

JEA FINANCE & AUDIT COMMITTEE MINUTES

August 11, 2014

The Finance & Audit Committee of JEA met on Monday, August 11, 2014, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

- A. Call to Order – Chair Peter Bower called the meeting to order at 8:00 AM with Members Wyman Winbush and Husein Cumber in attendance. Lisa Weatherby was also present as an observer. Others in attendance were Paul McElroy, Mike Brost, Brian Roche, Melissa Dykes, Ted Hobson, Monica Whiting, Janice Nelson, Doris Champ, Joe Orfano, Walette Stanford, Steve McInall, Barry Greenleaf, and Jane Upton. Jody Brooks, Office of General Counsel, Jim Rizzo, Gabriel, Roeder, Smith & Company, Mike Pattillo and Justin Threet, Ernst & Young, Kimberly Balaskiewicz and Linda Dufresne, KBLD, LLC, and Nate Monroe, Florida Times–Union, were also in attendance. Helen Albee was absent and excused.
- B. Adoption of Agenda – The agenda was adopted on **motion** by Mr. Cumber and second by Mr. Winbush.
- C. Approval of Minutes – The May 12, 2014 Minutes were unanimously approved on **motion** by Mr. Cumber and second by Mr. Winbush.

Agenda Item II – New Business

- A. Update of Work Plan in Response to Police and Fire Pension Fund Proposal – Angie Hiers, Chief Human Resources Officer, reviewed the status of the Work Plan which includes two items whose completion dates have been extended. Independent legal review by outside counsel is ongoing regarding potential Social Security impact and other options. Independent actuary review of information gathered from the City of Jacksonville was delayed by late delivery of information. Presentation of the final analysis to the Finance and Audit Committee in November may be pushed out to allow appropriate evaluation of information received. The Committee asked that a date be identified in November for an update.

Mrs. Hiers introduced Jim Rizzo of Gabriel, Roeder, Smith & Company, LLC. Mr. Rizzo is the actuary reviewing the City's data and is working with JEA to evaluate JEA's share of the General Employee Pension Plan (GEPP) liability. He is also analyzing how JEA's normal costs and unfunded liability amortization would change if JEA carved out the portion of GEPP assets and liabilities attributable to JEA employees into a separate plan, and how those annual costs would change under a menu of alternative retirement benefits. This update was received for information.

- B. Audit/ERM Annual Approvals and Quarterly Update –
 - 1. Annual Approval of Audit Services Charter – On **motion** by Mr. Winbush and second by Mr. Cumber, the Committee unanimously approved the Audit Services Charter and recommends Board approval.
 - 2. Adoption of Changes to the Finance and Audit Committee Policy – On **motion** by Mr. Cumber and second by Mr. Winbush, the Committee unanimously recommends that the Board adopt the revised Finance and Audit Committee Policy to reflect things the Committee is already doing, but were not previously included in the Charter.

3. Approval of Annual Internal Audit Plan – On **motion** by Mr. Cumber and second by Mr. Winbush, the Committee unanimously recommends the Board approve the Annual Internal Audit Plan for FY2015.
4. Finance and Audit Committee Self-Assessment – Doris Champ, Director of Audit Services, reviewed the process for completion of the Finance and Audit Committee Annual Self-Assessment Questionnaire. Questionnaires will be emailed to Committee Members and returned to Ms. Champ for compilation. The results will be reviewed at the December Finance and Audit Committee. The review was received for information.
5. Quarterly ERM/Audit Update – The Quarterly Update, reviewed by Doris Champ, Director Audit Services, 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 Reports, and the Action Plan Status.
6. Business Processes on Delinquent Vendors – Doris Champ, Director Audit Services, reviewed the Summary of Action Plan Follow-Up of Waste Hauler's Process, Buckman Wastewater Treatment Plant, which was received for information.
- C. Ethics Officer Quarterly Report – The Ethics Officer Quarterly Report was reviewed by Walette Stanford, Ethics Officer and Director Workforce Strategies, and was received for information.
- D. JEA Energy Market Risk Management Policy Report – Melissa Dykes, Chief Financial Officer, reviewed the JEA Energy Market Risk Management Report, which was received for information.
- E. Enterprise Asset Management and Capital Spend – Melissa Dykes, Chief Financial Officer, provided a presentation on Enterprise Asset Management and Capital Spend, which was received for information. The presentation included an overview of the two approaches used to monitor capital spend; spend analysis of Capex/Depreciation and funding; JEA's Enterprise Asset Management Program; and Performance Metric Dashboards which are provided to the Board each month with performance metrics that indicate that capital investment in both the electric and water and wastewater systems are adequate.
- F. External Auditors
 1. Schedule of Expenditures of Federal Awards – Mike Pattillo, Ernst and Young (E&Y), reviewed the Schedule of Expenditures of Federal Awards audit results, which was received for information. The audit found no control deficiencies and was submitted by the deadline.
 2. FY2014 E&Y Financial Statements Audit Plan – Mike Pattillo and Justin Threet, Ernst and Young, reviewed the FY2014 E&Y Financial Statements Audit Plan, which was received for information.

At 9:25 AM, the Committee took a brief break and reconvened at 9:30 AM.

- G. Update on Electric Rate Restructuring – Melissa Dykes, Chief Financial Officer, provided an update on Electric Rate Restructuring, which was received for information. JEA established a cross-functional team to assess rate structuring options to resolve the identified gap between revenue and expenses on the electric side of the business. The team identified three goals: revenue stability, minimal customer impact, and system efficiency and they continue to evaluate revenue neutral options to align cost structure, balancing customer impact, and environmental compliance needs. Options include: increase fixed charge, decrease variable charge, tiered structure, time-of-use structure (TOU), and demand structure. Next steps are to conduct focus groups to determine how customers perceive the value of utility services and gain customer input; develop a pilot demand or time-of-use project; and continue to evaluate rate structure changes.

H. Treasury Services Activities

1. Electric System and Water and Sewer System Reserve Fund Quarterly Report – Joe Orfano, Treasurer, reviewed the Electric System and Water and Sewer System Reserve Fund Quarterly Report, which was received for information.
2. Recap of Recent JEA Water and Sewer System and St. Johns River Power Park Fixed Rate Debt Refunding Delegated Transactions – Joe Orfano, Treasurer, reviewed the Recap of Recent JEA Water and Sewer System and St. Johns River Power Park Fixed Rate Debt Refunding Delegated Transactions, which was received for information.

- I. Office of General Counsel Legal Brief – Jody Brooks, City of Jacksonville Office of General Counsel, provided a list of issues the Office of General Counsel is supporting on behalf of JEA. The list was provided for information and a copy is in the meeting file.

J. Announcements

1. The next Finance and Audit Committee meeting will be held on December 10, 2014, at 8:00 AM.

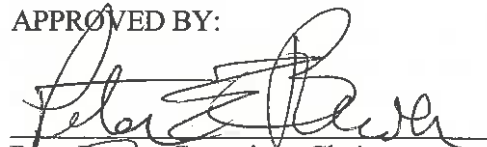
K. Committee Discussion Sessions

1. Ernst & Young – At 10:07 AM, Mr. Bower dismissed staff, and the Committee held a general conversation with Mike Pattillo and Justin Threet.
2. Director, Audit Services – At 10:25 AM, the Committee held a general conversation with Doris Champ, Director Audit Services.
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 10:30 AM.

APPROVED BY:


Peter Bower, Committee Chair
Date: Dec. 16, 2014

Submitted by:


Jeanne Ryan
Executive Assistant