

JEA FINANCE & AUDIT COMMITTEE MINUTES  
December 10, 2014

The Finance & Audit Committee of JEA met on Wednesday, December 10, 2014, 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 Peter Bower called the meeting to order at 8:00 AM with Members Helen Albee, 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, Janice Nelson, Doris Champ, Robert Hahn, Walette Stanford, Gerri Boyce, and Jane Upton. Jody Brooks, Office of General Counsel, Mike Pattillo and Justin Threet, Ernst & Young, Robert Campbell, Council Auditors Office, and Nate Monroe, Florida Times–Union, were also in attendance.
- B. Adoption of Agenda – The agenda was adopted **on motion** by Mr. Cumber and second by Mr. Winbush.
- C. Approval of Minutes – The August 11, 2014 Minutes and November 18, 2014 Special Meeting Minutes were unanimously approved **on motion** by Mr. Cumber and second by Ms. Albee.

**Agenda Item II – New Business**

- A. Feedback on Rating Agency Presentations – Mr. Bower and Members provided feedback and impressions from the New York Rating Agency presentations. JEA's review of business and financials were well received. There were questions regarding JEA's relationship with City Government and the independence of JEA's Board. In addition, JEA was able to address questions from the agencies and share the benefits of the November proposal.
- B. Finance and Audit Committee Self-Assessment Results Summary – Doris Champ, Director Audit Services, summarized the results of the Committee's Self-Assessment which were submitted to and compiled by her, as required by the Committee's Charter. The average total score was 115 out of a total 125 points, with overall positive comments. This summary was received for information.
- C. Audit/ERM Annual Approvals and Quarterly Update – The Quarterly ERM/Audit 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. Mr. Cumber asked that a copy of the final draft of JEA's response to the EPA be forwarded to Members.
  - 1. Annual Services Charter Change – **On motion** by Mr. Winbush and second by Mr. Cumber, the Committee unanimously approved the Audit Services Charter and recommends Board approval.
  - 2. Annual Quality Assurance Improvement Program (QAIP) Self-Assessment – Doris Champ, Director Audit Services, reviewed the Annual QAIP Self-Assessment was received for information. Ms. Champ's review included the background, purpose and scope, and conclusion of the assessment. The results show JEA's Audit Services' degree of conformance to Institute of Internal Auditors (IIA) Standards generally conforms.
- D. Ernst & Young (E & Y) 2014 Annual External Audit Report and Management Letter – E & Y 2014 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 and Mr. Threet provided an overview of the 2014 Audit Report and Management Letter, copies of which are provided in the Finance & Audit Committee meeting file. Mr. Pattillo stated there was nothing out of the ordinary and thanked Melissa Dykes and Janice Nelson for their staff's support throughout the process.

- E. External Auditors Evaluation 2014 – Janice Nelson, Controller, facilitated the Committee's discussion and Member evaluation of Ernst & Young's effectiveness as JEA's external auditors. Following Members' verbal completion of the evaluation scorecard, **on motion** by Mr. Winbush and second by Mr. Cumber, the Committee unanimously recommends the Board authorize staff to negotiate a one-year contract extension for approval at the next regular Finance and Audit Committee. A copy of the completed scorecard is in the meeting file.
- F. Ethics Officer Quarterly Report – The Ethics Officer Quarterly Report was reviewed by Walette Stanford, Ethics Officer and Director Workforce Strategies, which was received for information.
- G. JEA Energy Market Risk Management Policy Report – Mike Brost Vice President/General Manager, Electric Systems, reviewed the JEA Energy Market Risk Management Report, which was received for information.
- H. Treasury Services Activities
  - 1. JEA Calendar Years 2015 and 2016 Fixed Rate Refunding Debt Parameter Resolutions for Electric, Water and Sewer, and St. Johns River Power Park Systems – Following a review of the item from Melissa Dykes, Chief Financial Officer, **on motion** by Mr. Cumber and second by Mr. Winbush, the Committee unanimously recommends that the Board approve and adopt Resolutions No. 2014-07, 2014-08, 2014-09, 2014-10, 2014-11, and 2014-12, and the related forms of Bond Purchase Agreement, Preliminary Official Statement, Escrow Deposit Agreement and Bond that will provide the Managing Director/CEO the authorization to price and execute Electric System, Subordinated Electric System, Water and Sewer System, Subordinated Water and Sewer System, St. Johns River Power Park System Issue Two, and St. Johns River Power Park System Issue Three, respectively, fixed rate funding transactions within the stated parameters.
  - 2. JEA Interest Rate and Commodity Hedging Agreements – **On motion** by Mr. Cumber and second by Mr. Winbush, the Committee unanimously recommends the Board approve Resolution No. 2014-13, in substantially final form, consolidating, restating, and amending prior hedging resolutions as outlined in the discussion above and ratifying and approving the FY2014 International Swaps and Derivatives Association (ISDA) Master Agreements as stated therein.
  - 3. Electric System and Water and Sewer System Reserve Fund Quarterly Report – Melissa Dykes, Chief Financial Officer, reviewed the Electric System and Water and Sewer System Reserve Fund Quarterly Report, which was received for information.
- I. Recommendation to Call a Public Hearing to Add a Load Density Improvement Discount to the Existing Economic Development Program and Other Administrative Changes – Melissa Dykes, Chief Financial Officer, presented the merits of adding a discount to the existing Economic Development Program to provide additional financial incentive for new commercial and industrial customers to locate into a Load Density Improvement Area. A map was distributed to illustrate the affected service areas. A copy is in the meeting file. **On motion** by Mr. Cumber and second by Mr. Winbush, the Committee unanimously recommends the Board take action to call a Public Hearing to occur during the regularly scheduled Board meeting on January 20, 2015.

## J. Announcements

1. The next Finance and Audit Committee meeting will be held on March 9, 2015, at 8:00 AM.
2. Paul McElroy stated that Mayor Brown is introducing a bill appointing John D. Hirabayashi to the JEA Board to fill the void created by Mike Hightower's resignation.

*At 9:35 AM, the Committee took a brief break and reconvened at 9:40 AM.*

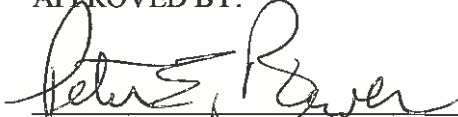
## K. Committee Discussion Sessions

1. Ernst & Young – At 9:40 AM, Mr. Bower dismissed staff, and the Committee held a general conversation with Mike Pattillo and Justin Threet.
2. Director, Audit Services – At 9:48 AM, the Committee held a general conversation with Doris Champ, Director Audit Services.
3. Council Auditor's Office – Mr. Campbell had no concerns requiring discussion with the Committee.

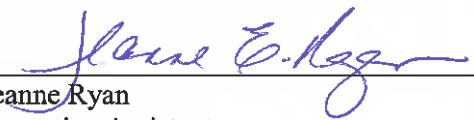
**Closing Considerations**

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 9:58 AM.

APPROVED BY:

  
Peter Bower, Committee Chair  
Date: March 17, 2015

Submitted by:

  
Jeanne Ryan  
Executive Assistant