department.

**Cost to company/community:** Minimal

**Recommended course of action:** Continue reporting to the JEA board on a quarterly basis.

**Why?** To maintain public confidence in JEA's bidding process and ensure competition is achieved when in JEA's best interest.

**Recommended Board action:** Information only, no action required.

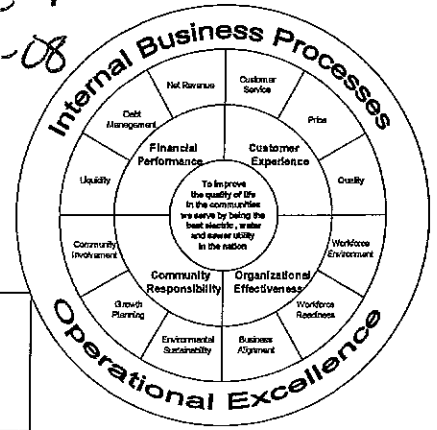
Submitted by: John McCarthy



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### AGENDA ITEM SUMMARY

III-C-1  
7-15-08



July 9, 2008

**SUBJECT:** ADJUSTMENTS TO WATER, SEWER AND RECLAIMED WATER RATES, AND ADMINISTRATIVE CHANGES TO THE ELECTRIC, AND WATER & SEWER RATE DOCUMENTS

Purpose	Circle of Excellence impact	
<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Financial Performance	Net Revenue
<input checked="" type="checkbox"/> Action Required	<input checked="" type="checkbox"/> Customer Experience	Price
<input type="checkbox"/> Advice/Direction	<input type="checkbox"/> Organizational Effectiveness	
	<input type="checkbox"/> Community Responsibility	

**Issue:** The FY2009 recommended budget includes a \$10.6 million unallocated revenue requirement.

**Significance:** To balance the FY2009 budget, the unallocated revenue requirement must be reclassified.

**Who/what is affected:** Customers through the rates they pay for JEA services, as well as JEA's financial objectives.

**Background:** The revenue requirement was identified in the five-year plan and discussed at Board meetings in November, 2007 and March, April, May and June, 2008.

**Background Examples:** The proposed adjustment will increase the average residential customers' bill (7,000 gallons per month) approximately \$2.25 from \$54.85 to \$57.10 per month including current taxes and fees. Commercial customers will also see a proportionally similar increase in their water, sewer and reclaimed water bills.

**Cost to company/community:** The rate adjustment will be difficult for customers already facing higher energy and other costs. It will be important for JEA to continue its focus on conservation messaging.

**Recommended course of action:** That the Board approve Staff's recommendations to increase water, sewer and reclaimed water rates to meet projected higher revenue requirements of 4.1%, and to make administrative changes to the Electric, and Water & Sewer rate documents.

**Why?** The Board is the rate making authority for JEA and is required to approve all changes to rate documents and to support financial metrics consistent with a AA- rating.

**Recommended Board action:** Adopt the Resolution prepared by staff and approved by the Office of General Counsel that increases rates for water, sewer and reclaimed water for all rate classes, and provides for administrative changes to the electric, and water & sewer rate documents.