

## JEA FINANCE & AUDIT COMMITTEE MINUTES

February 5, 2015

The Finance & Audit Committee of JEA held a special meeting on Thursday, February 5, 2015, in the 8<sup>th</sup> Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida, for review and consideration of the Interlocal Agreement, with its proposed Charter amendments, and for authorization for staff to submit the Agreement to the City Council.

### Agenda Item I – Opening Considerations

- A. Call to Order – Chair Peter Bower called the meeting to order at 8:03 AM with Committee Members Wyman Winbush, Helen Albee, and Husein Cumber in attendance. Lisa Weatherby was also present as an observer. Others in attendance were Paul McElroy, Melissa Dykes, Bud Para, Joe Orfano, Jane Upton, Wayne Young, Doris Champ, Janice Nelson, and Gerri Boyce, JEA, Jody Brooks and Lawsikia Hodges, Office of General Counsel (OGC), Kirk Sherman and Robert Campbell, City of Jacksonville Council Auditor's Office, and Chris Hand, City of Jacksonville. Vince Manning, IV, JAXChamber, Nate Monroe, Florida Times-Union, Stephanie Brown, WOKV, Max Marbut, Financial News and Daily Record, and Cindy Laquidara, Akerman LLP, were also in attendance.
- B. Adoption of Agenda – The agenda was adopted **on motion** by Mr. Winbush and second by Ms. Albee.
- C. Approval of Minutes – The January 20, 2105 Minutes were unanimously approved **on motion** by Mr. Cumber and second by Mr. Winbush.

### Agenda Item II – New Business

- A. Interlocal Agreement and Charter Amendments – Paul McElroy, Chief Executive Officer/Managing Director, opened discussions and advised the Committee that positive and constructive discussions have ensued throughout this long and winding road. Since the Special Finance and Audit Committee meeting on January 15, 2015, an agreement between JEA and the City was reached on the Interlocal Agreement with both sides giving a little. The contribution has landed in essentially the same place. Language within the agreement allows JEA to hire in-house legal counsel to assist JEA with its daily activities and strategic decisions. JEA may elect to establish a separate retirement program and transfer JEA members from the City pension plan to the JEA pension plan together with the value of assets and accrued liability attributed to the transferred JEA members. There may be more flexibility than previously understood about Civil Service and that issue is no longer included in the agreement. Mr. McElroy stated that Ms. Laquidara can talk about several paths that can be taken as we move towards continuity in the workforce and rules.

Melissa Dykes, Chief Financial Officer, reviewed a graph showing proposed changes to the contribution as it returns to an economic determinant (based on sales) and a summary of the revised Charter language in the draft Interlocal Agreement distributed to attendees, and which can be found in the meeting file. Beginning with Fiscal Year 2016, JEA's combined assessment amount will diminish by \$2,500,000 each fiscal year for five years, flatten for five years, and if after ten years, sales increase significantly for two consecutive years, Council may reconsider the assessment calculations every fifth year thereafter. If in any fiscal year the formula assessment amount is greater than the agreed upon contribution, JEA shall pay the City the formula assessment for that fiscal year. Otherwise, the assessment will continue to diminish by \$2,500,000 annually until it meets sales. Mr. Bower reminded the Committee that the previous draft included increased sales for three years rather than two. Mr. Cumber asked that the

combined assessment amount language be clearly defined within the agreement prior to execution in the amount of \$120,000,000.

Ms. Dykes then reviewed the other revised Charter language within the agreement including: transfer of control over JEA's portion of the General Employee Pension Plan by JEA, support for growth and economic development specifically related to utility services, and other support to help JEA grow, specifically Office of General Counsel services. There is no change to civil service Charter language. In exchange, JEA makes a one-time upfront payment to the City.

The Committee then discussed specific language changes within the Charter.

The Economic Development section provides for a designated JEA liaison to the City's Office of Economic Development. Additionally, the City will support JEA's management of the water system and JEA's efforts to employ its skills and talent in all available utilities, including opportunities related to uses of solar energy and natural gas, in addition to all remaining and future utilities. Members agreed that this should help in requiring developers to install reclaimed water distribution infrastructure, and for customers to connect, which will help JEA meet its Consumptive Use Permit long-term limits.

Language is also added to provide JEA the option to establish an employee deferred compensation program and a separate retirement program for JEA employees.

Language is also added to establish an assessment formula of each utility system (other than electric, water and sewer) operated by JEA for uses and purposes of the City.

Language will allow JEA to retain in-house legal counsel and/or procure outside legal counsel to assist with its daily activities and the JEA and City chief legal officer shall consult before JEA selects outside counsel.

Ms. Laquidara led a discussion relating to Civil Service, procedures and collective bargaining. The benefits to the bargaining units for removal from Civil Service include one employer and one set of streamlined rules.

There are several procedural options to consider.

- 1) The City can add JEA to the list of exemptions that already exist within the existing article separate from the JEA Charter, as has been done for certain City and Authority positions.
- 2) The JEA Board can file a Resolution with City Council to modify the JEA Charter to address Civil Service. There is language within the Charter to define employees to affect a change. The resolution would need then to be brought before State Legislature.
- 3) Continue to hire certain positions as exempt.

Committee Members stressed that clear communication between management, employees and the bargaining units is important in this and any change to benefits.

Prior to making a motion, Mr. Cumber confirmed with City representatives in attendance that they were satisfied with the final proposed Interlocal Agreement. Ms. Dykes stated that we will contact rating agencies once the agreement is approved by City Council.

**On motion** by Mr. Cumber and second by Mr. Winbush, the Committee unanimously recommended that the JEA Board approve the Interlocal Agreement and its proposed Charter changes, with the term "combined assessment amounts" more clearly defined and syntax corrections made, and authorize staff to submit the Agreement to City Council.

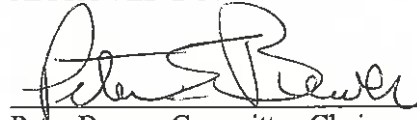
- B. Accounting Changes for Regulatory Accounting – Melissa Dykes, Chief Financial Officer, provided an introduction to the rollout of the regulatory accounting changes that will be

recommended for approval at the March 2015 Finance and Audit Committee and Board meetings. These changes will require the Board to take more responsibility in rate setting and will better align our Generally Accepted Accounting Practices (GAAP) reporting with our debt service coverage calculations and reporting. In tandem, JEA is evaluating changing its rate setting methodology from Cash Basis to the Utility Basis methodology. Ms. Dykes reviewed a preliminary Pro Forma Financial Statement using Fiscal Year 2014 to illustrate the impact of the change. All of these proposed changes require policy updates which will be submitted at the March Finance and Audit Committee and the March Board meeting for approval. This item was received for information.

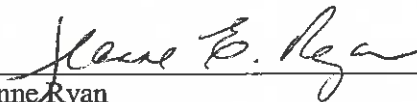
**Agenda Item III – Closing Considerations**

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 8:52 AM.

APPROVED BY:

  
Peter Bower, Committee Chair  
Date: March 7, 2015

Submitted by:

  
Jeanne Ryan  
Executive Assistant