

JEA FINANCE & AUDIT COMMITTEE MINUTES  
December 11, 2013

The Finance & Audit Committee of JEA met on Wednesday, December 11, 2013, in the 8<sup>th</sup> floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

**Agenda Item I – Opening Considerations**

- A. Call to Order – Chair Townsend called the meeting to order at 8:00 AM with Members Peter Bower, Helen Albee, and Wyman Winbush in attendance. Others in attendance were Paul McElroy, Mike Brost, Brian Roche, Melissa Dykes, Ted Hobson, Janice Nelson, Doris Champ, Walette Stanford, Ross Byers, Barry Greenleaf, Jim Myers, Frank DiBenedetto, Linda Schlager, and Gerri Boyce. Jody Brooks, Office of General Counsel, Robert Campbell and Chedley Broche, Council Auditors Office, along with Mike Pattillo and Justin Threet, Ernst & Young, were also in attendance.
- B. Adoption of Agenda – The agenda was adopted on **motion** by Mr. Bower and second by Mrs. Albee.
- C. Approval of Minutes – The August 11, 2013 Minutes were unanimously approved on **motion** by Mr. Winbush and second by Mr. Bower.

**Agenda Item II – New Business**

- A. Feedback on Rating Agency Presentations was presented by Mr. Townsend and received for information. Mr. Townsend stated that JEA was well represented with six Board Members including Chair Mike Hightower, Ron Townsend, Cynthia Austin, Helen Albee, Peter Bower, and Wyman Winbush, along with Paul McElroy, Managing Director/Chief Executive Officer, Melissa Dykes, Chief Financial Officer, Mike Brost, Vice President and General Manager Electric Systems, and Brian Roche, Vice President and General Manager Water Systems. City of Jacksonville participants included Bill Gulliford, City Council President, Ronnie Belton, Director of Finance/CFO, and Glenn Hansen, Budget Officer, City of Jacksonville. Mr. Winbush noted that it is obvious each agency is monitoring local and national news regarding the City of Jacksonville, JEA, and utilities in general. Mrs. Dykes advised the Committee that she had already participated in feedback with two of the agencies. They believed the presentations to be fair and balanced and the addition of the scorecard was most critical in delivering the information. Mr. McElroy stated he felt the packaging was improved this year and JEA was successful in delivering a good story. Mr. Townsend thanked Mike Pattillo for Ernst & Young's early delivery of the year-end audit results which were included with JEA's presentations.
- B. Audit/ERM – Quarterly Update was reviewed by Doris Champ, Director Audit Services and was received for information. Ms. Champ provided information on the Enterprise Risk Management (ERM) Trending Report, ERM Board Report, Audit Project Report, Summary of Audits Quality Indicators Ethics Hotline, Summary Report, and Action Plan Status. Ms. Champ plans to bring two risk owners to each Committee meeting to provide a "deep dive" into the top risks.
- C. Finance and Audit Committee Self-Assessment Results Summary was reviewed by Doris Champ, Director Audit Services and received for information.
- D. Ethics Officer Quarterly Report was reviewed by Walette Stanford, Director Emerging Workforce Strategies and Ethics Officer and was received for information. Mrs. Stanford reviewed the top five ethics inquiries for JEA. She believes the increase in inquiries is a direct result of mandatory training as well as increased awareness due to a greater strategic focus.

## E. Annual Audit Report

1. E & Y 2013 Annual External Audit Report and Management Letter were presented and reviewed by Ernst & Young's Mike Pattillo, Managing Partner, and Justin Threet, Assurance Manager and were received for information. Mr. Pattillo provided an overview of the 2013 audit, a copy of which is provided in the Finance & Audit Committee file. Mr. Pattillo stated there was nothing out of the ordinary and congratulated JEA on their success with a clean audit. He commended Mrs. Janice Nelson and staff for prompt delivery of financials and their outstanding cooperation during the audit process. He noted that with their hard work, JEA beat Orlando Utilities Corporation in delivering the year-end financials.

- F. JEA Fiscal Years 2014 and 2015 Fixed Rate Refunding Debt Parameter Resolutions for All Systems – Following a brief discussion led by Chief Financial Officer Melissa Dykes, on **motion** by Mr. Bower and second by Mrs. Albee, the Committee unanimously recommended that the Board approve Resolutions 2013-22, 2013-23, 2013-24, 2013-25, 2013-26, 2013-27, to establish delegated parameters and authorize the Managing Director/CEO to price and execute future fixed rate refunding bond issues to be sold no later than December 31, 2014.

- G. Electric System and Water and Sewer System Reserve Fund Quarterly Report - Melissa Dykes, Chief Financial Officer reviewed the quarterly fund report which was received for information.

- H. Fuel Credit Discussion – Melissa Dykes, Chief Financial Officer, led a discussion of the current Fuel Reserve Fund which was received for information. Staff will bring this subject back to the Committee at a future meeting for further discussion but reserved their ability to bring it before the full Board earlier if significant temperatures impact north Florida. Mrs. Dykes will provide an overview during the December 17, 2013 Board Meeting.

- I. JEA Energy Market Risk Management Policy – Melissa Dykes, Chief Financial Officer, and Mike Brost, Vice President and General Manager Electric Systems, presented a draft Energy Market Risk Management Policy which was received for information. This policy is being developed to codify JEA's risk, governance, limits, and criteria in managing energy market exposure, and to comply with requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Based on input, staff anticipates requesting approval at the March Finance and Audit Committee and Board meetings.

- J. Office of General Counsel Report – Jody Brooks, Office of General Counsel, asked the Committee what information they wished to see in future reports. She advised the Committee that any discussion of potential or on-going litigation must be held in Shade. She will ask Mike Ledner to hold a Shade meeting in February to brief the Board on litigation matters if requested.

## K. Announcements –

1. The next Finance and Audit Committee meeting will be held on March 10, 2014, at 8:00 AM.
2. New Business – With normal Committee business accomplished well within its allotted time, Mr. McElroy took the opportunity of the extra few minutes to hold a general conversation with Committee Members. It was suggested that in the future, the Annual Master Plan be brought to the Committee prior to Board action.

L. Committee Discussion Sessions – *(in recognition of Mr. Pattillo's travel time, the following discussions occurred out of order of the agenda.)*

1. Director, Audit Services – At 9:45 AM, the Committee held a general conversation with Doris Champ.
2. Ernst & Young - – at 9:37 AM, Mr. Townsend dismissed staff and the Committee held a general conversation with Mike Pattillo and Justin Threet.

3. Council Auditor's Office – Mr. Campbell was not present for discussion with the Committee.

**Agenda Item III – Closing Considerations**

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 9:50 AM.

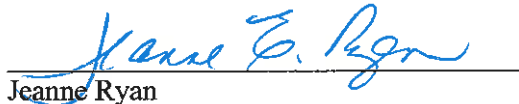
APPROVED BY:



Ron Townsend, Committee Chair

Date: 3/18/14

Submitted by:



Jeanne Ryan  
Executive Assistant